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# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

## **HAYS PENSION SCHEME**

FOR THE YEAR ENDED 30 JUNE 2021

Scheme Registration Number: 10126076

Hays Pension Scheme  
Annual Report for the year ended 30 June 2021

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Hays Pension Scheme  
Scheme Advisers

<b>Scheme Trustee - Hays Pension Trustee Limited</b>	
<b>Directors</b>	
<i>Independent Directors</i>	The Law Debenture Pension Trust Corporation plc (Chairman) represented by S Burnard O Lahav, M J Hudson Allenbridge
<i>Company-Nominated Directors</i>	D Evans S Hill
<i>Member-Nominated Directors</i>	P Dungate C Logan (retired 30 June 2021) I Pratt C Hill (appointed 1 April 2021) J Taylor (appointed 1 July 2021)
<b>Secretary</b>	K Bedford
<b>Scheme Advisers:</b>	
<b><i>Scheme Actuary</i></b> Alec Day Hymans Robertson LLP One London Wall London EC2Y 5EA	<b><i>Independent Auditor</i></b> BDO LLP 55 Baker Street London W1U 7EU
<b><i>Scheme Investment Adviser</i></b> Mercer Limited Tower Place West London EC3R 5BU	<b><i>Investment Custodian</i></b> BNY Mellon Asset Servicing One Canada Square Canary Wharf London E14 5AL
<b><i>Legal Adviser</i></b> Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG	<b><i>Bankers</i></b> Lloyds Bank Plc PO Box 72 Bailey Drive Gillingham Kent ME8 0LS
<b><i>Scheme Administrator</i></b> Equiniti Pensions Solutions Sutherland House Russell Way Crawley West Sussex RH10 1UH	<b><i>Investment Adviser</i></b> MJ Hudson Allenbridge 1 Frederick's Place London EC2R 8AE

Hays Pension Scheme  
Scheme Advisers

<b>Investment Managers:</b>	
Nordea 6th Floor 5 Aldermanbury Square London EC2V 7AZ	Deutsche Bank Asset Management 25 Melville Street Edinburgh EH3 7PE
AVIVA Investors Jersey Unit Trust Management Limited Gaspé House 66-72 Esplanade St Helier Jersey JE2 3QT	Insight Investment Management (Global) Limited 160 Queen Victoria Street London EC4V 4LA
Mercer Global Investment Europe Limited Charlotte House Charlemont Street Dublin 2 Ireland	
<b>AVC Providers:</b>	
Aviva Life & Pensions UK Limited	
Utmost Life & Pensions (all assets transferred to Prudential in September 2020)	
Prudential Life Assurance Company Limited	

Hays Pension Scheme  
Scheme Advisers

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**Principal Employer:**

Hays plc  
4<sup>th</sup> Floor  
20 Triton Street  
London  
NW1 3BF

**Contact for further information or complaints about the Scheme:**

Kath Bedford (Pensions Manager)  
Hays plc  
4<sup>th</sup> Floor  
20 Triton Street  
London  
NW1 3BF  
Email: [pensions@hays.com](mailto:pensions@hays.com)  
Telephone: 0333 010 7079

# Hays Pension Scheme

## Review of the Management and Development of the Scheme

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### **Introduction**

This report relates to the operation of the Hays Pension Scheme (the "Scheme") during the year ended 30 June 2021.

The Scheme is a defined benefit arrangement that provides retirement benefits. Such benefits are calculated on formulae that take into account the member's salary and pensionable service. There is also a small defined contribution section.

The Scheme closed for the accrual of future benefits for active members on 30 June 2012.

### **Management of the Scheme**

#### **Operation of the Trustee**

The Trustee of the Scheme is Hays Pension Trustee Limited (the "Trustee") and the directors of the Trustee are shown on page 1. The power to appoint and remove the Trustee is vested in Hays plc ("Hays") under the Trust Deed of the Scheme. Under the Trustee's Articles of Association, directors are appointed and may be removed by Hays plc, but the Trustee also has the power to appoint any person to be a director either to fill a casual vacancy or as an addition to the existing directors. Member-nominated directors are appointed in accordance with a procedure agreed by the Trustee and which complies with relevant legislation. During the year, it was decided to increase the number of directors from seven to eight and a new director was appointed with effect from 1 July 2021.

The directors maintain a business plan in order to assist in effectively managing the Scheme, which is reviewed at each Trustee meeting and amended as appropriate. The business plan includes procedures for ensuring that directors' training needs are reviewed and monitored and that the directors undertake regular and appropriate training to help ensure that they can supervise the management of the Scheme effectively. During the year, the Trustee met on four occasions. Decisions taken at meetings of the Trustee require the support of the majority of the directors and minutes are taken at meetings of the Trustee Board and of its sub-committees.

In order to ensure the effective and efficient conduct of business, the Trustee has established a number of sub-committees with specific responsibilities that are set out in formal terms of reference. Each sub-committee meets regularly and reports to the Trustee on its activities and their terms of reference are reviewed periodically by the Trustee.

In accordance with its Conflicts of Interest and Whistle-blowing Policy, the Trustee maintains a register of potential conflicts of interest in relation to its directors, officers and advisers. The register is kept under regular review and any potential conflict is notified and closely managed. Annually, the Trustee reviews its conflicts procedures to ensure that all potential conflicts have been properly notified and managed and that no potential conflict has operated against the interests of the Scheme or the Trustee. The most recent review was carried out in December 2020 and the Trustee confirms that the policy has operated effectively for the period commencing from its adoption to the review date.

Annually, the Trustee Board carries out a review of its own effectiveness. The latest review was carried out in December 2020.

#### **Financial development of the Scheme**

The Financial Statements on pages 18 to 32 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the fund decreased in value by £62.1 million from £969.7 million as at 30 June 2020 to £907.6 million as at 30 June 2021.

Hays plc paid £16.2 million (2020: £15.7 million) in the year in respect of deficit funding contributions (see 'Actuarial' section below).

Benefits and administration expenses paid from the Scheme in the year amounted to £31.4 million (2020: £33.1 million).

Details of the Scheme's investment strategy, performance and custody arrangements are included in the Investment Report on pages 9 to 13. The Investment Report, which has been prepared by the Trustee's investment adviser, Mercer Limited, has been reviewed by the Trustee and forms part of the Trustee's report to members.

# Hays Pension Scheme

## Review of the Management and Development of the Scheme

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### **Financial development of the Scheme (continued)**

The Financial Statements show the position of the Scheme at a particular point in time and, in order to understand the funding level of the Scheme, the Financial Statements should be read in conjunction with the actuarial valuation documents.

#### **Actuarial**

The last full actuarial valuation was undertaken as at 30 June 2018 and the results from this were reviewed and signed off on 27 March 2019. The formal actuarial valuation as at 30 June 2021 is currently underway. The statutory deadline for completing the 30 June 2021 formal valuation is 30 September 2022.

Following the 2018 valuation, Hays and the Trustee agreed a deficit recovery plan with deficit recovery contributions of £15.3 million per annum commencing 1 July 2018, increasing by 3% each subsequent 1 July. The current recovery plan provides for these contributions to be paid until 20 February 2024. Technical Provision represents a prudent estimate of the cost of benefits accrued by members on an ongoing basis at the relevant date.

The Actuary does not need to provide an annual funding update in the year of a formal valuation but has estimated that as at 30 June 2021, based on the funding principles agreed at the 2018 valuation, the deficit had decreased from £43.6 million as at 30 June 2018 to an estimated surplus of £8.2 million at 30 June 2021, with the value of assets being 101% of the amount needed to cover the Scheme liabilities on a Technical Provisions basis. A 1.17% uplift has been applied to the Scheme liabilities for GMP equalisation.

The Report on Actuarial Liabilities is on page 33.

#### **Covid-19**

The continued disruption in the UK due to Covid-19 did not cause any disruption to the systems in place at the Scheme administrators, Equiniti. The administration of the Scheme continues to operate effectively.

The Trustee considered this ever changing situation and has designed and implemented the Scheme's investment strategy taking a long term view and has built in resilience to withstand short term fluctuations.

#### **Going concern**

The management of the Hays Pension Scheme, together with the factors likely to affect its future development, performance, and financial position are set out in the Annual Report and Financial Statements.

The Hays Pension Scheme holds financial resources in the form of the investments. As at 30 June 2021 the value of the assets were estimated to be 101% of the amount needed to cover the Scheme liabilities on a Technical Provisions basis. These investments together with the bulk annuity income receivable from Canada Life Limited in relation to pensioner payments for all pensioners of the Scheme as at 31 December 2017, and the additional employer deficit funding contributions received from Hays plc currently agreed until February 2024, will continue to provide sufficient sources of liquidity to fund the Scheme.

The directors consider that the continuance of additional employer deficit funding contributions (in line with the agreement) is supported by the Hays plc financial statements for the year ended 30 June 2021 having an unmodified audit opinion from PwC dated 25 August 2021, the receipt of the agreed deficit funding payments throughout the year ended 30 June 2021 and subsequent contributions received to date.

Therefore, the Scheme is well-placed to manage its risks and contractual commitments and neither the employer nor the directors have discussed plans to wind up the Scheme in the next 12 months.

## **Financial development of the Scheme (continued)**

### **Going concern (continued)**

After making enquiries, the directors of the Scheme have formed the judgment at the time of approving the financial statements that there is a reasonable expectation that the Scheme has adequate resource to continue in existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

### **GMP equalisation**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and is happy to report that a significant number of deferred members have now had their benefits equalised and are progressing with equalisation of the remaining membership. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the Financial Statements and therefore have not included a liability in respect of these matters in these Financial Statements. They will be accounted for in the year they are determined.

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds Banking Group pension schemes. This follows from the original judgment in October 2018. This latest judgment confirms that Defined Benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling.

We estimate that the impact of this ruling will not be material in the context of the Scheme's overall liabilities.

### **Pension review**

Subject to certain caps and exceptions, the Trustee increases pensions in payment for the main Scheme payroll at 1 July each year in accordance with the change in the Retail Prices Index (RPI) over the preceding 12 months ending on 31 March. The annual RPI figure for 31 March 2021 was 1.5%. Subject to the exceptions below, all benefits accrued between 6 April 1997 and 1 July 2006 were awarded this increase. For all benefits accrued post 1 July 2006, subject to the exceptions below, the increase to pensions in payment was also 1.5% (capped at 2.5% in accordance with the Scheme Rules).

The following benefits were awarded different increases in 2021 in accordance with the Rules or practice of the Scheme:

- i) post 1988 Guaranteed Minimum Pensions were increased by 0.5% in April;
- ii) pensions in the Axis Resources category were increased in April by 3% for pre 1997 benefits and by 3% for post 1997 benefits;
- iii) pensions in the EPS category were increased in May by 5% where applicable for pre 1997 benefits and by 1.1% for post 1997 benefits;
- iv) the annual increase under the Career Care category was 5% for all pre 2006 pension benefits; and
- v) no discretionary increases were awarded to Pensioners in the year.



Hays Pension Scheme  
Review of the Management and Development of the Scheme

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**Financial development of the Scheme (continued)**

**Further information**

Requests for information relating to a member's own benefits should be sent to the Scheme Administrator, Equiniti Pensions Solutions, at the address on page 1. Any queries about the Scheme generally should be made to Kath Bedford at the address given on page 3.

**Approval**

This Trustee Report, including the membership on page 8, the Investment Report on pages 9 to 13 and the Statement of Trustee's Responsibilities on page 14 were approved by the Trustee on 18 October 2021.

**Signed for and on behalf of Hays Pension Trustee Limited**

**S Burnard  
Representing The Law Debenture Pension Trust Corporation PLC  
(Chairman)**

## Hays Pension Scheme Membership

### Membership

Details of the membership of the Scheme are given below:

	<b>2021</b>	<b>2020</b>
<b>Pensioners</b>		
Pensioners at the start of the year	2,920	2,848
Adjustments		
via death, commutation or cessation	(15)	(6)
via retirement or dependant set up	28	14
Members retiring during the year	89	119
Spouses and dependants	51	43
Commutation of pension in payment	(9)	(5)
Pensioners who died during the year	(81)	(92)
Dependant ceasing	(3)	(1)
<b>Pensioners at the end of the year</b>	<b>2,980</b>	<b>2,920</b>
<b>Deferred members</b>		
Deferred members at the start of the year	4,132	4,333
Adjustments		
via death, commutation or cessation	(16)	(7)
via retirement or transfer	(11)	(16)
Retirements	(89)	(119)
Transfers out during the year	(43)	(46)
Trivial Commutations during the year	(12)	(6)
Deaths in deferment	(9)	(7)
<b>Deferred members at the end of the year</b>	<b>3,952</b>	<b>4,132</b>
<b>Pensions purchased with Aviva</b>		
Pensioners at the start of the year	121	135
Pensioners who died during the year	(18)	(14)
<b>Pensioners at the end of the year</b>	<b>103</b>	<b>121</b>
<b>Total membership at the end of the year</b>	<b>7,035</b>	<b>7,173</b>

In the above table, pensioners include individuals receiving a pension upon the death of their spouse. Aviva was previously known as Norwich Union.

# Hays Pension Scheme Investment Report

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## Introduction

The Scheme is divided into two sections: the Defined Benefit Section<sup>1</sup> and Members' Additional Voluntary Contributions Section.

## Defined Benefit Section

### Investment Strategy

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking advice from the Scheme's investment adviser. The Trustee has put in place mandates with their investment managers to implement this strategy.

Over the year to 30 June 2021, the Trustee made the following changes to the Scheme's investment strategy:

- In September 2020, the Trustee agreed to invest £62.0 million (c. 9.5% of the Scheme's assets excluding insurance policies) in Insight's Short Dated Buy and Maintain Bond Fund. The investment was funded from excess collateral reserves in the Insight LDI portfolio and invested over the period from January 2021 to June 2021 in monthly tranches.
- The Trustee also agreed to partly rebalance the Scheme's assets, which took place in October 2020. This involved disinvesting £17.0 million from the Insight LDI Portfolio and topping up the Insight Diversified Corporate Bond Fund and Nordea Absolute Return Fund with £8.5 million each.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee. None of the Scheme's investment managers notified the Trustee of any breaches and it has been reviewed during the year, to reflect the investment strategy changes mentioned above. A copy of the Statement of Investment Principles is available via the following link: [www.hayspensionscheme.com](http://www.hayspensionscheme.com).

### Policy on ESG, Climate Change and Stewardship

The Trustee believes that environmental, social and governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, such as climate change, present risk and opportunities that increasingly may require explicit consideration.

The Trustee has given the appointed investment managers full discretion when evaluating ESG issues, including climate change considerations, and in exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented annually.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustee does not currently explicitly consult members when making investment decisions.

The Trustee has delegated the day-to-day management of the investments to professional external investment managers. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom or equivalent regulators if domiciled overseas, manage the investments within the restrictions set out in the Statement of Investment Principles.

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<sup>1</sup> Which also includes the Money Purchase section which has a DB underpin.

## Hays Pension Scheme Investment Report

### Defined Benefit Section (continued)

#### Investment Management

The Trustee invests in segregated portfolios, pooled investment vehicles and derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes and to reduce certain investment risks.

Where the Scheme's assets are managed on a segregated basis, the mandates put in place by the Trustee specify how rights attached to them are actioned. This includes, where appropriate, active voting and an expectation that environmental, social and governance factors will be considered when making investment decisions. The Trustee has no direct influence over the underlying assets within pooled investment vehicles held by the Scheme but reviews the managers' policies and statements of compliance in respect of these matters.

Further details are included in the Statement of Investment Principles referenced above.

The table below illustrates the distribution of assets held by the Defined Benefit section of the Scheme at 30 June 2021 and 30 June 2020. The table also shows the benchmark asset allocation as at 30 June 2021.

Asset Class	30 June 2021 (%)	30 June 2020 (%)	Benchmark (%)
Synthetic Equity	3.3	2.5	3.0
<i>UK</i>	1.0	0.8	1.0
<i>World</i>	2.3	1.7	2.0
Absolute Return	5.0	3.1	4.5
Global Multi-Asset Credit	7.3	6.4	9.0
Cash	1.0	-	-
Corporate Bonds	19.3	16.5	18.5
Short Dated Corporate Bonds	9.7	-	9.5
Property	9.5	8.6	10.0
LDI Mandate <sup>1</sup>	45.8	63.4	48.5
Cash Drawdown Sub-Portfolio	2.2	1.7	-
Short Cash Exposure <sup>2</sup>	-3.1	-2.2	-3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current Market Value (exc Buy-in Policy)<sup>3</sup></b>	<b>£639.5m</b>	<b>£671.1m</b>	-
<b>Buy-in Policy<sup>4</sup></b>	<b>£257.6m</b>	<b>£284.1m</b>	-
<b>Current market value (inc Buy-in Policy)<sup>5</sup></b>	<b>£897.1m</b>	<b>£955.2m</b>	-

Source: Investment Managers. Bid values sourced from Investment Managers where possible, otherwise mid/single price values provided by Investment Managers.

1. LDI mandate comprises of UK Gilts; Network Rail Bonds; cash and derivative positions.
2. Valuation represents synthetic equity notional exposure.
3. Excludes the cash held and unrealised profit/loss on the currency hedge overlay portfolio with Insight of c. £0.09 million as at 30 June 2021 and c. £0.01 million as at 30 June 2020.
4. Bought-in insured pensioners on the Technical Provisions basis, sourced from Hymans. Excludes non bought-in insured pensioners.
5. Excludes AVCs (£3.9 million as at 30 June 2021 and £4.3 million as at 30 June 2020).

## Hays Pension Scheme Investment Report

### Defined Benefit Section (continued)

#### Investment Management (continued)

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. More details about investment are given in the notes to the accounts.

#### Investment Performance

The long term performance shown below has been estimated by Mercer and incorporates the portfolio restructuring that has occurred over the periods shown.

	Three Years to 30 June 2021		Five Years to 30 June 2021	
	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
<b>Total Return</b>	8.4	8.8	8.7	8.3

Source: Mercer, net of fees. Total Return includes the impact of the LDI mandate with Insight and currency hedging.

The table below sets out the net of fees returns achieved by the Scheme's managers, against their respective benchmarks for the one year period and period since inception to 30 June 2021.

Manager	Mandate	1 Year (%)		Since Inception (% p.a.)	
		Fund	B'Mark	Fund	B'Mark
Insight	Synthetic Equity	23.5	23.5	12.9	12.9
Nordea	Absolute Return	10.0	4.1	4.4	4.6
Mercer	Multi-Asset Credit	15.1	11.2	4.1	3.8
Deutsche <sup>1</sup>	Cash	0.1	-0.1	0.9	0.8
Aviva	HLV Property	9.0	0.8	6.2	6.9
Insight	Credit	3.7	2.5	6.6	6.1
Insight	Short-Dated Credit <sup>2</sup>	-	-	0.0	0.0
<b>Total Return<sup>3</sup></b>		<b>-5.3</b>	<b>-6.7</b>	<b>8.0</b>	<b>8.2</b>

Source: Investment managers, net of fees. Mercer estimates and Thomson Reuters Datastream.

1. The cash fund held with Standard Life was amalgamated into Deutsche Global Liquidity Series PLC on 1 June 2011. Since inception performance shown is sourced from Standard Life to 31 May 2011 and from Deutsche thereafter.
2. The fund inception date was 5 January 2021.
3. Total performance figures have been estimated by Mercer and include the impact of the Liability Driven Investment ("LDI") mandate with Insight and currency hedging.

The Trustee receive reports from their investment advisers, on a quarterly basis, showing actual performance by manager and fund. Investment managers are also invited to present to the Trustee's Investment Sub-Committee on a regular basis.

#### Custodial arrangements

As the Trustee predominantly invests in pooled investment vehicles, the safekeeping of the underlying assets is undertaken by parties selected by the investment managers.

In relation to the segregated mandate, the Trustee has appointed BNY Mellon Asset Servicing ("BNY Mellon") as custodian. BNY Mellon are responsible for the safekeeping of the investments, the settlement of all portfolio transactions, the collection of income from securities, tax reclaims, foreign currency transactions and cash management.

# Hays Pension Scheme Investment Report

## Members' Additional Voluntary Contributions Section

In addition to the Defined Benefit section, the Scheme also consists of members' Additional Voluntary Contributions ("AVC"). The AVC assets are managed by Aviva and Prudential.

The table below illustrates the total asset values held by the AVC Section of the Scheme at the beginning and end of the year to 30 June 2021.

	30 June 2021	30 June 2020
<b>Total Market Value</b>	<b>£3.9 million</b>	<b>£4.3 million</b>

## Market Background

With most economies having re-opened by mid-summer of 2020, global GDP rebounded at a record pace. Covid-19 infections rose again sharply across western countries later in the year, leading to a gradual return of restrictions. The impact on quarterly GDP growth was less pronounced this time because GDP was at a lower level already than before the Covid-19 shock, whilst at the same time consumers and businesses were better prepared to function amid these restrictions. At the same time, the start of vaccines being rolled out in late 2020 led to optimism that fuller and more sustainable reopening could be achieved the following year.

2021 began with lockdowns in numerous countries including the UK as much of the world faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions. The recovery started to take shape over the second quarter of 2021 as the successful vaccine roll-out in developed countries made the spread of another more contagious Covid-19 variant less consequential in terms of hospitalizations. The vast majority of US states fully reopened with minimum restrictions remaining and the UK also lifted almost all restrictions over the second quarter. Continental Europe has been slower to reopen as progress continues with the vaccination roll-out whilst a number of countries across Asia Pacific with low vaccination rates actually increased restrictions.

On balance, the reopening of many developed countries has offset setbacks elsewhere and allowed the anticipated economic recovery to materialise. The reopening-driven rebound has continued to put pressure on supply chains, resulting in shortages in a number of areas such as semi-conductors and adding to inflationary pressures. The Federal Reserve ('Fed') and other central banks continued to reiterate that such inflationary pressures were transitory and that inflation would converge back to target in the longer run. However, a statement from the Fed's June meeting was perceived to be less dovish than expected which caused some market volatility until Fed officials subsequently reassured markets that pre-emptive interest rate increases were not on the agenda. On the fiscal side, another large stimulus package in the US earlier in the year and the recent agreement on a large infrastructure programme added additional fuel to the recovery.

## Equities

On a year-on-year basis to 30 June 2021, returns for risk assets were strong. Positive market sentiment was supported by reopening, the perceived effectiveness of vaccine programmes and a robust recovery in corporate earnings fuelled by accommodative fiscal and monetary policy. Many unloved sectors have only started to catch up over 2021 as the recovery became more broad-based.

Over the second half of 2020 the equity rebound continued for most markets, led primarily by large cap companies achieving secular growth, as western economies tentatively reopened whilst accommodative fiscal and monetary policy remained in place. Towards the end of the year, vaccine announcements and faster than expected deployment, alongside a reduction in political uncertainty boosted market sentiment further which benefited small caps and value stocks, perceived to benefit

### **Equities (continued)**

disproportionally from reopening. Markets went into 2021 positioned for a full economic reopening later in the year in spite of restrictions increasing again in much of the developed world. This view turned out to be correct, which drove a continuation of the equity bull run over the first half of 2021. Volatility spiked at times, driven by retail investor activity earlier in the year and inflation scares as well as by concerns over monetary tightening being accelerated.

### **Bonds**

Government bond yields started the second half of 2020 at very low levels following the prior quarter's rally. The UK 10-year gilt yield, reached an all-time low just above 0% in August before partially retracing to just above 0.2% by the end of 2020. In early 2021, UK gilt yields rose sharply in line with global yields as investors priced in the strong recovery and increasing inflation risk, which was then partially reversed over spring as the market began to warm up to the idea of inflation risk being transitory. The UK 10-year gilt yield ended the quarter at 0.75%.

A consultation on the future of RPI led to the decision in November 2020 to converge RPI to CPIH from 2030 without any spread adjustment being applied to compensate index-linked gilt holders (and other recipients of RPI-linked payments). In spite of the consultation outcome being deemed unfavourable for holders of index-linked gilts, the decision had been widely anticipated and the reduction in long-dated breakeven inflation rates implied in index-linked gilts was modest over the year. Moreover, inflation expectations rose sharply then cooled from their near term highs in 2021 which benefited index-linked gilts only to some degree due to the high duration component of the asset class.

Credit spreads have tightened over the past year as market optimism returned, bolstered by government support. Credit spreads ended the period at slightly lower levels than in late 2019 and remained broadly unchanged over Q2 2021. This led to positive returns for UK credit, as demand for spread assets remained strong over the year and outperformance of credit relative to government bonds on a duration-adjusted basis.

### **Property**

The recovery of UK real estate markets from the shock of Covid-19 slowed during the second half of 2020 and with the emergence of a 'second wave' of the pandemic, a second lockdown, and a potential Brexit cliff-edge at year-end. With the UK emerging from its third lockdown in the second quarter of 2021 thanks to one of the world's most successful vaccination programs and a mostly seamless Brexit earlier in the year, positive momentum returned. Overall capital value growth resumed while rental values stabilized for most parts of the market. The industrial sector continued to perform strongly while weakness in retail and leisure assets persisted. But weakness of retail may have reached a trough in Q2 2021, with declines in asset values slowing and even returning to growth in some parts of the market. Uncertainty around the post-Covid return to work continued to dampen activity in office markets.

### **Employer - Related Investments**

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets as at 30 June 2021, meaning the Scheme complies with legislative requirements. This will continue to be monitored on an annual basis.

## Hays Pension Scheme Statement of Trustee's Responsibilities

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### **Statement of Trustee's Responsibilities**

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS102) are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited Financial Statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the Financial Statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable to the Scheme by or on behalf of the employer and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.



# Hays Pension Scheme Independent Auditor's Report

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## To the Trustee of Hays Pension Scheme

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements of Hays Pension Scheme ('the Scheme') for the year ended 30 June 2021 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

### Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

## Hays Pension Scheme Independent Auditor's Report

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### **Other information (continued)**

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiring of the Trustee, and where appropriate, the administrators or consultants as to whether:
- the Scheme is in compliance with laws and regulations that have a material effect on the financial statements;
- they have knowledge of any actual, suspected or alleged fraud;
- any reports have been made to the Pensions Regulator.
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

## Hays Pension Scheme Independent Auditor's Report

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### **Auditor's responsibilities for the audit of the financial statements (continued)**

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Scheme's Trustee in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scheme's Trustee for our audit work, for this report, or for the opinions we have formed.

### **BDO LLP**

*Statutory auditor*  
London  
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Hays Pension Scheme  
Fund Account for the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
<b>Contributions and Benefits</b>			
Employer contributions	4	16,215	15,742
Other income	5	36	41
		<u>16,251</u>	<u>15,783</u>
Benefits paid or payable	6	(17,255)	(17,072)
Payments to and on account of leavers	7	(11,817)	(13,984)
Administrative expenses	8	(2,282)	(2,035)
Other payments	9	(29)	(22)
		<u>(31,383)</u>	<u>(33,113)</u>
<b>Net withdrawals from dealings with members</b>		<u>(15,132)</u>	<u>(17,330)</u>
<b>Returns on Investments</b>			
Investment income	10	23,109	24,749
Change in market value of investments	11	(67,530)	121,087
Investment management expenses	12	(2,540)	(1,612)
Net returns on investments		<u>(46,961)</u>	<u>144,224</u>
<b>Net (decrease)/increase in the fund during the year</b>		(62,093)	126,894
<b>Net assets of the Scheme</b>			
<b>As at 1 July</b>		969,701	842,807
<b>As at 30 June</b>		<u><u>907,608</u></u>	<u><u>969,701</u></u>

The notes on pages 20 to 32 form part of these Financial Statements.

Hays Pension Scheme  
Statement of Net Assets as at 30 June 2021

	Note	2021 £'000	2020 £'000
<b>Investment assets:</b>			
Bonds	11	482,029	683,819
Pooled investment vehicles	13	349,767	246,732
Derivatives	14	835,705	1,149,428
AVC investments	17	3,939	4,335
Insurance policies	16	263,956	292,099
Cash deposits	11	6,322	475
Income receivable	11	3,177	3,953
Other investment balances	11	15,822	4,926
		<u>1,960,717</u>	<u>2,385,767</u>
<b>Investment liabilities:</b>			
Repurchase agreements	15	202,584	274,796
Derivatives	14	839,585	1,136,657
Other investment balances	11	11,229	6,222
		<u>1,053,398</u>	<u>1,417,675</u>
<b>Total net investments</b>		<u>907,319</u>	<u>968,092</u>
Current assets	21	2,344	3,302
Current liabilities	22	(2,055)	(1,693)
		<u>289</u>	<u>1,609</u>
<b>Net assets of the Scheme</b>		<u><u>907,608</u></u>	<u><u>969,701</u></u>

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions or other benefits which fall due after the year end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 33 of the Annual Report and these Financial Statements should be read in conjunction with this report.

The notes on pages 20 to 32 form part of these Financial Statements.

These Financial Statements were approved by Hays Pension Trustee Limited on 18 October 2021.

.....Trustee Director

.....Trustee Director

**1. Basis of preparation**

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised 2018).

**2. Identification of the financial statements**

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

**3. Accounting policies**

The principal accounting policies adopted by the Trustee of the Scheme are as follows:-

**A. Contributions and other income**

Contributions and other income are accounted for as follows:-

- (i) Employers' deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions.
- (ii) Other income is on an accruals basis.

**B. Transfers**

Individual transfers out of the Scheme are accounted for when the member liability is discharged which is normally when the transfer amount is paid.

**C. Benefits and expenses**

Benefits are accounted for in the period in which they fall due. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if later or there is no choice, on the date of retiring or leaving.

**D. Investments**

- (i) Quoted investments are included in the Statement of Net Assets at their market value at the year end. UK listed securities and foreign securities quoted on a recognised stock exchange are stated at bid or single price market values with foreign investments being converted into sterling at the exchange rates ruling at the end of the year. UK listed securities traded through the London Stock Exchange Electronic Trading Service (SETS) are valued on the basis of the last SETS trading price.
- (ii) Gains and losses arising on the valuation of investments, together with exchange gains and losses arising on the translation of investments, are included as part of the change in market value of investments.
- (iii) Authorised Unit Trusts are valued at the bid or single price listed in the Stock Exchange Daily Official List showing the date of Statement of Net Assets.
- (iv) Unauthorised Unit Trusts Exempt Funds are valued at the bid or single prices calculated on the last working day of each month during the period.
- (v) Funds invested by members to secure additional benefits are included in the Statement of Net Assets as AVC investments and stated at the value as advised by the provider.
- (vi) Valuations of bonds are stated at the fair-market values on a 'clean' basis (i.e. excluding interest). Accrued interest at the period end is included in other investment balances.
- (vii) Foreign income is converted into sterling at the rate ruling at the date of transaction. Foreign income due at the year end and foreign currency assets and liabilities are converted at the exchange rates ruling at the year end. Differences arising on translation of current assets and liabilities are included in the change in market value of investments. The investment managers have taken appropriate action to safeguard against adverse exchange rate fluctuations.
- (viii) Annuity Policies have been valued by the Alex Day FIA and Donna Dickie FIA at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.
- (ix) Pooled investment vehicles are valued at closing bid price or single price as at the year end, as advised by the investment managers.

**3. Accounting policies (continued)**

**D. Investments (continued)**

- (x) The Scheme's functional and presentational currency is pounds sterling.
- (xi) Receipts from the Bulk Buy-in policy and Aviva individual policies are accounted for on an accruals basis within annuity income. Aviva annuities are paid direct to pensioner annuitants and is reflected within the pensions balance.

**E. Management Expenses**

- (i) Professional and administration fees and expenses of the Scheme (charged in accordance with a fee agreement approved by the Trustee) are borne by the Scheme and accounted for on an accrual basis.
- (ii) The fees of the Investment Managers are accounted for on an accruals basis and are based on the market value of the total funds under their control. These agreed costs are borne by the Scheme. Where management fees are not separately invoiced but reflected in the unit price, the fees disclosed to the Trustee for the year have been shown as a sale proceed and the cost included with the investment management expense.

**F. Derivative contracts**

- (i) Derivative contracts are valued at fair value. The fair value, being the unrealised profit or loss on the contracts, is shown as a separate line within investments.  
Derivative contracts are fair valued at bid price for asset positions and the offer price for liability positions. Where there is no bid/offer spread available, the mid, single price will be used. Derivative contracts' changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income the change in fair value is included in investment income.
- (ii) Swaps are valued at the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
- (iii) The fair value of the forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.
- (iv) Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

**G. Repurchase agreements**

Repurchase agreements (where the Scheme has sold assets with the agreement to repurchase at a fixed date and price) are included in the accounts at the fair value of the repurchase price as a liability. The assets sold are reported in the appropriate asset class in the investments note at their fair value reflecting that the Scheme retains the risks and rewards of ownership of those assets.

4. Employer contributions	2021 £'000	2020 £'000
<b>From participating employer</b>		
Deficit funding	16,215	15,742

Deficit contributions increased to £16,214,664 (2020: £15,742,392) in the year ended 30 June 2021 as agreed following completion of the 2018 valuation. They will continue to be paid by Hays increasing by 3% each subsequent 1 July until 20 February 2024 under the Schedule of Contributions certified on 27 March 2019.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

<b>5. Other income</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Surplus on purchased annuities	<u>36</u>	<u>41</u>
<p>The surplus on purchased annuities relates to monies received in respect of retired members reaching their maximum HMRC limits.</p>		
<b>6. Benefits paid or payable</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Pensions	15,164	14,936
Commutations of pensions and lump sums on retirement	2,011	2,088
Refund of contributions on death	80	48
	<u>17,255</u>	<u>17,072</u>
<p>Pensions paid include £13,409,000 (2020: £13,574,000) received in respect of annuity payments.</p>		
<b>7. Payments to and on account of leavers</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Individual transfers to other pension arrangements	<u>11,817</u>	<u>13,984</u>
<b>8. Administrative expenses</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Administration, actuarial and consultancy fees	1,867	1,653
Audit fees	25	32
Legal expenses	154	129
Trustee Directors' fees and other advisory costs	204	177
Miscellaneous expenses	32	44
	<u>2,282</u>	<u>2,035</u>
<b>9. Other payments</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trustee insurance	<u>29</u>	<u>22</u>



Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

**10. Investment income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Income from bonds	5,703	6,901
Income from pooled investment vehicles	4,137	3,822
Interest on liquid assets	-	10
Annuity income	13,408	13,574
Interest on cash deposits	5	2
	23,253	24,309
Net income/(payments) regarding swaps	629	3,951
Credit repo balance finance charges	(773)	(3,511)
	23,109	24,749

Credit default swap and repo balance finance charges represent the finance costs incurred by investment managers to fund purchases of gilts to improve the efficiency of portfolio management.

**11. Reconciliation of investments**

	Market value at 1 July 2020	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value at 30 June 2021
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bonds	683,819	381,488	(525,251)	(58,027)	482,029
Pooled investment vehicles	246,732	386,660	(298,466)	14,841	349,767
Insurance policies	292,099	-	-	(28,143)	263,956
Derivatives	12,771	140,891	(160,681)	3,139	(3,880)
AVC investments	4,335	-	(402)	6	3,939
	1,239,756	909,039	(984,800)	(68,184)	1,095,811
Repurchases agreements	(274,796)				(202,584)
Cash deposits	475			654	6,322
Income receivable	3,953				3,177
Other investment balances	(1,296)				4,593
	968,092			(67,530)	907,319

The change in market value of investments during the year comprises all profits and losses realised on sales of investments during the year together with gains and losses arising from the revaluation in the market value of investments held at the year end. Sale proceeds and derivative receipts include indirect investment managers' fees and performance related charges to the funds.

All investments are in the name of the custodians except for AVCs and pooled investment vehicles, which are held under managed policies in the name of the Scheme.

The companies managing the investments are registered in the United Kingdom and Ireland.

**Transaction costs**

These costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. The value of direct transaction costs is £nil (2020: £62,725).

Indirect transaction costs are reflected within unit prices and are not separately provided to the Scheme.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

<b>12. Investment management expenses</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Administration, management and custody	1,646	1,987
Performance fees	894	(375)
	<u>2,540</u>	<u>1,612</u>

**13. Pooled investment vehicles**

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bonds	185,503	110,439
Absolute return	31,965	20,762
Multi-Asset credit	46,910	43,157
Property	60,870	57,873
Cash	24,519	14,501
	<u>349,767</u>	<u>246,732</u>

**14. Derivatives**

The Trustee has authorised the use of derivatives by the investment managers as part of the investment strategy for the pension Scheme. The main objectives for the use of derivatives and the policies followed during the year are summarised as follows:

<b>Total derivatives</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Swaps	835,698	(839,451)	1,149,428	(1,136,634)
Foreign exchange	7	(134)	-	(23)
	<u>835,705</u>	<u>(839,585)</u>	<u>1,149,428</u>	<u>(1,136,657)</u>

**OTC Swaps**

A swap is a derivative contract in which two counter-parties agree to exchange a stream of cash flows against another stream with the magnitude of the cash streams being based on the rate of inflation, interest, credit default or an asset. All swaps are Over the Counter transactions (OTC).

The Trustee aims to match the liability-driven element of the investment portfolio with the Scheme's long term liabilities, particularly in relation to their sensitivities to interest rate movements. Due to the lack of available long-dated bonds the Trustee holds interest-rate and inflation swaps to extend the duration and match more closely with the Scheme's liability profile.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

**14. Derivatives (continued)**

**OTC Swaps (continued)**

Type of contract	Expires within	Notional Amounts £'000	Asset value £'000	Liability value £'000
Asset Swap	6 months	-	21,044	(20,179)
Asset Swap	Over 30 years	(55)	17,059	(45,965)
Interest Rate Swap	0-15 years	36,658	145,343	(115,529)
Interest Rate Swap	16-30 years	(13,400)	134,245	(143,663)
Interest Rate Swap	Over 30 years	42,728	77,079	(55,866)
RPI Swap	0-15 years	-	123,697	(136,179)
RPI Swap	16-30 years	-	209,119	(211,117)
RPI Swap	Over 30 years	-	108,112	(110,953)
<b>Total 2021</b>		<b>65,931</b>	<b>835,698</b>	<b>(839,451)</b>
Total 2020		91,202	1,149,428	(1,136,634)

**Forward foreign exchange**

In order to maintain appropriate diversification of investments within the portfolio and take advantage of investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

The contracts listed below are single forward OTC contracts.

Settlement date	Currency bought	Value of Currency bought '000	Currency sold	Value of Currency sold '000	Asset value £'000	Liability value £'000
1 month	GBP	155	AUD	283	1	-
1 month	GBP	243	CAD	414	1	-
1 month	GBP	204	CHF	259	1	-
1 month	GBP	719	EUR	832	4	-
1 month	GBP	492	JPY	76,322	-	(6)
1 month	GBP	4,754	USD	6,744	-	(128)
<b>Total 2021</b>					<b>7</b>	<b>(134)</b>
Total 2020					-	(23)

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

### 15. Repurchase agreements

The Scheme uses sale and repurchase agreements (also known as repo transactions) to achieve the Trustee's liability hedging objective. The investment manager (Insight) is allowed to undertake repo transactions on the Scheme's existing gilt holdings to raise cash with which to buy additional gilts for efficient portfolio management.

Counterparty	Underlying asset	Nominal £'000	Repurchase date	Asset value £'000	Liability value £'000
Citi Group	UK Treasury I-L 2% 26.01.2035	(18,000)	12/10/2021	-	(52,303)
Goldmans	UK Treasury 0.875% 22.10.2029	22,000	08/07/2021	23,462	-
Goldmans	UK Treasury 0.125% 31.01.2028	37,000	10/12/2021	35,967	-
Goldmans	UK Treasury 0.25% 31.07.2031	19,000	07/07/2021	18,959	-
Goldmans	UK Treasury 1.25% 22.07.2027	39,000	06/07/2021	42,403	-
Goldmans	UK Treasury 1.75% 22.01.2049	(18,650)	08/07/2021	-	(23,610)
Goldmans	UK Treasury 3.5% 22.07.2068	(5,945)	06/07/2021	-	(12,987)
Goldmans	UK Treasury 1.25% 31.07.2051	(22,000)	10/12/2021	-	(21,672)
Goldmans	UK Treasury 1.75% 22.01.2049	(8,000)	28/07/2021	-	(9,810)
Goldmans	UK Treasury 0.625% 22.10.2050	(7,250)	12/07/2021	-	(6,799)
Goldmans	UK Treasury 0.5% 22.10.2061	(18,600)	10/12/2021	-	(14,365)
Goldmans	UK Treasury 0.5% 22.10.2061	(26,600)	06/07/2021	-	(25,098)
Goldmans	UK Treasury 1.625% 22.10.2054	(3,350)	06/07/2021	-	(4,267)
Goldmans	UK Treasury 1.625% 22.10.2054	(14,950)	07/07/2021	-	(19,040)
GOVILF*	UK Treasury I-L 0.375% 22.03.2062	(5,500)	14/07/2021	-	(16,394)
Lloyds Bank	UK Treasury I-L 0.125% 10.08.2041	(28,400)	14/04/2022	-	(47,226)
Merril Lynch	UK Treasury I-L 0.125% 10.08.2028	(31,500)	13/09/2021	-	(41,971)
Merril Lynch	UK Treasury 0.125% 31.01.2028	43,500	13/09/2021	42,304	-
Merril Lynch	UK Treasury 0.125% 31.01.2028	72,000	10/09/2021	69,660	-
Merril Lynch	UK Treasury I-L 2% 26.01.2035	(11,500)	10/09/2021	-	(33,120)
Merril Lynch	UK Treasury 3.5% 22.01.2045	(25,356)	10/09/2021	-	(36,608)
NatWest Markets Plc	UK Treasury 1.25% 31.07.2051	(10,000)	17/05/2022	-	(9,493)
NatWest Markets Plc	UK Treasury 0.875% 31.01.2046	(9,000)	19/07/2021	-	(8,088)
Royal Bank of Canada					
Europe	UK Treasury 3.5% 22.07.2068	(20,000)	12/04/2022	-	(36,762)
Royal Bank of Canada					
Europe	UK Treasury 3.5% 22.07.2068	(7,500)	28/01/2022	-	(15,726)
<b>Total 2021</b>				<b>232,755</b>	<b>(435,339)</b>
Total 2020				131,212	(406,008)

\* Insight Government Liquidity Fund

### 16. Insurance policies

The Scheme held insurance policies at the year-end as follows:

	2021 £'000	2020 £'000
Bulk Buy-in (with Canada Life)	257,577	284,088
Annuity policies (with Aviva)	6,379	8,011
	<u>263,956</u>	<u>292,099</u>

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

**16. Insurance policies (continued)**

On 6 August 2018, Hays Pension Trustee Limited, in agreement with Hays plc, entered into a bulk purchase annuity policy (buy-in) contract with Canada Life Limited for a premium of £270.6 million in respect of insuring all future payments to the pensioner population of the Hays defined benefit scheme as at 31 December 2017. The pension buy-in transaction was funded through the existing investment assets held by the Trustee on behalf of the pension scheme. The balance receipt of £100,092 was received on 13 August 2020.

The Trustee also holds annuity policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Scheme and have been included at £6,378,635 (2020: £8,011,257). The terms of the policies allow for increases in annual pensions. The increase under the policies is greater than that permitted by the rules of the Scheme and legislation and as a result the Trustee is entitled to receive a rebate. As disclosed in note 5 to the Financial Statements, the income for the year from these policies was £36,488 (2020: £41,043).

Annuity policies are included in the Financial Statements at a valuation undertaken by the Scheme Actuary using the Technical Provisions basis and assumptions as disclosed in the Report on Actuarial Liabilities on page 33.

**17. AVC investments**

The aggregate amounts of AVC funds are as follows: -

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Aviva Life & Pensions UK Limited	128	122
Prudential Life Assurance Company	3,811	4,135
Utmost Life & Pensions	-	78
	<u>3,939</u>	<u>4,335</u>

**18. Fair value determination**

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level (1) The unadjusted quoted price in an active market for an identical assets or liabilities that the entity can access at the measurement date.
- Level (2) Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level (3) Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

<b>As at 30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bonds	482,029	-	-	482,029
Pooled investment vehicles	-	349,767	-	349,767
Insurance policies	-	-	263,956	263,956
Derivatives	-	(127)	(3,753)	(3,880)
AVC's	-	-	3,939	3,939
Repurchase agreements	(202,584)	-	-	(202,584)
Cash deposits	6,322	-	-	6,322
Income receivable	3,177	-	-	3,177
Other investment balances	4,593	-	-	4,593
	<u>293,537</u>	<u>349,640</u>	<u>264,142</u>	<u>907,319</u>

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

**18. Fair value determination (continued)**

As at 30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	683,819	-	-	683,819
Pooled investment vehicles	-	246,732	-	246,732
Insurance policies	-	-	292,099	292,099
Derivatives	-	(23)	12,794	12,771
AVC's	-	-	4,335	4,335
Repurchase agreements	(274,796)	-	-	(274,796)
Cash deposits	475	-	-	475
Income receivable	3,953	-	-	3,953
Other investment balances	(1,296)	-	-	(1,296)
	<u>412,155</u>	<u>246,709</u>	<u>309,228</u>	<u>968,092</u>

**19. Investment Risk Disclosures**

**Investment Risks**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Market risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- *Currency risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;
- *Interest rate risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates;
- *Other price risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the SIP and the Investment Policy Implementation Document ("IPID").

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include AVC investments held in the Trustee's name as these are not considered significant in relation to the overall investments of the Scheme.

The Scheme holds insurance policies comprising of individual annuities along with a buy-in policy with Canada Life. The policies directly expose the scheme to credit risk with market risks borne by the insurer. The value of these policies are disclosed in note 16 to the Financial Statements

**Investment Strategy**

The investment objective for the Trustee of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Defined Benefit ("DB") Section as they fall due.

## 19. Investment Risk Disclosures (continued)

### Investment Strategy (continued)

In setting the investment strategy, the Trustee has taken into account considerations such as the strength of the employer covenant, the long term liabilities of the DB section and the funding agreed with the Employer.

The current strategy (excluding the buy-in policy) is to hold broadly:

- 83.5% in investments that share characteristics with the long term liabilities of the Scheme. The majority of the assets are invested in corporate bonds and an LDI portfolio which uses government and corporate bonds as well as derivative instruments to hedge the impact of interest rate movements on the long term liabilities. The remaining amount is invested in HLV property, which is expected to generate inflation-linked cashflows over a long time horizon.
- 16.5% in return seeking assets comprising global equities, absolute return, and multi-asset credit.
- 50% of selected developed overseas currency exposures are hedged to sterling.

The actual allocations will vary from the above due to market price movements and intervals between rebalancing the portfolio, which takes place quarterly.

### Market Risk

#### a) Currency Risk

The Scheme's foreign currency exposure comes from the exposure to global equities, accessed through Total Return Swaps and managed by Insight. The Trustee seeks to hedge part of its global developed equity exposure against currency movements by hedging 50% of the overseas currency exposure.

The Scheme's investment in the Nordea Absolute Return fund as well as the investment in the Mercer Multi-Asset Credit fund consist of underlying investments across regions which expose the Scheme to indirect currency risk but that are used as part of the funds' investment strategy to add value. The funds are not exposed to direct currency risk as the Scheme is invested in sterling denominated share-classes.

#### b) Interest Rate Risk

The Scheme is subject to direct interest rate risk because some of the Scheme's investments are held in bonds and swaps within the Scheme's segregated LDI mandate managed by Insight. The value of investments at year end amounted to c. £292.2 million (2020: c. £424.7 million) within the LDI mandate. Within the LDI mandate managed by Insight, the instruments held may include swaps, futures contracts, corporate bonds, government bonds, interest rate swaps, RPI swaps, repurchase agreements, futures, and cash.

Indirect interest rate risk also arises from the Scheme's pooled investments within the Insight Enhanced Buy & Maintain Bond Fund and the Insight Short Dated Buy & Maintain Bond Fund. The value of investments at year end amounted to c. £123.4 million (2020: c. £110.4 million) within the Enhanced Buy & Maintain Bond Fund, and c. £62.1 million (2020: £nil) in the Short Dated Buy & Maintain Bond Fund. The Trustee has considered direct and indirect interest rate risk in the context of the overall investment strategy.

Under the Scheme's LDI strategy, if interest rates fall, the value of LDI investments (and other investments deemed to have direct interest rate sensitivity, such as the Insight Enhanced Buy & Maintain Bond Fund) will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the interest rate sensitive investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. As at the year end, the hedge ratio on a gilts-0.2% p.a. liability basis was 81% for interest rates (c. 85% on a gilts flat basis versus a gilts flat figure of 83% in 2020) and 76% (c. 79% on a gilts flat basis versus a gilts flat figure of 85% in 2020) for inflation.

The Trustee also has an exposure to indirect interest risk due to the underlying assets held within the Absolute Return (Nordea) and Multi-Asset Credit vehicles (Mercer). The indirect interest rate risk from

## 19. Investment Risk Disclosures (continued)

### Market Risk (continued)

#### b) Interest Rate Risk (continued)

these mandates is expected to be low as this risk is mitigated by the fund managers investing in a variety of asset types with diversification across a number of issuers and counterparties, and may not be hedged as the exposure can be used by the investment manager as part of its investment strategy to add value. As at the year end the investments within the Absolute Return fund amounted to £32.0 million (2020: £20.8 million) and the Multi-Asset Credit mandate amounted to £46.9 million (2020: £43.2 million).

#### c) Other Price Risk

Other price risk arises in relation to the Scheme's return seeking portfolio which includes global equities (with exposure accessed through Total Return Swaps and managed by Insight), an absolute return fund and multi-asset credit held through underlying investments in pooled investment vehicles (indirect exposure). Other price risk also arises indirectly in relation to the high lease to value property fund held by the Scheme.

The Scheme has set a target asset allocation of 16.5% of assets being held in return seeking investments. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the return seeking portfolio represented 15.7% of the total investment portfolio (noting 3.3% of this is equity exposure achieved synthetically) (2020: 12.1%, noting 2.5% of this was equity exposure achieved synthetically). The high lease to value property mandate represented 9.5% (2020: 8.6%).

#### Credit Risk

The Scheme is subject to direct credit risk because the Scheme directly invests in bonds, over-the-counter ("OTC") derivatives, enters into repurchase agreements and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the structure of the investment vehicle and to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

#### Segregated Investment Arrangements

The Scheme is subject to direct credit risk because the Scheme invests in a segregated mandate with Insight (LDI). The value of this investment at year end amounted to c. £292.2 million (2020: c. £424.7 million) within the LDI mandate.

The LDI portfolio managed by Insight primarily holds UK government bonds; the portfolio may also hold corporate bonds, derivatives, repurchase agreements and cash. Credit risk arising on bonds held directly within the LDI portfolio is mitigated by investing mostly in government bonds where the credit risk is minimal. This is the position at the current and previous year end.

Credit risk arising on derivatives held in the LDI mandate depends on whether the derivative is exchange traded or over the counter.

- OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. This is the position at the current and previous year end.
- Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. This is the position at the current and previous year end.

Credit risk arising on cash held within financial institutions is mitigated by ensuring cash is held with a diversified range of institutions which are at least investment grade credit rated. This is the position at the current and previous year end.



Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

**19. Investment Risk Disclosures (continued)**

**Pooled Investment Arrangements**

Pooled investment arrangements used by the Scheme comprise of collective investment schemes. The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

A summary of the pooled investment vehicles by type of arrangement is shown below:

	<b>30 June 2021</b> <b>(£'000)</b>
Open-ended Investment Company (OEIC)	288,897
Unit Trust	60,870

*Source: Investment Managers and Mercer.*

Direct credit risk arising from pooled investment vehicles is mitigated by capital requirements, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

Indirect credit risk arises in relation to underlying investments in bonds, property and diversified growth pooled investment vehicles. The Trustee invests in Funds which hold non-investment grade credit rated instruments with a view to adding value and indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer, counterparty or tenant.

Some of the Scheme's pooled arrangements invest in other pooled arrangements, for example, Multi-Asset Credit (Mercer). The Trustee has considered the impact of these arrangements in relation to the Scheme's exposure to failure by the sub-funds or reinsurers who may have different regulatory or insolvency protections compared to the pooled investment made directly by the Scheme, although the risk of failure is mitigated through diversification of underlying investment managers.

The value of pooled investment vehicles at both current and prior year end can be seen in note 13 to the financial statements.

**20. Concentration of investments**

The following investments represent more than 5% of the total value of the net assets of the Scheme.

	<b>2021</b> <b>£'000</b>	<b>2021</b> <b>%</b>	<b>2020</b> <b>£'000</b>	<b>2020</b> <b>%</b>
Canada Life (buy-in)	257,577	28.4	284,088	29.3
Insight Global Diversified Corporate Bonds Fund	123,429	13.6	110,438	11.4
Insight Short Dated B & M Bond Fund Class S	62,074	6.8	-	-
Lime Property Unit Trust	60,870	6.7	57,873	6.0
Mercer Multi-Asset Credit	46,910	5.2	43,157	4.5

**21. Current assets**

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Surplus on annuities receivable	36	41
VAT recoverable from employer	258	176
Prepayment	14	9
Cash deposits held by Scheme Administrator	2,036	3,076
	<b>2,344</b>	<b>3,302</b>

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2021

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<b>22. Current liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Retirement benefits payable	167	20
Canada Life – July paid in advance	944	947
PAYE	2	16
Administrative fees payable	445	387
Investment management fees payable	497	323
	<u>2,055</u>	<u>1,693</u>

**23. Related party transactions**

During the year £180,786 (2020: £153,603) was charged to the Scheme by directors of the Trustee in respect of services provided to the Scheme. The charges were levied by O Lahav, P Dungle, C Logan, I Pratt, C Hill and The Law Debenture Trust Corporation plc.

Five of the directors of the Trustee were members of the Scheme - 4 deferred and 1 pensioner. Benefits for these members are paid and accrued on the same basis as for all other members of the Scheme and in accordance with the Scheme Rules.

The Scheme has reimbursed Hays plc for the cost of the Pensions Manager. The amount of the reimbursement was £94,277 (2020: £97,500).

## Hays Pension Scheme Report on Actuarial Liabilities

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Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 30 June 2018. This showed that on that date:

The value of the Technical Provisions was:	£846.2 million
The value of the assets at that date was:	£802.6 million

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

The Actuary's annual funding update as at 30 June 2020, on the funding principles agreed at the 2018 valuation, showed that the deficit had decreased from £43.6 million as at 30 June 2018 to an estimated £28.5 million as at 30 June 2020, with the value of the assets being 97% of the amount needed to cover the Scheme liabilities on a Technical Provisions basis. It should be noted that since 31 March 2019, a 1.17% uplift has been applied to the Scheme liabilities for GMP Equalisation.

The Actuary's do not need to provide an annual funding update in the year of a formal valuation but have estimated that as at 30 June 2021, based on the funding principles agreed at the 2018 valuation, the deficit had decreased from £43.6 million as at 30 June 2018 to an estimated surplus of £8.2 million at 30 June 2021, with the value of assets being 101% of the amount needed to cover the Scheme liabilities on a Technical Provisions basis.

### **Method**

The actuarial method used in the calculation of the Technical Provisions is the Projected Unit Method.

### **Significant actuarial assumptions**

**Discount interest rate:** term dependent rates are set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 0.75% per annum.

**Future retail price inflation:** term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

**Future consumer price inflation:** term dependent rates derived from the assumption for future retail price inflation less an adjustment of 0.8% per annum.

**Pension increases:** derived from the term dependent rates for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions of the Scheme's rules.

**Mortality:** 2018 Scheme specific Club Vita base tables, with future improvements in line with the CMI 2017 model calibrated to Club Vita with a smoothing parameter of (Sk=8) and a long-term improvement rate of 1.5%p.a.

# Hays Pension Scheme Actuarial Certificates



Hays Pension Scheme | Hymans Robertson LLP

## Hays Pension Scheme (“the Scheme”) Schedule of Contributions

This schedule sets out the contributions that will be paid to the Scheme. This schedule is dated 17 December 2018 and applies from date of signature until ~~31 December 2023~~. It replaces the previous schedule dated 10 August 2016.

20 FEBRUARY 2024

This schedule has been prepared with the agreement of Hays plc<sup>1</sup> (“the Employer”) and after taking the advice of Richard Shackleton (“the Scheme Actuary”). This schedule has been certified by the Scheme Actuary and the certificate is included in the appendix.

### Regular contributions

The Scheme is closed to future accrual so there are no member contributions or ordinary Employer contributions payable.

### Employer deficit reduction contributions

The 30 June 2018 actuarial valuation showed that the Scheme had a funding deficit relative to the Scheme’s statutory funding objective. The Employer shall pay the following deficit reduction contributions:

- £15,283,870 per annum, payable in even monthly instalments from 1 July 2018 onwards, increasing by 3% on each 1 July.

All employer contributions are due to be paid to the Scheme not later than 19 days after the end of the month to which they relate.

The Employer shall also pay to the Scheme any additional contributions required from time-to-time on the advice of the Scheme Actuary as required from time to time under the Scheme’s trust deed and rules.

### Expenses, Levies, Fees and Insurance Premiums

In addition to the deficit reduction contributions the Employer is also responsible for the payment of the Pension Protection Fund levy.

The following expenses are met from the Scheme’s assets:

- Such other pension scheme levies (except for the Pension Protection Fund levy) as payable by the Employer or the Trustee under the terms of the Pension Schemes Act 1993 and the Pension Schemes Act 2004;
- Any fees falling due to the Scheme administrator, investment manager or other professional advisers;
- Investment charges and expenses; and
- Other expenses of the Trustee that are reasonably incurred in the course of performing its duty as Trustee.

<sup>1</sup> The Hays Pension Scheme is a multi-employer Scheme. The Employers have nominated Hays plc to act as the representative on behalf of all the Employers participating in the Scheme for the purpose of Section 229(1) of the Pensions Act 2004.

Hays Pension Scheme  
Actuarial Certificates



Hays Pension Scheme | Hymans Robertson LLP

Prepared by the Trustee of the Scheme

Signature [Handwritten Signature] on behalf of the Trustee

Print name A.J. Parker, Director for Position TRUSTEE DIRECTOR  
The Law Debenture Pension Trust Corporation p.l.c.

Date 20-2-2019

Agreed by the Employer

Signature [Handwritten Signature] on behalf of the Employer

Print name [Handwritten Name] Position DIRECTOR

Date 20-02-2019

This schedule of contributions is provided to meet the requirements of section 227 of the Pensions Act 2004.

# Hays Pension Scheme Actuarial Certificates



Hays Pension Scheme | Hymans Robertson LLP

## Hays Pension Scheme Schedule of Contributions – Actuarial Certificate

### Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 30 June 2018 can be expected to be met by the end of the period specified in the recovery plan dated 20 February 2019.

### Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 20 February 2019.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature	
Date	27 March 2019
Name	Richard Shackleton
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall, London, EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

# Hays Pension Scheme

## Compliance Statement for the year ended 30 June 2021

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### **Constitution**

The Scheme was established by an interim Trust Deed dated 28 June 1988 and is governed by the Definitive Trust Deed dated 17 March 1998, subsequent amendments and the Third Replacement Definitive Deed and Rules dated 12 June 2012, the Closure Deed dated 29 June 2012, Deed of Amendment dated 29 June 2017, and Deed of Amendment dated 30 April 2021.

### **Taxation Status**

In accordance with the provisions of Schedule 36 of Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006. The Trustee knows of no reason why this status may be prejudiced or withdrawn.

### **Calculation of Transfer Values**

Transfer values paid during the year were calculated and verified in the manner required by the Regulations. None of the transfer values paid were less than the amount required by the Regulations.

### **Employer-Related Investment**

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets as at 30 June 2021, meaning the Scheme complies with legislative requirements. This will continue to be monitored on an annual basis.

### **Internal Disputes Resolution Procedure (IDRP)**

The Trustee operates an IDRP and the response to the first stage of a complaint made under the IDRP is issued by the Pension Manager on behalf of the Trustee. The Pension Manager's contact details can be found on page 3.

### **Data Protection**

The General Data Protection Regulations 2016/679 (Regulations) cover information which is held electronically, i.e. computer based information and extend data protection laws to cover paper-based records held for individuals.

The Regulations contain restrictions on the processing of special categories of data as defined in the Regulations, to which individuals must give their consent.

The Trustee and the Scheme Actuary hold personal information about members and beneficiaries under the Scheme (personal data) and are regarded as Data Controllers for data protection purposes. They will use the personal data for the purposes of administering the Scheme efficiently and for the purposes of calculation and settlement of benefits as and when due and to determine contribution levels. They are required to look after personal data in accordance with legal requirements. This means that they are responsible for deciding what personal information needs to be processed and the way in which that information is processed. In processing personal data, they may need to pass personal information about members and beneficiaries, to the Scheme's administrators, auditors, legal advisers, insurers and such third parties as may be necessary for the purposes of the Scheme.

Full details of the types of personal data that are held, how the information is used and who it is shared with are set out in the privacy notice. The privacy notice also sets out the rights of those whose personal data is held, and who to contact to exercise those rights, make a complaint, or generally raise any questions. A copy of the current privacy notice is available from the Pensions Manager at the address shown on page 3 and on the Hays Pension Scheme website: [www.hayspensionscheme.com](http://www.hayspensionscheme.com).

Hays Pension Scheme  
Compliance Statement for the year ended 30 June 2021

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**The Pensions Regulator**

The statutory body that regulates occupational pension schemes is the Pensions Regulator and can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
Telephone: 0345 600 5656  
Email: [customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**Pension Tracing Service**

A pension tracing service is operated by the Department for Work and Pensions and can be utilised by members who have lost contact with the pension scheme Trustee. The contact address and details for the service are as follows:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Telephone: 0800 731 0193  
From outside the UK: +44 (0)191 215 4491  
Website: <https://www.gov.uk/find-pension-contact-details>

*Please note that due to the ongoing impacts of Covid-19, the Pension Tracing Service is unable to deal with incoming postal queries. Please use one of their other contact channels listed above.*

**Money Helper (previously The Pensions Advisory Service)**

Any concerns connected with the Scheme should be referred to the Pensions Manager of Hays plc at the address given on page 3, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes, who have problems concerning their scheme and who are not satisfied by the information or explanation provided by the Administrator, the Pensions Manager or the Trustee, can consult with Money Helper. A local adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively the Service can be contacted at:

Pension Wise  
PO Box 10404  
Ashby-de-la-Zouch  
Leicestershire  
LE65 9EH  
Telephone: 0800 011 3797  
From outside the UK: +44 (0)20 7932 5780  
Email: [contact.pensionwise@moneyhelper.org.uk](mailto:contact.pensionwise@moneyhelper.org.uk)  
Website: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

*Please note that due to the ongoing impacts of Covid-19, Money Helper might be unable to deal with incoming postal queries. Please use one of their other contact channels listed above.*

**Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU  
Telephone: 0800 917 4487  
From outside the UK: +44 (0)207 630 2200  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)



Hays Pension Scheme  
Independent Auditor's Statement about Contributions  
for the year ended 30 June 2021

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**To the Trustee of Hays Pension Scheme**

**Statement about contributions**

We have examined the Summary of Contributions to Hays Pension Scheme ('the Scheme') for the year ended 30 June 2021 on page 40.

In our opinion, contributions for the year ended 30 June 2021, as reported in the Summary of Contributions and payable under the Schedule of Contributions, have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 27 March 2019.

**Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

**Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of any members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

**Auditor's responsibilities for the preparation of a Statement about Contributions**

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

**Use of our report**

This statement is made solely to the Scheme's Trustee, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our audit work, for this statement, or for the opinions we have formed.

BDO LLP  
*Statutory Auditor*  
London  
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Hays Pension Scheme  
Summary of Contributions for the year ended 30 June 2021

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During the year ended 30 June 2021, the contributions paid to the Scheme by the employer under the Schedule of Contributions certified by the Scheme Actuary were as follows:

Contributions payable under the Schedule of Contributions	<b>£'000</b>
Contributions from employer:	
Deficit funding	16,215
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Contributions payable under the Schedule of Contributions and as reported in the Financial Statements	16,215
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Signed on behalf of Hays Pension Trustee Limited on 2 November 2021.

.....Trustee Director

.....Trustee Director

This page does not form part of the statutory Financial Statements.

# Hays Pension Scheme Implementation Statement

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## **Introduction**

This statement sets out how, and the extent to which, the Statement of Investment Principles (SIP) produced by the Trustee has been followed during the year to 30 June 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

## **Investment Objectives of the Scheme**

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

The primary objective of the Scheme is to provide pension and lump-sum benefits for members on their retirement and/or benefits on death, before or after retirement, and for their dependants.

The Scheme primarily consists of a defined benefit section (which also includes the money purchase section, which has a defined benefit underpin) and in addition the Trustee is responsible for the investment of the assets relating to Additional Voluntary Contributions (AVCs) previously made by members.

## **Review of the SIP**

The Trustee keeps their policies under regular review, with the SIP subject to review at least triennially, and usually annually.

During the year to 30 June 2021, the Trustee reviewed and formally adopted a new SIP in October 2020. The main changes to the SIP were to document the updated long term target basis (gilts-0.2% p.a.) and the change in expected return of the Strategic Asset Allocation resulting from the decision to fund a c.9.5% holding in short-dated buy and maintain credit from the liability driven investment (LDI) portfolio.

## **Adherence to the SIP**

In the opinion of the Trustee, the SIP has been followed during the year. The SIP sets out several policies and we comment on the implementation of each of these below.

## **Investment Objectives**

Over the period, the Trustee has continued to monitor the Scheme's progress against the relevant long-term funding target (which is currently defined as being 100% funded on gilts-0.2% by 31 December 2028). The Trustee receives a quarterly risk dashboard prepared by the Scheme's investment consultant. This includes, amongst other items, an update on the Scheme's current funding position and a forward-looking projection, which the Trustee uses to assess the likelihood of the Scheme being able to meet its funding and investment objectives.

## **Risk Management and Measurement**

The Trustee considers a number of risks when deciding investment policies, strategic asset allocation, the choice of investment managers, funds and asset classes. These are set out in the SIP.

The Scheme also maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. The risk register is reviewed by the Investment Sub-Committee (ISC) towards the beginning of each ISC meeting in order to ensure that subsequent discussions take the noted risks into account.

## **Investment Strategy**

The basis of the Trustee's strategy is to divide the Scheme's assets between a "Return Seeking" portfolio (comprising assets such as equities, absolute return funds and multi-asset credit) and a "Matching" portfolio (comprising assets such as High Lease to Value property, investment grade credit and LDI). The strategy also allows for the bulk annuity policy that the Scheme has in place with Canada Life. The Trustee regard the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile.

The Trustee has monitored the expected return on the Scheme's assets and the expected variability of the Scheme's funding ratio over the period, and these have remained at acceptable levels.

## Hays Pension Scheme Implementation Statement

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Over the 3 years to 30 June 2021, the Scheme has returned 8.4% p.a. net of fees relative to a benchmark return of 8.8% p.a. The Trustee notes that the marginal under-performance is primarily due to the Insight Absolute Return Bond mandate and the AQR Systemic Total Return mandate, both of which have been terminated.

In September 2020, the Trustee agreed to invest £62.0 million (c. 9.5% of the Scheme's assets) in Insight's Short Dated Buy and Maintain Bond Fund. The investment was funded from excess collateral reserves in the Insight LDI portfolio and invested over the period from January 2021 to June 2021 in monthly tranches.

The Trustee also agreed to partly rebalance the Scheme's assets, which took place in October 2020. This involved disinvesting £17.0 million from the Insight LDI Portfolio and topping up the Insight Diversified Corporate Bond Fund and Nordea Absolute Return Fund with £8.5 million each.

### **Portfolio Construction**

The Trustee has taken steps to assess the continuing appropriateness of the Scheme's portfolio construction, including the role of active and passive management, diversification, liquidity and the use of derivatives.

As an example, in late Q1 2021 the Scheme was approaching the agreed funding level de-risking trigger. However, expected return on the originally proposed portfolios had fallen since originally being agreed. The Trustee engaged in discussions with their investment consultant and the Group Finance Director at Hays plc in order to discuss what action might be taken should the trigger be breached in the immediate future. With lower expected returns and the ongoing 2021 actuarial valuation, all parties were comfortable retaining the current strategy in this case.

### **Day-to-Day Management of the Assets**

The Trustee has taken steps to assess the continuing appropriateness of the Scheme's investment managers.

The quarterly investment performance report contains details on how each investment manager is delivering against their specific mandates and includes ratings (both general and environmental, social and governance (ESG) specific) from the Scheme's investment consultant. Furthermore, the Trustee looks to meet with each of its investment managers on a regular basis (annually if possible). Over the year to 30 June 2021, the Trustee received presentations from Aviva (November 2020), Mercer (March 2021), Nordea (May 2021) and Insight (May 2021).

It should be noted that the Trustee received a training session from Mercer in November 2020 on operational risk, in order to better understand such day-to-day risks associated with the investment managers.

### **Additional Assets**

The Trustee reviews the investment arrangements and performance of the Scheme's AVC assets on a regular basis. In September 2020, the assets previously invested with Utmost Life and Pensions were transitioned to Prudential, leaving the Scheme with two providers for their AVC arrangements (Aviva and Prudential).

### **Realisation of Investments**

The Trustee has given the investment managers discretion in the timing and realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and fund prospectuses.

The Trustee pays regard to the overall liquidity position of the Scheme and has established a quarterly process to monitor the Scheme's ability to meet the expected cash flow needs. This forms part of the risk dashboard referred to previously.

The Scheme currently receives income on a quarterly basis from the High Lease to Value property and multi-asset credit mandates, and the Trustee has explored options to increase the level of income distributed by the Scheme's assets, should this be required in future. The Scheme's LDI manager is also required to ring-fence a portion of the collateral assets in a separate cash fund, for use in the event

## Hays Pension Scheme Implementation Statement

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of short-term liquidity needs. The Scheme's bulk annuity policy pays the majority of pensions in payment.

### **Policy on ESG, Stewardship and Climate Change**

The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's high-level beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

As noted, the Scheme's investment performance report includes specific ESG ratings from the Scheme's investment consultant, which are monitored on a quarterly basis. When implementing a new manager the Trustee would consider the ESG rating of the manager.

The Trustee acknowledges that managers in areas such as fixed income (particularly in relation to LDI) may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class, where it is harder to engage with the issuer of debt.

Over the year, the Trustee has received presentations from each of the four investment managers on their ESG processes and key voting (where relevant) and engagement activity.

In September 2020, the Trustee completed, in conjunction with the Scheme's investment consultant, a high level responsible investment and ESG work plan. The work plan outlines a timeline of possible actions around ESG belief monitoring (and strengthening), policy implementation on stewardship and climate change, enhancing processes to monitor and report periodically and further identifying ESG-related risks and opportunities within the Scheme's investment portfolio.

The ISC undertook further ESG training at the November 2020 ISC meeting on their investment consultant's (Mercer's) ESG manager research process. At this meeting, the ISC also discussed its first iteration of an annual review of manager (and overall Scheme) ESG ratings.

In March 2021, the Trustee undertook a preparatory training session on the requirements of the Taskforce on Climate Related Financial Disclosure, which included a review of the risks and opportunities related to climate change, as well as a discussion of potential metrics and targets and risk management.

### **Voting and Engagement**

As noted, the Trustee looks to meet with each of its managers on a regular basis (annually if possible), at which point the Trustee may ask the investment managers to highlight key voting (where applicable) and engagement activity, and the impact on the portfolio. Given the Scheme no longer invests in actively managed physical equity mandates, voting is only expected to be relevant to a small proportion of assets going forwards (i.e. the Nordea absolute return mandate).

We have set out how the Trustee's engagement and voting policies were followed and implemented during the period.

### **Voting Activity**

The Trustee has delegated their voting rights to the investment managers. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter.

Over the year to 30 June 2021, the key voting activity on behalf of the Trustee was as follows:

#### *Nordea Diversified Return Fund*

Key votes undertaken over the period are summarised below:

- There were 198 votable meetings over the year, of which Nordea voted in 164 of these meetings on behalf of the Trustee.
- Nordea was eligible to vote on 2,339 proposals, for which they cast votes on about 89%. Of these proposals, c. 88% were in favour of management, c. 11% against management and they abstained or withheld for c. 1% of the proposals.

## Hays Pension Scheme Implementation Statement

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### **Engagement Activity**

The Trustee's investment consultant has requested, on behalf of the Trustee, that the investment managers confirm compliance with the principles of the UK Stewardship Code.

The majority of the Scheme's investment managers (c. 95% of assets under management as at 30 June 2021, excluding the bulk annuity policy) confirmed that they are signatories to the current UK Stewardship Code. Nordea confirmed the intention to submit the required reporting to the Financial Reporting Council before the end of 2021 and will apply for the second application deadline of 31 October 2021.

The Trustee's investment consultant has requested, on behalf of the Trustee, details of relevant engagement activity for the period from each of the Scheme's investment managers.

The Scheme's investment managers engaged with companies over the period on a wide range of different issues including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

## HAYS PENSION SCHEME THE CHAIR'S ANNUAL DC GOVERNANCE STATEMENT

The Trustee of the Hays Pension Scheme (the 'Scheme') presents the Chair's annual DC Governance Statement (the 'Statement'), as required under legislation set out in Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (together 'the Regulations'). The Statement covers the period 1 July 2020 to 30 June 2021, referred to throughout as the reporting period.

This Statement covers four key areas:

1. **Investment** with particular focus on the Scheme's default investment arrangements, if one was in place.
2. **Internal controls**, covering Scheme administration and the requirements for and processing of core financial transactions.
3. **Value**, with particular focus on charges and transaction costs borne by members.
4. **The knowledge and resources available to the Trustee**, including how the Trustee has maintained and demonstrated the required levels of knowledge and understanding needed to govern the Scheme.

### Default Investment Options

The Trustee is responsible for setting the Scheme's investment strategy and for appointing investment managers to carry out that strategy.

The Defined Contribution (DC) benefits provided by the Scheme are held in the Defined Benefit (DB) "DB Underpin Section" and the "DB Additional Voluntary Contribution ('AVC') Section" which consists of:

- **DB Underpin Section:** members who were contracted out of the State Earnings Related Pension on a salary related basis, and so have a right to the better of the value of their member's fund and a DB minimum in respect of their contracted-out rights.
- **DB AVC Section:** AVCs for members otherwise accruing benefits on a DB basis. This section is closed to further contributions.

The Trustee does not operate default investment arrangements in relation to the DB Underpin as it is not a qualifying scheme for the purpose of the Pensions Act 2008. For this reason, the Trustee believes that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to the DB Underpin Section. The Scheme does have a "default" arrangement for the DB AVC Section, but it doesn't fall within the definition of a default arrangement for the purpose of the Investment Regulations 2005, because it solely relates to additional voluntary contributions.

Historically, the Scheme hasn't operated a default investment arrangement in respect of the DB AVC Section. However, following the closure of the Equitable Life Assurance Society, the AVC savings previously invested in the Equitable Life With Profits Fund were transitioned to Utmost Life and Pensions Limited ("Utmost") and had to be invested in their Secure Cash Fund on 01 January 2020. From 1st July 2020, these assets started transitioning to the Utmost Money Market Fund and were then transferred to Prudential in September 2020 and reinvested in the Prudential Dynamic Growth IV Lifestyle targeting 100% cash. The Trustee selected this lifestyle strategy to become the ongoing "default" as most members tend to draw their AVCs as a cash lump sum when they retire.

## Hays Pension Scheme Chairman's DC Governance Statement

The Trustees' latest Statement of Investment Principles dated October 2020 and their Statement of Investment Principles regarding the Default Investment Strategies for the DB AVC Section are available on request and are also available on [www.hayspensionscheme.com/document-store](http://www.hayspensionscheme.com/document-store).

Over the year, the Trustee and its advisers reviewed the performance of the investments of the DB Underpin Section on a quarterly basis.

The last annual review of the DB AVC Section arrangements was completed in July 2020. The Trustee is committed to keeping all investment options under regular review to ensure they remain appropriate, based on its understanding of the likely requirements of the membership.

### Requirements for processing financial transactions

The Trustee is required by the Regulations to ensure that core financial transactions are processed promptly and accurately.

Core financial transactions include:

- Investment of contributions paid to the Scheme (not applicable for the Scheme as no further contributions are being paid);
- Transfer of members' assets out of the Scheme;
- Switching members' assets between different investment options available in the Scheme;
- Payments from the Scheme to, or in respect of, members.

The Trustee operates an outsourced operational model, with the Scheme's administration and management of the Trustee's bank account delegated to Equiniti Paymaster ("Equiniti") as scheme administrator.

The Trustee has agreed timescales within service level standards (SLAs) with the Scheme's administrator for the processing of all member-related activities, including the above core financial transactions. The SLAs are reviewed periodically to ensure they remain appropriate. Equiniti's performance against these SLAs is reviewed regularly, looking at performance in reporting periods over the last year, rather than just the most recent period. The performance measured against these SLAs for the whole Scheme and not just the DB Underpin and DC AVCs Sections are shown in the table below.

Key Tasks	SLA Service Standard (working days)	Completed within SLA May 20 – Jul 20	Completed within SLA Aug 20 – Oct 20	Completed within SLA Nov 20 – Dec 20*	Completed within SLA Jan 21 – Mar 21	Completed within SLA This Quarter (Apr 21 – Jun 21)
Transfer Quotation	5	98.53%	94.67%	100.00%	97.60%	100.00%
Transfer Finalisation	5	100.00%	100.00%	100.00%	100.00%	100.00%
Transfer Correspondence	5	97.44%	98.81%	100.00%	100.00%	100.00%
Retirement Quotation	5	93.66%	99.46%	100.00%	97.66%	98.77%
Retirement Set Up	2	93.33%	93.75%	100.00%	100.00%	100.00%
Death	2	99.20%	98.48%	100.00%	100.00%	100.00%
AVC's	5	100.00%	100.00%	100.00%	100.00%	100.00%



## Hays Pension Scheme Chairman's DC Governance Statement

<b>Complaint</b>	2	100.00%	100.00%	50.00%	100.00%	100.00%
<b>Compliment</b>	2	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Data Update</b>	5	97.01%	97.92%	99.32%	99.55%	98.79%
<b>Divorce</b>	10	100.00%	66.67%	100.00%	100.00%	83.33%
<b>General Correspondence</b>	5	94.10%	98.24%	99.55%	97.11%	95.87%
<b>TOTAL</b>		<b>97.40%</b>	<b>98.12%</b>	<b>99.50%</b>	<b>98.12%</b>	<b>97.70%</b>

*\*The report for Quarter 4 2020 was in respect of a two month period (1 November 2020 to 31 December 2020). This was to align future reports to calendar quarters (quarter end in March, June, September and December).*

Of the cases either carried forward from the previous period or received during the period, 96.50% of cases were completed within the Service Level Agreement timeframes. Where retirement set up and death cases were missed, no members were financially impacted, as pensioners and dependants were set up in time for the payroll run.

The Trustee also operates a system of internal controls aimed at monitoring the Scheme's administration and management via the annual audit of the Scheme. This is achieved by an independent auditor looking at a random sample of the transactions that occurred throughout the year as well as any financially material or high-risk transactions into or out of the Scheme. The Trustee also receives detailed quarterly administration reports produced by the Scheme's administrator that are reviewed by the Trustee at each of its quarterly board meetings. This enables the Trustee to monitor that member related transactions are being processed within the agreed timescales.

The processes adopted by the Scheme's administrator to help meet the SLAs include:

- The recording of all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task.
- Monitoring and reporting of the timeliness of transactions (reported in quarterly administration reports).
- Use of specialised departments including a Centre of Excellence to take initial phone enquiries and a Projects Team working on automation and other large tasks.
- Daily monitoring of bank accounts.
- Quality audit checks undertaken on a sample of processes throughout the year.
- Payments checked and approved independently by one or more individuals.

As a wider review of the Scheme's administrator in general, the Trustee receives the Scheme's administrator's assurance report on internal controls prepared by an independent auditor, KPMG LLP. The AAF 01/06 and ISAE 3402 Assurance Report on Internal Controls for the period 01/01/2020 to 31/12/2020 did not highlight any concerns. The report was signed off by both KPMG LLP and Equiniti's management.

The services provided by the AVC providers, Utmost Life and Pensions Limited (until these assets were transferred to Prudential in September 2020), Aviva Plc and Prudential Assurance Company are not subject to a formal Scheme SLA. The Trustee understands that the providers have internal service SLAs in place; however, these are not bespoke to the Scheme. The Trustee monitors the AVC providers annually to assess the continued suitability of their services.

The Trustee is comfortable with the audit processes and controls in place relating to the Scheme's administration and has no concerns with the overall service provided by the Scheme's administrator

## Hays Pension Scheme Chairman's DC Governance Statement

during the reporting period. Therefore, the Trustee is satisfied that the core financial transactions have been processed promptly and accurately during the period covered by this Statement.

### Charges and transaction costs

The Trustee has had regard to statutory guidance in preparing this section of the statement.

The Trustee is required to report on the investment charges and transaction costs borne by members and its assessment of the extent to which the investment charges and transaction costs represent good value for members.

### DB AVC Section

The different types of charges and transaction costs that apply to the DB AVC section are as follows:

1. Explicit charges known as the Total Expense Ratio (TER) consist principally of the annual management charge (the "AMC") for managing and operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.
2. Transaction costs are the expenses associated with a member trading into and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty.

The transaction costs that have been provided by the Scheme's investment managers have been reported separately to the TERs and AMCs. In addition, details of the fees borne by members will be published on <https://hayspensionscheme.com/document-store>

Details of the costs and charges applicable to each AVC fund are set out in the table below.

Prudential Funds	AMC (% p.a.)	TER (% p.a.)	Transaction Costs in 2018 (% p.a.)	Transaction Costs in 2019 (% p.a.)	Transaction Costs in 2020 (% p.a.)	Average Transaction Cost (% p.a.)
BlackRock Aquila UK Equity Index Fund	0.67	0.67	0.26	0.13	0.06	0.15
BlackRock Aquila Over 15 Years UK Gilt Index	0.60	0.61	0.06	0.06	0.05	0.06
BlackRock Aquila (50:50) Global Equity Index Fund	0.70	0.71	0.21	0.02	-	0.12
BlackRock Aquila Consensus Fund	(1)	(1)	0.11	0.02	0.01	0.05
Prudential Dynamic Growth II	0.70	0.71	-	0.14	0.05	0.10
Prudential Dynamic Growth IV	0.70	0.71	-	0.09	0.02	0.06
Prudential UK Property Fund	(1)	(1)	0.78	0.11	0.02	0.30
Prudential Deposit Fund	(2)	(2)	0.00	0.00	0.00	0.00
Prudential With-Profits Cash Accumulation Fund	Not disclosed*	Not disclosed*	0.07	0.09	0.13	0.10

Source: Prudential. Transaction Cost information is for the calendar year, as later data has been unavailable when each Chair's Statement has been published.

(1) Information not available at the time of writing.

(2) The Deposit Fund is backed by the assets held within Prudential's With-Profits Fund. Any interest is declared monthly and there are no explicit charges.

(3) Interest once added is guaranteed and withdrawals from this fund are not subject to a Market Value Reduction (MVR).

\* The charges for the Aviva, Clerical Medical, and Prudential with profits funds, and the Prudential Deposit Fund, are not explicit, partially due to the "cost" of their inherent guarantees being difficult to define.

Hays Pension Scheme  
Chairman's DC Governance Statement

Utmost Funds	AMC (% p.a.)	TER (% p.a.)	Transaction Costs 2019** (% p.a.)	Transaction Costs 2020*** (% p.a.)	Average Transaction Cost (% p.a.)
Utmost Money Market Fund	0.50	0.50	0.00	0.00	0.00
Utmost Secure Cash Fund	0.50	0.50	N/A	Unavailable	Unavailable
Clerical Medical With Profits Fund (accessed via Utmost)	Not disclosed*	Not disclosed*	Not disclosed*	Not disclosed*	Not disclosed*

Source: \*\* Equitable Life as at 31 March 2019. \*\*\* Utmost Life as 31 March 2021. The Utmost Secure Cash Fund didn't exist until 01 January 2020. The investments with Utmost were moved to Prudential in September 2020.

The Trustee with assistance from its advisers will continue to request this information in respect of the unit linked funds in use with Prudential where full transaction costs and charges information has not been provided for this Scheme year, but hopefully will be available for next year's Statement. The continuing delay by many providers in providing this information is an industry problem, partially due to the complexity of this issue.

The TERs shown above include the AMCs and additional expenses associated with the running and management of the funds. Charges above the AMCs, including transaction costs, will vary from time to time.

The Prudential UK Property Fund has a more material difference between the AMC and TER, which is not unusual for property funds. These additional costs primarily relate to property management expenses. The additional transaction costs for the Property Fund haven't been reported previously, by Prudential or other property investment managers. Hence, as per the previous reporting period, the "value for members" cannot be assessed for this fund for this reporting period. However, Prudential closed this fund on 26 June 2021, just before the Scheme year end.

Charges related to the AVC providers' administration and investment management services are deducted from members' funds i.e. they are included within the AMCs, TERs and transaction costs shown above.

All other costs related to the operation of the DB AVC Section including advisory and member communication costs are paid by Hays plc.

#### DB Underpin Section

The assets of the DB Underpin Section are invested within the main Scheme's DB assets across all the investment managers for the Scheme and members do not have any investment choice. Each individual member's fund value is adjusted every quarter to reflect the net investment return on the assets backing the DB benefits payable from the Scheme as a whole, rather than the return achieved by any one investment manager.

The AMC's and TER's applicable to each of the funds the main Scheme's DB assets were invested in as at 30 June 2021 are summarised in the table on the following page. Information has also been included on performance related fees for the investment funds where this applies. The information included on performance related fees has been provided by the investment managers. At the time of preparing this statement, transaction cost information was not available in respect of the Scheme's DB assets and is unlikely to be in the foreseeable future. The Trustee with assistance from its advisers will continue to request this information from the investment managers and will endeavour to provide that information when available.

Administration, advisory and communication costs are paid separately by the Hays Pension Scheme.

## Hays Pension Scheme Chairman's DC Governance Statement

Name	Investment Manager	Fee Schedule (AMC % p.a.)	Total Expense Ratio (% over year to 30 June 2021)	Performance Fee Details
Absolute Return	Nordea	0.70% of Assets	0.75% <sup>1</sup>	-
Multi-Asset Credit (MAC)	Mercer	Underlying manager: 0.41% of Assets Mercer: 0.20% of Assets	0.70%	In addition to the TER is an expected 0.07% performance related fee (based on the MIFID II methodology and calculated on an ex-ante basis) covering the one year period to 31 May 2021 (based on the average AUM over the year to 30 June 2021). This figure includes estimates as data is submitted by the managers of the underlying pooled funds, and this data is provided/available on a best effort basis and is not always the most up to date for all underlying holdings. The performance figures for the underlying funds are included in the MAC fund valuation and therefore it is important to note that the monetary amount would not be an additional fee paid by the Scheme, but it is already included in the Scheme's investment.
HLV Property	Aviva	0.40% of Assets	0.58% <sup>2</sup>	-
Short-Dated Corporate Bonds	Insight	0.10% of Assets	0.15 <sup>3</sup>	-
Credit	Insight	0.10% of Legacy Assets <sup>4</sup>	0.0%	-
LDI	Insight	0.06% p.a. of Exposure Value <sup>5</sup> Performance related fee of 20%.	0.06%	A performance related fee of £779,776.75 was paid by the Scheme in March 2021. This is not included in the total.
Currency Overlay	Insight	0.03% of Exposure Value	0.03%	-
Synthetic Equity	Insight	0.05% of Exposure Value	0.05%	-

<sup>1</sup> The Scheme has agreed a cap on the TER at 0.75% p.a.. The actual TER for the fund over the period was higher than that showing above, although a fee rebate was received by virtue of the cap.

<sup>2</sup> TER as at 31 December 2020 – latest available.

<sup>3</sup> This is the AMC rate plus fixed operating expense rate per annum. The Scheme initially invested in the fund in January 2021 and increased the allocation invested in the fund in 6x monthly tranches from January to June 2021.

<sup>4</sup> The Scheme moved from the Diversified Corporate Bond Fund to the Enhanced Buy & Maintain Bond Fund over the year to June 2021. The AMC rate showing is that currently in force (on the Enhanced Buy & Maintain Bond Fund). The TER is the "blended" TER for the year for the Scheme's credit holdings with Insight (excluding the short dated credit).

<sup>5</sup> This reduced to 0.054% provided that the value of the credit holdings with Insight remain in excess of £90.0 million. As at 30 June 2021, this discount applies.

### Illustration of the effect of transaction costs and charges on members' benefits

Using the charges and transaction cost data provided by the investment managers and in accordance with regulation 23(1) (ca) of the Administration Regulations, as inserted by the 2018 Regulations, Mercer has assisted the Trustee by preparing illustrations detailing the impact of the costs and charges typically paid by a member with DC investments in the DB Underpin Section and/or the DB AVC Section on their retirement savings pot. The statutory guidance provided has been considered when providing these illustrations.

## Hays Pension Scheme Chairman's DC Governance Statement

The illustrations prepared, have taken into account the following elements:

- Savings pot size;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

The illustrations include all member borne costs, including the TER, and transaction costs (where provided). They also allow for the impact of inflation. It is important to note that the values shown are estimates and are not guaranteed. The maximum term of investment has been based on the youngest member of the Section with AVC / DC investments.

To ensure the illustrations are representative, the pot size has been based on the average of the membership across both the DB Underpin Section and DB AVC Section. The projected growth rates for these illustrations use the same underlying assumptions as the Statutory Money Purchase Illustration (SMPI) assumptions, plus any transaction costs.

### DB Underpin Section

Projected Pot sizes in Today's Money (£)								
	Most Expensive		Least Expensive		Highest Expected		Lowest Expected	
	Absolute Return		Credit		Synthetic Equity		Currency Overlay	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
0	£12 000	£12 000	£12 000	£12 000	£12 000	£12 000	£12 000	£12 000
1	£12 305	£12 213	£11 908	£11 908	£12 360	£12 354	£11 790	£11 786
2	£12 618	£12 429	£11 816	£11 816	£12 731	£12 718	£11 584	£11 577
3	£12 938	£12 649	£11 726	£11 726	£13 113	£13 093	£11 381	£11 371
4	£13 267	£12 873	£11 636	£11 636	£13 506	£13 479	£11 182	£11 168
5	£13 604	£13 102	£11 546	£11 546	£13 911	£13 877	£10 986	£10 970
6	£13 950	£13 334	£11 458	£11 458	£14 329	£14 286	£10 794	£10 774
7	£14 304	£13 570	£11 370	£11 370	£14 758	£14 707	£10 605	£10 583
8	£14 668	£13 811	£11 282	£11 282	£15 201	£15 141	£10 419	£10 394
9	£15 041	£14 055	£11 196	£11 196	£15 657	£15 587	£10 237	£10 209
10	£15 423	£14 304	£11 110	£11 110	£16 127	£16 047	£10 058	£10 028
11	£15 815	£14 558	£11 024	£11 024	£16 611	£16 520	£ 9 882	£ 9 849
12	£16 217	£14 816	£10 940	£10 940	£17 109	£17 007	£ 9 709	£ 9 674

Source: Equiniti and Mercer.

#### Notes:

1. The starting pot size is assumed to be £12,000 for a member aged 53 with no future contributions.
2. The figures illustrate the pension pot value in 'today's money'; inflation has been taken into account by discounting values at 2.5% a year. Seeing the figures in this way shows you what they could be worth today. It's important to note that inflation reduces the worth of all savings and investments. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in 'today's money'.
3. Transaction costs have not been included as data was not available from the underlying fund managers.
4. Values shown are estimates and are not guaranteed
5. The projected growth rate assumptions are the following:
  - Absolute Return (Most Expensive): 2.54% p.a. net expected real return above inflation.
  - Credit (Least Expensive): -0.77% p.a. net expected real return above inflation.
  - Synthetic Equity (Synthetic Equity): 3.0% p.a. net expected real return above inflation.
  - Currency Overlay (Currency Overlay): -1.75% p.a. net expected real return above inflation.

## Hays Pension Scheme Chairman's DC Governance Statement

### DB AVC Section

The Trustee has produced two illustrations for the DB AVC membership, one for the 'typical' member and one for the youngest member. The first illustration is for the typical member of the Scheme, based on a member age of 55, using a starting pot size of £9,200 and normal retirement age of 65, with no future contributions.

#### 'Typical' member

Projected Pot sizes in Today's Money (£)								
	Most Expensive Fund		Least Expensive Fund		Highest Expected Growth		Lowest Expected Growth	
	BlackRock Aquila UK Equity Index		Prudential Deposit Fund		BlackRock Aquila UK Equity Index		BlackRock Aquila Over 15 Years UK Gilt Index	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£ 9 480	£ 9 400	£ 9 040	£ 9 040	£ 9 480	£ 9 400	£ 9 050	£ 8 990
2	£ 9 780	£ 9 610	£ 8 890	£ 8 890	£ 9 780	£ 9 610	£ 8 900	£ 8 780
3	£10 080	£ 9 820	£ 8 740	£ 8 740	£10 080	£ 9 820	£ 8 750	£ 8 580
4	£10 390	£10 040	£ 8 590	£ 8 590	£10 390	£10 040	£ 8 610	£ 8 380
5	£10 710	£10 260	£ 8 440	£ 8 440	£10 710	£10 260	£ 8 460	£ 8 190
6	£11 040	£10 480	£ 8 300	£ 8 300	£11 040	£10 480	£ 8 330	£ 8 000
7	£11 380	£10 710	£ 8 160	£ 8 160	£11 380	£10 710	£ 8 190	£ 7 810
8	£11 730	£10 950	£ 8 020	£ 8 020	£11 730	£10 950	£ 8 050	£ 7 630
9	£12 090	£11 190	£ 7 880	£ 7 880	£12 090	£11 190	£ 7 920	£ 7 460
10	£12 460	£11 430	£ 7 740	£ 7 740	£12 460	£11 430	£ 7 790	£ 7 280
11	£12 850	£11 680	£ 7 610	£ 7 610	£12 850	£11 680	£ 7 660	£ 7 120

Source: Prudential (June 2021)

#### Notes:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- The starting pot size is assumed to be £9,200
- No future contributions are assumed to be paid.
- Values are estimates and are not guaranteed.
- The projected growth rate for each fund is as follows:
  - BlackRock Aquila UK Equity Index (Most Expensive Fund): 2.07% p.a. net expected real return above inflation.
  - Prudential Deposit Fund (Least Expensive Fund): -1.71% p.a. net expected real return above inflation.
  - BlackRock Aquila Over 15 Years UK Gilt Index (Lowest Expected Growth Fund): -2.37% p.a. net expected real return above inflation.
  - BlackRock Aquila UK Equity Index (Highest Expected Growth Fund): 2.07% p.a. net expected real return above inflation.
- The Transaction Costs used within the calculation relate to the actual transaction costs incurred over 2018, 2019 and 2020, except where the average transaction cost is negative, which could be due to slippage. In such instances, the transaction cost will be considered 0%

The second illustration is based on the youngest member who is aged 42, using a starting pot size of £4,700 and normal retirement age of 65, with no future contributions which is reflective of the average for the members at that age, based on data sourced from the administrator.

Hays Pension Scheme  
Chairman's DC Governance Statement

Youngest Member

Projected Pot sizes in Today's Money (£)								
	Most Expensive		Least Expensive		Highest Expected		Lowest Expected	
	BlackRock Aquila UK Equity Index		Prudential Deposit Fund		BlackRock Aquila UK Equity Index		BlackRock Aquila Over 15 Years UK Gilt Index	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£ 4 840	£ 4 800	£ 4 620	£ 4 620	£ 4 840	£ 4 800	£ 4 620	£ 4 590
2	£ 4 990	£ 4 910	£ 4 540	£ 4 540	£ 4 990	£ 4 910	£ 4 550	£ 4 490
3	£ 5 150	£ 5 020	£ 4 460	£ 4 460	£ 5 150	£ 5 020	£ 4 470	£ 4 380
4	£ 5 310	£ 5 130	£ 4 390	£ 4 390	£ 5 310	£ 5 130	£ 4 400	£ 4 280
5	£ 5 470	£ 5 240	£ 4 310	£ 4 310	£ 5 470	£ 5 240	£ 4 320	£ 4 180
10	£ 6 370	£ 5 840	£ 3 960	£ 3 960	£ 6 370	£ 5 840	£ 3 980	£ 3 720
15	£ 7 410	£ 6 510	£ 3 630	£ 3 630	£ 7 410	£ 6 510	£ 3 660	£ 3 310
20	£ 8 620	£ 7 260	£ 3 330	£ 3 330	£ 8 620	£ 7 260	£ 3 370	£ 2 950
24	£ 9 740	£ 7 920	£ 3 110	£ 3 110	£ 9 740	£ 7 920	£ 3 150	£ 2 680

Source: Prudential and Utmost (June 2021)

**Notes:**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £4,700.
3. No future contributions are assumed to be paid.
4. Values are estimates and are not guaranteed.
5. The projected growth rates for each fund are as follows:
  - BlackRock Aquila UK Equity Index (Most Expensive Fund): 2.07% p.a. net expected real return above inflation.
  - Prudential Deposit Fund (Least Expensive Fund): -1.71% p.a. net expected real return above inflation.
  - BlackRock Aquila Over 15 Years UK Gilt Index (Lowest Expected Growth Fund): -2.37% p.a. net expected real return above inflation.
  - BlackRock Aquila UK Equity Index (Highest Expected Growth Fund): 2.07% p.a. net expected real return above inflation.
6. The Transaction Costs used within the calculation relate to the actual transaction costs incurred over 2018, 2019 and 2020, except where the average transaction cost is negative, which could be due to slippage. In such instances, the transaction cost will be considered 0%.
7. At the time of writing there wasn't available the TER and AMC for the most popular fund, thus not having being included.

**Value for Members considerations**

The Trustee is required to undertake an annual review of the charges and transaction costs borne by members over the reporting period in order to ascertain whether they represent good value.

The Trustee is committed to ensuring that the Scheme provides value for members, particularly in relation to the charges and transaction costs that are met by the members themselves. The Trustee with support from its advisers, Mercer Limited, undertakes an annual value for members assessment. The last assessment was carried out in September 2021 and this considered both the charges and transaction costs borne by members as well as the quality of the overall services provided. There is no legal definition of "good value", so the process of determining good value is a subjective one.

## Hays Pension Scheme Chairman's DC Governance Statement

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This review concluded that, overall, in respect of the charges borne by members the Scheme provided moderate value for members.

### DB Underpin Section

The administrative costs levied in respect of the DB Underpin Section are met by the Scheme and the range of investments in use attract the generally low charges paid in respect of the Scheme's DB Section assets, due to the significant size of those investments. They range from 0.03% p.a. to 0.75% p.a. (TER's), together with any performance related fees, which are only payable if the underlying investment manager exceeds its performance objectives. The average charges applied to members' DC fund value are low and vary depending on the asset allocation of the DB Section assets throughout the year. The nature of the DB Underpin Section structure is difficult to compare with the benefits provided by typical DC pension schemes, due to the Defined Benefit underpin applicable to members' benefits and, therefore, the Trustee has taken this valuable benefit into account in its assessment of value. The Trustee has been advised by its professional advisers that it is unlikely that lower charges could be achieved through an alternative product, but it will keep this under review. In the Trustee's opinion, it is satisfied that the charges borne by members in the DB Underpin Section represent good value for members.

### DB AVC Section

The Trustee, with support from its advisers, undertakes an annual review of the Scheme AVC's. The last review was finalised in July 2020, but a further review was completed shortly after the current reporting period. The review includes consideration of the level of fees and value for members as part of the criteria for maintaining the relationship with a provider, and whether charges deducted from members' retirement savings pots represent good value in relation to the benefits and services provided compared to schemes of a similar size and benefit structure.

Given the nature and relatively small size of the DB AVC Section arrangements, the Trustee does not believe it will be possible to significantly improve this position but has committed to keeping the DB AVC Section arrangements under review, including carrying out a detailed annual review.

The Trustee has sought information on the level of transaction costs contained in the investments available to members of the Scheme. At the point of undertaking the assessment, the Trustee was unable to obtain full information on transaction costs for consideration in this assessment. The Trustee is actively following up with its investment advisers to ensure they continue to request this information on a regular basis from the AVC providers and the Trustee will include this information in future statements when data becomes available.

In the Trustee's opinion, following this AVC review and advice received from its professional advisers, the charges borne by members in the DB AVC Section currently provide reasonable value for members compared with similar alternatives.

Based on the advice received by the Trustee, the conclusions in the 2021 value for members report and annual AVC review received by the Trustee, the Trustee has determined that overall the Scheme provides moderate value for members.

Please note that this Statement and the assessment undertaken by the Trustee does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If individual members require advice, a list of local independent financial advisers can be obtained from the website at <https://moneyandpensionsservice.org.uk>.



## Hays Pension Scheme Chairman's DC Governance Statement

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### **Trustee' Knowledge and Understanding (TKU)**

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee Directors are required:

1. To maintain an appropriate level of knowledge and understanding of the law relating to pensions and trusts and funding and investment principles; and
2. To be conversant with the Scheme's Trust Deed and Rules, Statement of Investment Principles and any other documents recording Trustee policy for the administration of the Scheme,

which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Scheme. The Trustee has measures in place to comply with these requirements, details of which are set out below.

All the Trustee Directors are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed and Rules and the Statement of Investment Principles. The Trustee refers to and demonstrates its knowledge of the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases. The Trustee Directors are familiar with the Statement of Investment Principles and the separate "Default Statement of Investment Principles" as they are reviewed annually and as a result of making any changes to the Scheme's investments. The Trustee Directors refer to other Trustee policy documents (such as its data protection policy and privacy notices) when required to do so and they are reviewed regularly to ensure they remain up to date and the Trustee Directors remain conversant with them.

Trustee training occurred throughout the reporting period, in both the main trustee meeting as well as some sub-committee meetings, relevant to the Terms of Reference under which that sub-committee operates. Trustee Directors also attended relevant external seminars, for example legal update seminars hosted by its legal advisers, Hogan Lovells.

The Trustee training requirements have been met, during the reporting period, by virtue of:

- General legal updates relating to the Scheme and UK pensions market are provided regularly by Hogan Lovells with the latest update given in December 2020.
- A simulation exercise with Equiniti, which covered potential data breaches.
- Training received on Social and Governance issues with regard to the investments of the Scheme and on Task Force on Climate-related Financial Disclosures, followed by a plan of action that will be presented in September 2021.
- Frequent updates from advisers at Trustee meetings and via briefing notes on current developments in the pension arena.
- The Scheme three year rolling business plan includes procedures for ensuring that the training received by Trustee Directors' is recorded and any training needs are reviewed and monitored and that they undertake regular and appropriate training. An annual self-evaluation exercise and review of the running of the Scheme is undertaken, usually in December. This enables the Trustee to evaluate the performance and effectiveness of the Trustee throughout the past year.
- There are several sub committees set up to consider different matters, Accounting, Exercise of Discretionary Powers, Legal & Admin, Investments and Communication, seeking to utilise the various skill sets of the Trustee Directors which sit on them, which in turn report to the full Trustee Board. Each sub-committee has its own Risk Register and Terms of Reference which are considered by the full Trustee Board annually.
- All documented policies are kept under regular review to ensure the Trustee Directors are familiar with them.

## Hays Pension Scheme Chairman's DC Governance Statement

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The Trustee receives professional advice from Mercer, Hymans Robertson and Hogan Lovells to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules. If there are any ambiguities over the interpretation of the Rules, legal advice is sought from Hogan Lovells. The relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

Based on the above training and advice received, the Trustee Directors consider that 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 to fulfil its duties.

There are documented processes in place for appointing both the Chair and new Trustee Directors. The induction process for new Trustee Directors includes:

- to complete the Pensions Regulator's Trustee toolkit within six months of initial appointment;
- supplemented by targeted individual training, for example in relation to conflicts of interest, based on analysis of learning needs;
- familiarisation with the Scheme, stakeholders, advisers and providers and working methods
- The Trustees are encouraged to complete the Trustee Toolkit within 6 months of appointment and all of the Trustees have done so.

The current Chair joined the Trustee Board during the 2018/2019 reporting period. The Chair is a Director of an independent professional trustee company and has considerable experience of DB and DC arrangements. This means that he is able to challenge advisers where appropriate. There was a detailed handover process with the previous Chair and the new Chair met with the Scheme advisers individually to ensure his familiarity with the Scheme. During the 2019 / 2020 reporting period, the Chair has been awarded the qualification of the Pension Management Institute's Award in Pension Trusteeship (APT) and is an Accredited Member of the Association of Professional Pension Trustees.

The independent professional trustee company is an established provider of independent pension trusteeship services in the UK providing professional trustee services to over 200 pension schemes. All its trustee directors are members of the Association of Professional Pension Trustees and undertake continuous professional development activity. Over the reporting period this consisted of a formal training programme including regular meetings, by Zoom and similar internet software, with industry participants and would normally include bi-annual away days where business strategy, regulatory matters and client case studies are discussed, including specific sessions such as on buy-ins, DC investment and Chair statements.

The Trustee has obtained legal and other professional advice as and when required during the reporting period.

Taking account of actions taken individually and collectively as a Trustee body, the professional advice available to the Trustee and the appointment of a professional trustee to the Board, the Trustee considers itself able to properly and effectively run the Scheme and to fulfil its role and responsibilities.

This Chair's statement can be downloaded for free at [www.hayspensionscheme.com/document-store](http://www.hayspensionscheme.com/document-store).

Hays Pension Scheme  
Chairman's DC Governance Statement

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Chair's Declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Chair of the Trustee Board to the best of my knowledge.

S Burnard  
**Representing The Law Debenture Pension Trust Corporation PLC**  
**Chair of the Hays Pension Trustee Limited**