Marshall Group Executive Pension Plan (the 'Plan') Chairman's Statement

Annual governance statement by the Chairman of Trustees for the year ending 5 April 2023

As Chairman of the Trustees of the Plan, I am required to provide members with a yearly statement which explains the steps the Trustees (with guidance from our professional advisers) have taken to meet the required governance standards. The information required to be included in my statement is set out in law and regulation. This statement will be published on a publicly available website – www.marshallgroup.co.uk.

Certain governance standards apply to Defined Contribution (DC) pension arrangements namely the DC section of the Plan, together with the Additional Voluntary Contribution (AVC) arrangements attached to the Defined Benefit (DB) section. These are designed to help members achieve good outcomes from their pension savings. The Trustees are committed to having high governance standards and met six times during the Plan year to monitor the controls and processes in respect of the administration relating to the Plan's funds. This statement covers the period 6 April 2022 to 5 April 2023.

The Plan is predominantly a DB arrangement. In November 2022 the Trustees in collaboration with the Employer purchased a buy-in policy from Aviva. This policy covers all DB Section members and provides an income which matches the pension outgo, removing all financial risks from the Trustees. As part of this purchase the Trustees took professional advice on all relevant aspects (including actuarial, administrative, investment, legal and covenant).

The Plan also has the following DC elements:

- DC arrangement with Standard Life – this arrangement is closed to new members and new contributions. It is administered by Standard Life and offers investment funds managed by Standard Life. There are a small number of members who have funds remaining with Standard Life, the rationale being to preserve other benefits they hold within the Plan.

- DC arrangement with Aviva – this is a legacy arrangement and is closed to new members and new contributions. Members are either invested in With-Profits funds, which have a guaranteed minimum investment return of 4.0% per annum, or a separate With-Profits deferred annuity policy for former members of the Marshall of Cambridge 1982 Retirement and Death Benefit Scheme, which has an annuity conversion guarantee. Some Plan members with Aviva benefits also have benefits under the Legal & General Master Trust following the Marshall Group's decision to restructure pension arrangements in 2019 and these providers liaise when settling members' benefits.

The DC funds can be used as part of the pension commencement lump sum associated with members' DB pensions. However, the DC section is not being used as a relevant qualifying scheme for any members for the purposes of automatic enrolment. As a result, the Trustees have applied a proportionate approach to meeting the relevant governance standards.

We welcome this opportunity to explain the steps the Trustees have taken to ensure the DC section and AVC arrangements are run as effectively as possible. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please write to Julie Ingham, c/o the Trustees of the Marshall Group Executive Pension Plan, Airport House, the Airport, Cambridge CB5 8RX.

ANNUAL DC GOVERNANCE STATEMENT BY THE CHAIRMAN OF TRUSTEES

DEFAULT INVESTMENT ARRANGEMENT

A default investment arrangement was set up by the Trustees and provided for members who did not actively select an investment option. Members could also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangement. We take professional advice from regulated investment advisers and have appointed fund managers to manage any DC funds.

Setting an appropriate default investment strategy
Details of the strategy and objectives of the default investment arrangement amongst other things are also recorded in the Statement of Investment Principles (SIP). The SIP contained within this document was updated in March 2023. A copy of the SIP is appended to this statement.

The Trustees previously chose the Marshall Options Open Lifestyle with Standard Life as the default investment strategy for the Plan. Since the Plan is now closed, there is no need for a default to be identified for new members who do not make an investment choice.

When deciding on the investment strategy, the Trustees recognised that not all members had made active investment decisions, and some had instead defaulted into a default investment strategy. Therefore, the primary objective of the Trustees in deciding on the investment strategy was to ensure that the strategy was appropriate for a typical member. When choosing the default strategy, it has been the policy of the Trustees to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustees also recognised that there are various investment and operational risks and give considerations to such risks.

The current default was originally designed taking into account the membership profiles of two other Marshall DC schemes with which the Plan was historically associated, in recognition of the efficiencies of scale and ultimate benefit to members achieved by investing all three Marshall DC schemes' assets in a similar way.

Members who joined the Plan and did not make an active investment choice were placed into the default investment strategy. The Marshall Options Open Lifestyle's pre-retirement investment mix represented the most neutral option where the member had not made a specific choice to align their Member Account to either cash or annuity purchase.

The default option has been designed having taken due regard to the membership profile of the Plan, including consideration of:

- The size of members' retirement savings within the Plan;
- Members' current level of income and hence their likely expectations for income levels post retirement;
- The fact that members may have other retirement savings invested outside of the Plan; and
- The way members may choose to use their savings to fund their retirement.

These factors have also been considered when setting the range of alternative investment options from which members can choose. The Trustees are comfortable that the Marshall Options Open Lifestyle option remains appropriate when considering the Plan as a standalone entity and will further tailor the strategy as appropriate to reflect the Plan's own membership, as part of future strategy reviews.

Reviewing the default investment arrangement

The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, at least once every three years, and take into account the needs of the remaining Plan members when designing it. The Trustees review the investment objectives and the performance of the default investment arrangement at every Trustees' meeting, taking advice from the Trustees' investment consultant.

No review of the default investment arrangement was undertaken during the Scheme year. The last formal review was carried out at 20 July 2021 which considered at a high level the membership profile of the Scheme as part of the review, along with the risk profile and number of investment funds offered to members and as a result the Trustees:

- Introduced a more diversified approach during the 'growth phase', with a broad spread of investments to modestly increase higher returns on average, incorporating allocations to a high yield bond fund (the SL M&G Global High Yield Bond Pension Fund) and a listed infrastructure fund (the SL LF Macquarie Global Infrastructure Pension Fund), and therefore reduce the total expense ratio over the different stages of the default;
- Increased the de-risking period from seven to ten years, to reduce the risk to members of a protracted market downturn in the final years before retirement age;
- Reduced exposure on diversified growth funds, to reflect our investment adviser's moderately pessimistic outlook on this asset class;
- Replaced the SL Stewart Investors Global Emerging Markets Leaders Pension Fund with a passive emerging market equity fund (the SL iShares Emerging Markets Equity Index Pension Fund).

Self-select investment choices
In addition to the default investment arrangement, the Trustees have made available three alternative lifestyle strategies under the Standard Life arrangement (Marshall Lump Sum Lifestyle, Marshall Drawdown Lifestyle and Marshall Annuity Lifestyle) the Trustees allow members to self-select from a range of funds.

At the start of the Plan year, the self-select funds were:

Standard Life (closed to new entrants and future contributions)	SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund SL iShares UK Equity Index Pension Fund SL Stewart Investors Global Emerging Markets Leaders Pension Fund SL HSBC Islamic Global Equity Index Pension Fund SL Vanguard ESG Developed World All Cap Equity Index Pension Fund SL BNY Mellon Real Return Pension Fund Standard Life Marshall Growth Pension Fund Standard Life Marshall Diversified Growth Pension Fund Standard Life Marshall Pre-Retirement Pension Fund SL iShares Emerging Markets Equity Index Pension Fund SL iShares UK Gilts All Stocks Index Pension Fund SL Vanguard UK Inflation Linked Gilt Index Pension Fund Standard Life Long Corporate Bond Pension Fund Standard Life Deposit and Treasury Pension Fund Standard Life Property Pension Fund
Aviva (closed to new entrants and future contributions)	Aviva FP With Profits Fund (Main Series 1) Pensions Aviva Conventional With-Profits Fund (1982 policy)

Members are encouraged to take independent financial advice before choosing between these alternative lifestyle strategies and any of the funds above. Free impartial guidance is also available from MoneyHelper – their website can be found at https://www.moneyhelper.org.uk/en/pensions-and-retirement/ and they can provide guidance through live webchat or over the telephone on 0800 0111 3797 (Mon-Fri, 9am to 5pm).

Further explanation of the With-Profit arrangements

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For members with Aviva funds under policy F40389 invested in the pre-demutualisation series of the Aviva FP With-Profits (Main Series 1) fund, any policies commencing before 9 July 2001, where With-Profits investment began before 26 November 2001, will have no explicit management charge but Aviva allows for an implicit charge when reviewing the regular bonus rates each year. For any policies which started after 8 July 2001, or older policies for which the first with-profits investment was after 25 November 2001, will be invested in a post-demutualisation series of the fund, which has a management charge of 0.75% a year.

For members with Aviva funds in the Conventional With-Profits (1982 policy) (policy F8381), there is no explicit scheme charge but Aviva assume an investment expense and administration cost. These costs are Aviva's current view of the costs which are reflected in the With-Profits declared bonuses.

The Trustees note that Aviva has a With-Profits Committee for their With-Profits funds, who consider matters affecting the interests of the policyholders within each fund respectively, including fair pay-outs.

The Trustees periodically review these arrangements to ensure they continue to be fit for purpose and will continue to write directly to members who have such investments to make them aware if there is anything of significance.

CHARGES AND TRANSACTION COSTS PAID BY MEMBERS

The Trustees are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Plan that are paid by members rather than the employer). In the Plan, members typically pay for investment management and investment transactions, while the employer pays all the other costs of running the Plan such as some administration services as well as governance.

The investment management and transaction costs can be explained as follows:

- The total ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges).
- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and the costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike the ongoing charges figures, transaction costs cannot be compared with the 0.75% charge cap set by legislation. The reported performance of the fund is typically net of these transaction costs.
- In addition, there can be switching costs occurred as a result of the buying and selling of funds. This may relate either to member-driven trades (e.g. a self-select member switching their investment arrangements) or to automatic trades (e.g. those associated with fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the fund price used to place the trade and the price which would have applied to that fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.

The level of ongoing charges applicable to the constituent funds within the Plan's default investment arrangement during the last Plan year were confirmed by Standard Life as being:

	Total charges		Transaction costs for the period 1 April 2022 to 31 March 2023	
	% p.a. per the amount invested	£ p.a. per £1,000 invested	% p.a. per the amount invested	£ p.a. per £1,000 invested
Standard Life Marshall Growth Pension Fund	0.63%	£6.30	0.09%	£0.90
Standard Life Marshall Diversified Growth Pension Fund	1.29%	£12.90	0.39%	£3.90
Standard Life Marshall Pre-Retirement Pension Fund	0.49%	£4.90	0.06%	£0.60
Standard Life Deposit and Treasury Pension Fund	0.49%	£4.90	0.04%	£0.40

Source: Standard Life

The level of ongoing charges and transaction costs applicable to the Plan's self-select funds under the Standard Life and Aviva arrangements during the last Plan year were confirmed by the providers in the table below.

	Total charges		Transaction costs for the period 1 April 2022 to 31 March 2023[1]	
	% p.a. per the amount invested	£ p.a. per £1,000 invested	% p.a. per the amount invested	£ p.a. per £1,000 invested
Standard Life				
SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund	0.50%	£5.00	0.00%	£0.00
SL iShares UK Equity Index Pension Fund	0.49%	£4.90	0.13%	£1.30
SL Stewart Investors Global Emerging Markets Leaders Pension Fund	1.42%	£14.20	0.21%	£2.10
SL HSBC Islamic Global Equity Index Pension Fund	0.78%	£7.80	0.04%	£0.40
SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	0.50%	£5.00	(0.06%)	(£0.60)
SL BNY Mellon Real Return Pension Fund	1.28%	£12.80	0.29%	£2.90
Standard Life Marshall Growth Pension Fund	0.63%	£6.30	0.09%	£0.90
Standard Life Marshall Diversified Growth Pension Fund	1.29%	£12.90	0.39%	£3.90
Standard Life Marshall Pre-Retirement Pension Fund	0.49%	£4.90	0.06%	£0.60
SL iShares UK Gilts All Stocks Index Pension Fund	0.49%	£4.90	0.05%	£0.50

[1] A charge in (brackets) is a negative transaction cost.

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	Total charges		Transaction costs for the period 1 April 2022 to 31 March 2023[1]	
	% p.a. per the amount invested	£ p.a. per £1,000 invested	% p.a. per the amount invested	£ p.a. per £1,000 invested
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	0.50%	£5.00	0.16%	£1.60
Standard Life Long Corporate Bond Pension Fund	0.49%	£4.90	0.14%	£1.40
Standard Life Deposit and Treasury Pension Fund	0.49%	£4.90	0.04%	£0.40
Standard Life Property Pension Fund	0.51%	£5.10	0.18%	£1.80
SL iShares Emerging Markets Equity Index Pension Fund	0.68%	£6.80	0.37%	£3.70
Aviva				
Aviva FP With Profits Fund (Main Series 1) Pensions (Policy 40389)	0.25%*	£2.50	0.09%	£0.90
Aviva FP With Profits Fund (Main Series 1) Pensions (Policy 40389)	0.75%**	£7.50	0.09%	£0.90
Conventional With-Profits (1982 policy) (Policy F8381)	0.65%***	£6.50	0.09%	£0.90

Source: Standard Life and Aviva

* There is no explicit scheme charge for pre July 2001 policies or older policies for the first with-profits investment was after before 26 November 2001 but the above is an assumed administration cost. Aviva allows for an implicit charge when reviewing the regular bonus rates each year.

** Explicit scheme charge applies to post July 2001 policies only or older policies for which the first with-profits investment was after 25 November 2001

*** There is no explicit scheme charge but the above is an assumed investment expense and administration cost. These costs are Aviva's current view of the costs which are reflected in the With-Profits declared bonuses.

In terms of switching costs, the funds used by the Plan operate on a single-swinging price basis with no explicit switching costs charged to members. However, members may experience implicit switching costs whenever assets are sold (as is the case throughout the lifestyling phase).

These costs will vary between members depending on what switches took place for each member and the date at which these occurred. The Trustees are not able to track what costs have been incurred in practice for particular members.

Completeness of charges and transaction cost information
Where information about the member costs and charges is not available, we have to make this clear together with an explanation of what steps we are taking to obtain the missing information.

We were not provided with transaction costs prior to 1 January 2018 for any of the funds, whether managed by Standard Life or Aviva. As the reporting of transaction costs is a new statutory requirement, not obtaining full transaction cost data is a difficulty faced by many pension schemes. It should be noted that the transaction costs are likely to vary from fund to fund and from year to year.

Examples of the impact of costs and charges

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on members' savings.

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Aviva and Standard Life have prepared examples of the cumulative effect over time of the impact of the charges and transaction costs on the value of a member's retirement savings, having taken account of the updated statutory guidance effective from 1 October 2021 issued by the Department of Work and Pensions[2] in preparing this section of our statement.

Aviva has confirmed the tables show how different costs and charges can impact the pension pot over certain periods of time, based on a selection of investment funds. Table 1 shows the default and the highest/lowest charging funds for the Scheme. Under each investment fund, there are two columns. The first shows the projected pension values assuming no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing the two it can be seen how much the charges over the years will impact an individual's pension fund. So, for example, if an individual is currently age 55 and expected to retire at 65, the figures at the end of year 10 would give an idea of the individual's pension fund.

Table 1 (Policy 40389)

Illustration of effect of cost and charges for typical funds within your scheme – Marshall Group Executive Pension Plan						
	Av FP With Profits Fund (Main Series 1)		Av FP With Profits Fund (DTB Series)		Av Global Equity	
	Default arrangement		Lowest charge		Highest charge	
	Assumed growth rate 4.3% p.a.		Assumed growth rate 4.3% p.a.		Assumed growth rate 6.5% p.a.	
	Assumed fund costs and charges 0.34% p.a.*		Assumed fund costs and charges 0% p.a. *		Assumed fund costs and charges 1.18% p.a. *	
At end of year	Projected value assuming no charges are taken	Projected value with charges taken	Projected value assuming no charges are taken	Projected value with charges taken	Projected value assuming no charges are taken	Projected value with charges taken
1	£20,500	£20,400	£20,500	£20,500	£20,900	£20,600
2	£20,900	£20,800	£20,900	£20,900	£21,800	£21,300
3	£21,400	£21,200	£21,400	£21,400	£22,800	£22,000
4	£21,900	£21,600	£21,900	£21,900	£23,800	£22,700
5	£22,400	£22,000	£22,400	£22,400	£24,800	£23,400
10	£25,000	£24,200	£25,000	£25,000	£30,800	£27,400
15	£27,900	£26,600	£27,900	£27,900	£38,200	£32,100
20	£31,200	£29,200	£31,200	£31,200	£47,400	£37,500
25	£34,900	£32,100	£34,900	£34,900	£58,900	£43,900
30	£39,000	£35,300	£39,000	£39,000	£73,000	£51,400
35	£43,600	£38,800	£43,600	£43,600	£90,600	£60,200
40	£48,800	£42,600	£48,800	£48,800	£112,000	£70,400

*includes transaction costs

Source: Aviva

[2] https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/reporting-of-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-schemes-effective-from-1-october-2021

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For this illustration, Aviva has assumed:

1. A starting pot representative of a typical member in the Scheme. It does not assume any ongoing pension contributions into the pension pot.
2. The figures illustrate the pension pot value in 'today's money' which means Aviva take inflation into account by reducing values at 2.0% a year. Seeing the figures in this way shows what they could be worth today. It is important to note 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'.

Table 2 below shows the effect of the costs associated with administering the policy and professionally investing the Scheme's money in the FPLAL With-Profits Sub Fund in which members are invested. The table shows pension benefits with and without costs over a range of projection periods to illustrate the cumulative effect of costs over time. Projections have been provided showing a range of notional investment pots.

For this illustration, Aviva has assumed:

1. With-Profits Fund Management Costs of 0.739% a year.
   - Investment expenses and administration costs: 0.65% a year.
   - Transaction Cost: 0.089% a year.
   - The With-Profits management costs represent the assumed cost of administering a member's policy and professionally investing their monies in the FPLAL With-Profits Sub Fund in which they are invested. Aviva have assumed the current costs continue to apply throughout the projections. These costs are Aviva's current view of the costs applicable to a member's policy which are reflected in the With-Profits declared bonuses.
2. The projected fund is assumed to grow at 4% a year, which is the assumed growth rate of the FPLAL With-Profits Sub Fund in which members under policy F8381 are invested.
3. The benefit values are shown in 'today's money' which means Aviva take inflation into account by reducing values at 2.0% a year. Seeing the figures in this way shows members what the benefit values could be worth today.

Table 2 (policy F8381)

	Assuming NO further contributions			
	Assumed current pension pot £50,000		Assumed current pension pot £100,000	
Duration (years)	Projected Fund assuming no charges	Projected Fund assuming 0.739% a year costs	Projected Fund assuming no charges	Projected Fund assuming 0.739% a year costs
5	£55,100	£53,200	£110,000	£106,000
10	£60,700	£56,500	£121,000	£113,000
15	£66,900	£60,100	£134,000	£120,000
20	£73,700	£63,900	£147,000	£128,000
25	£81,200	£68,000	£162,000	£136,000
30	£89,500	£72,300	£179,000	£145,000
35	£98,700	£76,900	£197,000	£154,000
40	£109,000	£81,700	£217,000	£163,000

Source: Aviva

The table below shows the projected pension savings in today's money for a representative member of the Standard Life arrangement using:

- The median starting age and pot size as at 5 April 2023; and
- The 'Before charges' column shows the projected fund without any transaction costs and charges being applied. The 'After all charges' column shows the projected fund after transaction costs and charges have been applied.

Please note that, within each table, there may be instances where the projected fund at age 65 (Normal Retirement Date) is lower than the starting fund value. This arises when the projected return (before or after charges are deducted) is lower than the projected levels of inflation, as all values are shown in today's terms.

'Typical' member of the Standard Life arrangement

Year	Marshall Options Open Lifestyle		SL Marshall Growth Pension Fund		Standard Life Deposit and Treasury Pension Fund	
	The default lifestyle option, revised over 2021, with a 10 year lifestyle period		The highest charging fund		The lowest charging fund	
	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	£122,000	£122,000	£122,000	£120,000	£119,000	£119,000
3	£126,000	£124,000	£124,000	£118,000	£116,000	£115,000
5	£130,000	£126,000	£126,000	£116,000	£114,000	£112,000
NRD	£134,000	£128,000	£129,000	£115,000	£112,000	£108,000

Source: Standard Life

The following assumptions have been made for the purposes of the above illustrative examples:

- Values shown are estimated and are not guaranteed, the actual fund values could be higher or lower;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Inflation is assumed to be 2.0% each year;
- The starting pot size is assumed to be £121,000 for a 'typical' member and no further contributions are made;
- Starting age is assumed to be 58 for a 'typical' member; and
- The projected growth rate provided by Standard Life for each fund (before inflation, total expense ratio and transaction costs over the year to 31 March 2023 are deducted) are as follows:
  - Marshall Options Open Lifestyle 'growth' phase (the default investment strategy) (Standard Life Marshall Growth Pension Fund: 5.0%, Standard Life Marshall Diversified Growth Pension Fund: 3.0%, Standard Life Marshall Pre-Retirement Pension Fund: 2.5%, Standard Life Deposit and Treasury Pension Fund: 1.0%)
  - Standard Life Marshall Growth Pension Fund Pension Fund (the highest charging fund): 5.0%
  - Standard Life Deposit and Treasury Pension Fund (the lowest charging fund): 1.0%.

Past performance of the investment options

Standard Life and Aviva have calculated the return on investments after the deduction of any charges and transaction costs paid for by the members. Standard Life have done this for the default investment arrangement and for each self-select fund, and Aviva for the legacy investment arrangements, which members are now able, or were previously able, to select and in which Plan members have been invested during the Plan year.

The net returns to 31 March 2023 are shown in the tables below and have been included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance. Standard Life and Aviva have prepared the following tables, in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and having taken account of the statutory guidance issued by the Department of Work and Pensions[3].

Annualised returns net of charges for a single investment of £10,000 in the Plan					
Duration	**1 year**	**5 years (annualised)**	**10 years (annualised)**	**15 years (annualised)**	**20 years (annualised)**
Time period (start date – end date)	**31/03/2022– 31/03/2023 (%)**	**31/03/2018– 31/03/2023 (%p.a.)**	**31/03/2013– 31/03/2023 (%p.a.)**	**31/03/2008– 31/03/2022 (%p.a.)**	**31/03/2003– 31/03/2022 (%p.a.)**
Aviva FP With Profits Fund (Main Series 1) Pensions (Policy F40389)	3.0	4.7	4.6	4.9	4.9
Conventional With-Profits (1982 policy) (Policy F8381)	4.5	4.1	4.4	4.8	4.8

Source: Aviva

Notes:
For the above table, Aviva has assumed:

1. Returns net of all costs and charges have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance.
2. The charges are those currently applicable to a single contribution of £10,000 paid into the Plan at the beginning of the reporting period.
3. Returns are annualised geometric means over the time periods displayed. For example, if a net fund return over a 5 year period was 15.9% this would be shown as 3% p.a. in the '5 year' column.
4. Returns are net of all costs and charges borne by members. Both initial (where applicable) and ongoing charges are included in the returns provided. When comparing charges you should ensure that comparator schemes have included all charges, including any initial contribution based charges, in the same way.

[3] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

5. The net returns reflect the current charge arrangement. These charges could vary in the future.
6. For policy F8381, calculations are based on a guaranteed yield of 3% p.a. to normal retirement as this best represents the members of the Plan.
7. For policy F8381, an additional equivalent p.a. growth where there is Guaranteed Annuity Option for a Normal Retirement Date in four years is 18.7%.
8. Guaranteed Annuity Options are not available on all policies and do not apply to all benefits.
9. Guaranteed Annuity Options usually offer a rate preferential to the standard annuity rate. Net returns calculated are measures the value of the scheme to members as a whole, the Guaranteed Annuity Options returns calculated assesses the value of the guarantee spread across the whole of the scheme.
10. The value this adds to a member's investment is shown here as annual return. For an average policyholder, four years before normal retirement, the additional value of their Guaranteed Annuity Option is shown as an annual return, payable for the four years.

Annualised net returns (%) for the default investment arrangement (the Marshall Options Open Lifestyle) over periods to 31 March 2023

Age of member at the start of the period**	1 year	5 years (annualised)	10 years (annualised)	15 years (annualised)	20 years (annualised)
Time period (start date – end date)	**31/03/2022–31/03/2023 (%)**	**31/03/2018–31/03/2023 (%p.a.)**	**31/03/2013–31/03/2023 (%p.a.)**	**31/03/2008–31/03/2023 (%p.a.)**	**31/03/2003–31/03/2023 (%p.a.)**
Age 25	-3.6	5.2	n/a*	n/a*	n/a*
Age 45	-3.6	5.2	n/a*	n/a*	n/a*
Age 55	-3.6	5.2	n/a*	n/a*	n/a*

Source: Standard Life
*Fund returns noted as "n/a" indicate where fund performance is not available for the specified performance period. This is typically as a result of the fund launching during the specified performance period.
**As the default investment arrangement is a lifestyle strategy made up of different investment funds, the returns may vary with the age of the member, so we have shown the returns at three example ages in line with regulatory guidance.

Annualised net returns (%) for the self-select funds over periods to 31 March 2023

Standard Life

Duration	1 year	5 years (annualised)	10 years (annualised)	15 years (annualised)	20 years (annualised)
Time period (start date – end date)	**31/03/2022–31/03/2023 (%)**	**31/03/2018–31/03/2023 (%p.a.)**	**31/03/2013–31/03/2023 (%p.a.)**	**31/03/2008–31/03/2023 (%p.a.)**	**31/03/2003–31/03/2023 (%p.a.)**
SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund	-3.60	10.64	11.13	n/a*	n/a*
SL iShares UK Equity Index Pension Fund	1.41	4.45	5.30	5.65	n/a*
SL Stewart Investors Global Emerging Markets Leaders Pension Fund	-1.56	-0.51	2.65	n/a*	n/a*
SL HSBC Islamic Global	-6.28	14.26	12.73	11.46	n/a*

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Equity Index Pension Fund					
SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	-6.25	8.99	n/a*	n/a*	n/a*
SL BNY Mellon Real Return Pension Fund	-4.95	3.41	2.28	n/a*	n/a*
Standard Life Marshall Growth Pension Fund	-4.12	6.07	n/a*	n/a*	n/a*
Standard Life Marshall Diversified Growth Pension Fund	0.79	1.88	n/a*	n/a*	n/a*
Standard Life Marshall Pre-Retirement Pension Fund	-17.56	-2.47	n/a*	n/a*	n/a*
SL iShares UK Gilts All Stocks Index Pension Fund	-16.77	-3.53	n/a*	n/a*	n/a*
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	-28.01	-3.82	1.10	n/a*	n/a*
Standard Life Long Corporate Bond Pension Fund	-19.83	-2.86	1.72	4.07	n/a*
Standard Life Deposit and Treasury Pension Fund	1.70	0.29	-0.11	n/a*	n/a*
Standard Life Property Pension Fund	-17.05	0.50	4.41	2.95	4.07
SL iShares Emerging Markets Equity Index Pension Fund	-5.05	2.04	3.83	n/a*	n/a*

Source: Standard Life
* Fund returns noted as "n/a" indicate where fund performance is not available for the specified performance period. This is typically as a result of the fund launching during the specified performance period.

Notes:
For the above table, Standard Life has assumed:

1. All returns are cumulative performance using an annual geometric average, with gross income reinvested unless otherwise stated. Fund returns are net of all transaction costs.
2. Past performance is not a guide to future returns.
3. The charging structure applicable to Standard Life's schemes mean that the above Net Investment Returns are applicable to a saving profile of a one off lump sum of £10,000 (as suggested in the guidance).

ASSESSING VALUE FOR MEMBERS

ANNUAL DC GOVERNANCE STATEMENT BY THE CHAIRMAN OF TRUSTEES

Introduction and main conclusions

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which costs and charges within the Plan represent good value for members when compared to other options available in the market.

The Trustees have conducted three tests in assessing value for members for the Plan year to 5 April 2023:

1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Plan against key **governance and administration** criteria.

Based on our assessment, we conclude that the Plan offered good value for members over the year to 5 April 2023, when measured against the definition required by legislation, using the three comparison schemes selected by the Trustees and using our interpretation of the updated statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

The Trustees have carried out the new detailed value for members assessment which now applies to the Plan, as a result of the Plan holding total assets under £100 million as at the Plan year-end.

In carrying out the assessment, the Trustees have had regard to the Department for Work and Pensions' updated statutory guidance dated October 2021 on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns"[4].

This section sets out the approach that the Trustees have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Our approach
Assisted by our advisers and in line with the statutory guidance, we have taken the following approach:

1. We have collated information on costs and charges and net investment returns within the Plan, as well as key governance and administration criteria within the Plan;
2. We have collated information on costs and charges and net investment returns within three comparison schemes, selected using clear rationale agreed by the Trustees;
3. We have assessed the value that Plan members receive by comparing the Plan's costs and charges and net investment returns relative to the comparison schemes and assessing the key governance and administration criteria on an absolute basis, having due regard to the updated statutory guidance; and
4. We have reflected on our key findings, before deciding whether the Plan provides overall value for members and agreeing any actions that are required following the assessment.

For the avoidance of doubt, under the updated statutory guidance, trustees of occupational DC pension schemes who are not able to demonstrate that their pension

[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

scheme delivers value for members on all three areas (costs and charges; net investment returns; administration and governance) are expected to conclude that their pension scheme does not provide good value for members.

Such trustees should look to wind up their pension scheme and transfer the rights of their members into a larger pension scheme, or set out the immediate action they will take to make improvements to the existing scheme (if the improvements identified are not made within a reasonable period, for example within the next scheme year, then those trustees would be expected to wind up and transfer members' benefits to another pension scheme).

Preparations for the assessment

The Trustees received support from advisers around how to undertake the new detailed value for members assessment and also considered the updated statutory guidance.

A number of key decisions were made as part of these preparations, in two main areas:

1. Selecting the three comparison schemes
2. Interpreting the statutory guidance

<u>1. Selecting the three comparison schemes</u>

In order to carry out the value for members assessment, the Trustees' first step was to select three comparison schemes.

We took advice from our pension advisers in this regard to ensure that we conducted an appropriate selection process, as our pension advisers have the relevant market knowledge of defined contribution pension arrangements.

In line with the statutory guidance, the comparison schemes selected were all greater than £100 million in size and of a different structure to the Plan, to ensure that a meaningful comparison was made with a larger pension arrangement.

As Trustees, we were required to set clear rationale for the schemes that we would select as comparators. On top of the statutory guidance requirements above, the Trustees selected the following criteria for the comparison schemes:

- The comparison schemes would all be Master Trusts, as these are schemes that differ in structure to the Plan (a trust-based occupational pension scheme) and would be able to accept a bulk transfer of members' assets without consent;
- The comparison schemes would support in-scheme drawdown (i.e. the ability for individuals to flexibly access their savings without changing pension schemes);
- The comparison schemes would support a similar investment strategy to the Plan by investing predominantly in equities in the growth phase before de-risking to a suitable mix of assets at retirement to take account of the pension freedoms;
- The comparison schemes would have comparable scheme profiles to the Plan;
- The comparison schemes would provide access to financial advice at retirement;
- The comparison schemes would be likely to offer terms to receive a bulk transfer of the assets and membership of the Plan as part of a wind-up and bulk transfer;
- Finally, the comparison schemes would be able to provide the net investment return, charges and transaction costs required by the Trustees.

From a practical point of view, the Trustees selected from a long-list of Master Trusts who have engaged with the 2023 round of our adviser's annual provider market data gathering exercise (i.e. the Trustees implicitly assumed that providers who did not engage with their advisers would not be able or willing to provide the data required).

By applying this clear rationale within the comparison scheme selection process, the Trustees selected the following comparison schemes:

- Standard Life DC Master Trust;
- Aviva Workplace Retirement Account Master Trust; and
- The Legal & General Worksave Master Trust.

The statutory guidance states that "Trustees of specified schemes are of course at liberty to choose their own comparison schemes, each time they conduct the value for members assessment".

As a result, the Trustees reserve the right to select different clear rationale and choose different comparison schemes for future Plan years.

2. Interpreting the statutory guidance

The detailed value for member assessment has been rolled out across all occupational DC pension schemes with assets under £100 million.

A number of key decisions were made as part of the Trustees' preparations, primarily around interpreting the updated statutory guidance dated October 2021.

The Trustees made the following key decisions for this Plan year (where this relates to a particular paragraph of the updated statutory guidance, the relevant paragraph number is shown in [square brackets]):

- The Trustees note that charges and transaction costs will only vary by age for Plan members in the ten years prior to normal retirement date for the default investment arrangement. As the updated statutory guidance suggests that charges and costs are shown at 10-year intervals, no difference would be demonstrated if the Trustees followed this suggestion. As a result, the Trustees have shown a single figure for the charges and transaction costs relating to the period prior to ten years before normal retirement date [46];
- The Trustees have relied entirely on the data supplied by the providers of the comparison schemes [47/59];
- The Trustees have requested comparison data as at 31 March 2023 (as quarter-end data was more readily provided) and have compared this against Plan data also calculated as at 31 March 2023;
- The Trustees have agreed that the charges and transaction costs over the year to 31 March 2023 are not unusually high for a reason that is unlikely to be repeated; therefore, the Trustees have used one-year data rather than an average of the last five years [61];
- Where the Trustees have performed comparisons using the Plan's default investment arrangement, we have compared them against the default arrangement put forward by each comparison scheme, where these schemes have different options for default arrangements [51/62];
- In the absence of a clear definition in the updated statutory guidance, the Trustees have defined self-select funds as "popular" or "frequently invested" if more than 5% of members are invested in the self-select funds [52/63/67/68];
- The Trustees have given the total charges and transaction costs and net investment returns in the default lifestyle arrangement and legacy investment arrangements a weighting of 100%, given that no current self-select fund in the Plan has sufficient members investing in it to be considered "popular" or "frequently invested" under the above definition [64/74];
- The Trustees have assumed that funds being compared which have charges and transaction costs with an absolute difference within 0.05% or which have net investment returns with an absolute difference within 0.5% are considered to be "closely comparable" [54/66];
- The Trustees consider that default investment arrangements or self-select funds that also have higher, not just "broadly comparable", average investment returns

over a five-year period when compared to the nearest comparable default arrangements or funds respectively, are good value from a costs and charges perspective, even if the charges in the Plan are higher than the same comparable default arrangements or funds respectively [54];

- The Trustees have placed more weight on the net investment returns over charges and transaction costs by weighting net investment returns by 80% and charges and transaction costs by 20% when assessing value for members [106];
- The Trustees have only been able to source and use five-year net investment returns to assess longer-term investment performance (10-year and 15-year data was not consistently provided) and have also placed more weight on the longer-term performance by weighting five-year net investment returns by 80% and short-term one-year returns by 20% [58];
- The Trustees were not provided with sufficient data by the comparison schemes to assess whether the demographic profile of the Plan differed sufficiently to those of the comparison schemes to support a "clear strategic choice" that explains differences in performance [68];
- When assessing the value delivered by their governance and administration offering within the Plan, the Trustees have considered and assessed the Plan against the seven key metrics of Administration and Governance set out in the updated statutory guidance and note that the guidance also sets out an expectation that all seven of the metrics for administration and governance are satisfied for a pension scheme to be able to demonstrate satisfactory value for members [103/104]. In making this assessment, the Trustees have assumed the following:
  I. When assessing the **promptness and accuracy of core financial transactions**, the Trustees have placed greater weight on the proportion of member transactions that have been completed accurately and within required timeframes set in legislation compared to the proportion of member transactions that have been completed according to any service level agreements (SLA) when assessing whether the Plan would represent "satisfactory value" for members in this area [73-77];
  II. When assessing the **quality of record keeping**, the Trustees have assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area. [78-88];
  III. When assessing the **appropriateness of the default investment strategy**, the Trustees have considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [89-91];
  IV. When assessing the **quality of investment governance**, the Trustees have considered all of the points within the statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [92-93];
  V. When assessing the **level of trustee knowledge, understanding and skills to operate the Plan effectively**, the Trustees have assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [94-97];
  VI. When assessing the **quality of communication with Plan members**, the Trustees have assumed that concluding that they have met their statutory obligations and have also achieved satisfactory assessments for the majority of criteria set out in the statutory guidance would represent "satisfactory value" for members in this area [98-99];
  VII. When assessing the **effectiveness of management of conflicts of interest**, the Trustees have assumed that having all four of the controls set out in the updated statutory guidance in place and being able to show how these have been followed and are effective in practice would represent "satisfactory value" for members in this area [100-102];

The Trustees also agreed to revisit these decisions in future Plan years, allowing for emerging industry-wide practices or case studies, particularly around the approach that The Pensions Regulator ends up taking when assessing how trustees carried out the new detailed value for member assessments.

Process followed for the assessment, including key factors considered

The Trustees requested the required information from each of the comparison schemes in order to undertake the relative assessment of costs and charges and net investment returns against the Plan. The Trustees also requested the assistance of advisers to assist in assessing the Plan against the criteria set out in the updated statutory guidance.

The assessment then involved three tests:
1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Plan against key **governance and administration** criteria.

The Trustees have also had discussions with at least one of the comparison schemes about a transfer of the members' rights if the Plan should ever be wound up (please note that this is a requirement of the statutory guidance, rather than a reflection of the future ambitions of either the Trustees or the sponsoring employers of the Scheme).

The outcomes from our assessment

Test 1: costs and charges

The Trustees have identified the costs and charges that members pay for directly, as well as the costs and charges that are paid for by the employer.

It is the current policy of the Trustees and employer that the costs and charges which are paid by members are not only the fund management charges and transaction costs for the investment funds used within the Plan but also the costs of the services provided to members by Standard Life and Aviva such as:

- The costs of reviewing and updating funds available to members on their platforms;
- Administration costs for the providers (e.g. the costs of updating and maintaining member records, processing contributions and pension payments, dealing with member queries, etc.); and
- Member communications (e.g. the costs of producing and issuing annual benefit statements, etc.).

For all other costs and charges, the employer bears the full cost. This covers such areas as:

- Wider investment support and governance (e.g. the costs of regularly reviewing and updating funds available to members, etc);
- Administration of the Plan (e.g. producing annual financial statements, etc);
- Member communications (e.g. the costs of producing and issuing member booklets, newsletters etc); and
- The management and governance of the Plan (e.g. the expenses of the Trustees, the costs of legal/actuarial advisers and annual audit, etc).

The Trustees have gathered information about costs and charges from the three comparison schemes and compared them with the costs and charges paid by the members directly in the Scheme.

As mentioned earlier in this section:

- The charges and transaction costs for the year to 31 March 2023 have been gathered for the analysis, rather than for the year to 5 April 2023, as quarter-end data was more readily provided by the comparison schemes; and
- The Trustees have agreed that the charges and transaction costs over the year to 31 March 2023 are not unusually high for a reason that is unlikely to be repeated; therefore, the Trustees have used one-year data rather than an average of the last five years.

Given that no current self-select fund in the Plan has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section, we have compared our current default investment strategy under Standard Life with the default investment arrangement in the three comparison schemes.

A summary of the comparison is shown in the table below.

For the year to 31 March 2023	Ongoing charges figures	Transaction costs	Total of ongoing charges figures and transaction costs
The Plan: the default arrangement			
Our default investment arrangement (before ten years prior to normal retirement date*)	0.70%	0.12%	0.82%
The Plan: the legacy investment arrangements			
Aviva FP With Profits Fund (Main Series 1) Pensions (Policy F40389)	0.75%**	0.09%	0.84%
Conventional With-Profits (1982 policy) (Policy F8381)	0.65%	0.09%	0.74%
Default investment arrangements proposed for the comparison schemes			
Standard Life DC Master Trust	0.43%	0.04%	0.47%
L&G Worksave Master Trust	0.28%	0.09%	0.37%
The Aviva Workplace Retirement Account Master Trust	0.47%	0.08%	0.55%
Average of the three comparison schemes	0.39%	0.07%	0.46%

Source: Standard Life, Aviva and Legal & General

* As noted earlier, the charges for the Plan's current default investment arrangement are at their highest in the period prior to ten years before normal retirement date and do not change at any point during the period prior to ten years before normal retirement date.

** Aviva have confirmed explicit scheme charges apply to post July 2001 policies or for which the first with-profits investment was after 25 November 2001. For pre July 2001 policies or where with-profits investment began before November 2001, scheme charges are implicit and allowed for when reviewing regular bonus rates each year

The Trustees have given greater weight in the comparison to the total charges and transaction costs in the current default arrangement and legacy investment arrangements than the current self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default arrangement and legacy investment arrangements since no self-select fund in the Plan has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section.

Our conclusion on costs and charges is that the majority of the total charges and transaction costs are higher than the average for the comparator schemes, but this is justified by higher investment returns (as shown in the next section), so it is reasonable to assume that the Plan as a whole represents good value for members from the standpoint of costs and charges.

Test 2: Investment returns (fund performance)

The Trustees have gathered past performance of the investment options within the Plan and included this in the earlier section entitled "Past performance of the investment options".

The Trustees have also gathered information about investment returns (after the deduction of any charges and transaction costs) for the investment options of the three comparison schemes and compared them with the net investment returns in the Plan.

The Trustees have given greater weight in the comparison to the net investment returns in the current default arrangement and legacy investment arrangements than self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default investment arrangement since no current self-select fund in the Plan has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section.

We have, therefore, compared our default investment strategy with Standard Life with the default investment arrangement proposed for each of the three comparison schemes.

The Trustees have compared net investment returns:

- in the short term (i.e. over a one-year period to the year ending 31 March 2023) to give an immediate indication of performance trend; and
- over a longer, more sustained, period for which broadly comparable data could be found (i.e. over a five-year period to the year ending 31 March 2023).

The Trustees plan to include longer-term performance (e.g. over 10 years and over 15 years) when this data is available.

A summary of the comparison is shown in the table below.

For the period to 31 March 2023	One-year net investment return (annualised)	Five-year net investment return (annualised)
The Plan: the default arrangement		
Our current default investment arrangement (before ten years prior to normal retirement date)	-3.6%	5.2%
The Plan: the legacy investment arrangements		
Aviva FP With Profits Fund (Main Series 1) Pensions (Policy F40389)	3.0%	4.7%
Conventional With-Profits (1982 policy) (Policy F8381)	4.5%	4.1%
Default investment arrangements proposed for the comparison schemes		
Standard Life DC Master Trust	-4.5%	N/A*
The Aviva Workplace Retirement Account Master Trust	-4.0%	4.6%
L&G Worksave Master Trust	-3.3%	5.6%
Average of the comparison schemes	-3.9%	5.1%

Source: Standard Life, Aviva and Legal & General

* Fund performance is not available for the specified performance period as a result of the fund launching during the specified performance period.

Notes:
1. Figures have been collected for the periods to 31 March 2023 rather than to the Plan year end of 5 April 2023 as this facilitates comparison with the quarter-end data provided by the comparison schemes.
2. Figures have been shown for the following strategies for each of the three comparison schemes:

   - Standard Life DC Master Trust: Standard Life Sustainable Multi Asset Growth Pension
   - The Aviva Workplace Retirement Account Master Trust: My Future Focus Growth
   - L&G Worksave Master Trust: LGIM 2055-2060 Target Date Fund

Both the one-year and five-year net return figures for our default investment arrangement are not only better than the average of the comparator default investment arrangements but also higher than the highest returns from the comparator default investment arrangements, so it is reasonable to deduce that our default investment arrangement represents good value for members from the standpoint of investment returns for that arrangement.

In addition, the Trustees also assume that the margin of outperformance of the default investment arrangement for the Plan compared to the three comparison schemes justifies our conclusion that the Plan as a whole represents good value for members from the standpoint of costs and charges, as the outperformance exceeds the difference between the total charges and transaction costs in the Plan compared to the average for the comparator schemes.

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Test 3: Governance and administration

The Trustees have assessed the value delivered by our governance and administration offering as the third and final part of our assessment of value for members.

Effective scheme governance is essential for the operational and financial sustainability of the Plan, for good outcomes from investment, and for the trust and confidence of our members.

Our assessment for governance and administration is based on seven key metrics as prescribed by legislation. Unlike the assessments for costs and charges and for net investment returns, this assessment does not involve a comparison with other schemes.

We have, however, taken advice from our pensions advisers as a reference for "best practice" and used this to explain our interpretation earlier in this section of the requirements set out in paragraphs 69 to 102 of the updated statutory guidance.

A summary of the comparison is shown in the table below.

Metric	Description	Rating	Main reason
1.	Promptness and accuracy of core financial transactions	Metric satisfied but steps to be taken to strengthen	The Trustees to continue to monitor SLAs for payments out as these had not been previously actioned by Aviva within agreed timescales
2.	Quality of record keeping	Metric satisfied	The Trustees believe that the requirements of this metric have been met
3.	Appropriateness of the default investment strategy	Metric satisfied	The Trustees believe that the requirements of this metric have been met
4.	Quality of investment governance	Metric satisfied	The Trustees believe that the requirements of this metric have been met
5.	Level of trustee knowledge, understanding and skills to operate the pension scheme effectively	Metric satisfied	The Trustees believe that the requirements of this metric have been met
6.	Quality of communication with scheme members	Metric satisfied	The Trustees believe that the requirements of this metric have been met
7.	Effectiveness of management of conflicts of interest	Metric satisfied	The Trustees believe that the requirements of this metric have been met

Having considered all seven metrics within the theme of governance and administration, the Trustees have concluded that the overall governance and administration of the Plan provides good value for members.

Follow-on actions and investigations

Over the year to 5 April 2024, the Trustees plan to continue:

- to review and (where appropriate) improve member communications/engagement to ensure members are aware of how the Plan operates and the decisions they need to take;
- to ensure the member data held by the providers is reviewed, any gaps are known, and strategies are in place to improve this;
- to liaise with Aviva and ensure records are updated and SLA's are improved;
- to ensure the Implementation Statement is kept updated;
- to work towards full buy-out of the Plan and trigger wind-up proceedings. DC Section members' funds will either remain linked to their DB benefits and be moved across to the insurer, or the link will be broken and the DC fund will be with the current provider, Aviva, and reassigned into the name of the member.

Final conclusions and points to note

The Trustees have concluded that the Plan offered good value for members over the year to 5 April 2023, as set out in detail in this section.

It should be noted, though, that the value for members assessment under the new detailed framework may vary from year to year, as it is heavily determined by short-term and long-term assessments of relative costs and charges and relative net investment returns, which in themselves are heavily influence by the choice of the three comparison schemes.

As a reminder, should the Trustees feel in any future year that we are not able to demonstrate that the Plan delivers value for members on **all** three areas (costs and charges; net investment returns; administration and governance), then the updated statutory guidance – and The Pensions Regulator – would expect the Trustees to conclude that the Plan does not provide good value for members under the updated statutory guidance.

If the Trustees were to conclude that the Plan does not provide good value for members at any Plan year end in the future, the updated statutory guidance – and The Pensions Regulator – would expect that the Trustees look to wind up the Plan and either:

- transfer the rights of the Plan members into a larger pension scheme; or
- set out the immediate action the Trustees will take to make improvements to the Plan (if the improvements identified are not made within a reasonable period, for example within the next Plan year, then the Trustees would be expected to wind up and transfer Plan members' benefits to a larger pension scheme).

TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Plan is overseen by a board of individual trustees. The Trustees are drawn from a variety of backgrounds with skills and knowledge which complement each other and provide a diverse Trustee Board.

The law requires the Trustees to be conversant with the Plan's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Plan effectively.

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The Trustees meet all the knowledge and understanding requirements and understand the Plan and its documents. The Trustees are aware that we must have a working knowledge of the trust deed and rules of the Plan, the Statement of Investment Principles and the documents setting out the Trustees' current policies.

The Trustees are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regularly reviewing the relevant Plan documents and seeking advice from the Plan's legal advisers.

The Trustees have assessed the Plan against the standards set out in the code of practice for trustees of pension schemes providing money purchase benefits (the DC code) and related guides and have established an action plan to ensure we can demonstrate that we are offering a quality scheme.

The Trustees take their training and development responsibilities seriously and the Trustees keep a record of the training completed by each Trustee. The training log is reviewed at each Trustee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole.

All Trustees have completed, or made good progress in completing, the essential modules within The Pensions Regulator's on-line trustee toolkit. New Trustees are required to complete the toolkit within 6 months of becoming a member of the Trustee Board. Trustees must review the toolkit on an on-going basis to ensure their knowledge remains up to date.

The Trustees also receive 'on the job' training. This means that as new topics arise, our professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests as well as training during the meeting, so that the Trustees may engage on such topics in an informed manner.

Relevant advisers attend Trustee meetings and are in frequent contact with the Trustees to provide information on topics under discussion, either specific to the Plan or in respect of pension or trust law.

During the Plan year, training and development on the following topics took place:

- Update on the employer covenant
- Actuarial funding
- Stronger nudge to Pension Wise guidance
- New value for money assessment for DC pension schemes.

As a result of the training activities which have been completed by the Trustees, individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees of the Plan.

CORE FINANCIAL TRANSACTIONS

The Trustees are required to report about the processes and controls in place in relation to 'core financial transactions'. The law specifies that these include the following:

- Investing contributions paid into the Plan;
- Transferring assets relating to members into and out of the Plan;
- Transferring assets between different investments within the Plan; and
- Making payments from the Plan to, or on behalf of, members.

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We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to our administrator. Our Plan administration was delivered in the year by Standard Life and Aviva.

There is a service level agreement in place between the Trustees and their administrators to ensure accurate and timely processing of the core financial transactions for which they are responsible. The administrators are required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Plan's trust deed and rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

In order to monitor this service, the Trustees take a proactive approach to questioning the administrators about their service level reports and receive these on a quarterly basis from Standard Life and Aviva providing statistics on the level of service that is provided in comparison to agreed targets and timescales. The Trustees monitor transactions made via the Trustees' bank account on a regular basis. Standard Life, Aviva and Utmost have in place a service standard of 10 working days. Over the 12 months to 5 April 2023, the administrators in the main achieved the SLAs for the Plan although Aviva reported that some member payment out cases had not been actioned within the agreed timescales and had been a result of processing delays.

The Trustees also maintain and monitor a risk register which includes risks in relation to core financial transactions, along with details of mitigation strategies adopted by the Trustees. In particular, over the period to November 2022 the Trustees have considered the potential impact on the sponsor's financial strength, the implications for investment strategy and cashflow, and the impact on administration and services to members. They concluded that no adjustments were needed for the time being but will monitor the position on an ongoing basis. Since the buy-in has been completed, the Trustees have monitored risks relating to the buy-in.

The Plan Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

We are pleased that, in the last Plan year, there have been no material administration service issues which need to be reported here by the Trustees and all core financial transactions have been processed within an agreed time.

Overall, we are confident that the processes and controls in place with the administrators are robust and will ensure that the financial transactions which are important to members are dealt with properly.