

## **Babcock International Group Pension Scheme - The Chair's Annual Governance Statement for Scheme year ended 31 March 2022**

This Statement has been prepared by the Trustee of the Babcock International Group Pension Scheme (BIGPS) to demonstrate how the Defined Contribution (DC) Section of the Scheme and other DC benefits under the Scheme (including additional voluntary contributions (AVCs) for Defined Benefit (DB) members) have complied with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 including the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent regulations.

The Scheme is provided for employees of Babcock International Group PLC and its relevant subsidiaries and is used for automatic enrolment purposes. It has not been established as a Master-trust and it is not intended for use as a Master-trust.

This statement relates to the period from 1 April 2021 to 31 March 2022 (the end of the Scheme year) inclusive.

The year in question continued to be affected by the Covid-19 pandemic. The Trustee was mindful of the various statements issued by the Pensions Regulator since the start of the pandemic and continues to conduct the majority of its business remotely via video-conference calls and utilising technology to complete documentation as and when required.

### **1 Investment strategy and performance – relating to the DC Section's default arrangement and other DC investment options available under the Scheme**

#### **Statement of Investment Principles**

The Trustee is responsible for investment governance and, as part of this role, has prepared a Statement of Investment Principles ('SIP') which govern its decisions about investments, including its aims, objectives and policies for the DC Section's default investment arrangement (i.e. the default funds). In particular, it covers:

- How the default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries (in very broad terms, this is the core aim and objective of the default arrangement).
- The Trustee's investment policies on risk, return and Environmental, Social and Governance ('ESG') investing.

The SIP was last updated in June 2020 and is available via the website [www.myoneday.co.uk](http://www.myoneday.co.uk).

#### **Aims and objectives of the DC Section's default arrangement**

The Scheme's default arrangement during the period covered by this Statement was established in February 2016 following professional investment advice and invests in a lifestyle strategy. All members are auto-enrolled into the default arrangement and remain there unless they select other investment options. The aim of the default arrangement is to achieve growth in years before retirement and then protect assets as members get closer to retirement.

During the growth phase of the lifestyle strategy members are invested in a global equity fund in order to maximise growth potential over the longer term. When members are 20 years away from their selected retirement date, their equity investments are gradually switched into a diversified growth fund to reduce investment risk as members move closer to retirement. Members are fully invested in the diversified growth fund when they are 10 years away from their selected retirement age.

The final phase of the lifestyle strategy commences 5 years before their selected retirement age at which point investments are gradually switched into cash. At the member's selected retirement age, the member is invested 60% in a cash fund and 40% in a diversified growth fund. This strategy is broadly designed to target a cash/short term drawdown retirement outcome, as it is expected this outcome will be appropriate for the majority of members based on current membership analysis.

#### **Default strategy review**

The strategy is reviewed annually and was last reviewed during the DC Committee meeting on 9 March 2022 with the support of the Trustee's DC investment advisers. The Trustee concluded that no changes were required and that the default arrangement remains appropriate based on the analysis of membership demographics and retirement behaviour of members over the previous 12 months. Most members (c 72%) continue to have pot sizes valued at less than £40,000 and 97% of retiring members take their funds as cash. The Trustee concluded that the current strategy remains consistent with the aims and objectives of the default arrangement, as stated in the SIP.

The next strategy review is scheduled for February 2023.

#### **Default (and other funds) performance review**

Investment performance is reviewed every quarter. Performance is measured against the benchmarks for each fund and is assessed to ensure that it remains consistent with the aims and objectives of the SIP. Given most of the funds are passive funds this means the Trustee is particularly interested in deviations from the benchmark the fund is meant to be tracking.

Performance of all funds, including the funds that make up the default, are monitored and discussed by the DC Committee and their advisers each quarter. The majority of funds are designed to track an index and have performed in line with expectations during the period covered by this Statement. This is in line with the Trustee's SIP which sets out the Trustee's views that funds available to members should provide diversification and long-term capital growth, aim to protect accumulated funds as members approach retirement and provide value for money. The three lifestyle funds make use of low-cost Global Equity funds as well as a Diversified Growth Fund to mitigate risk. The DC Committee reports its findings to the Trustee Board each quarter and will take action where required.

For the reasons set out above the Trustee agreed that the current investment approach was still appropriate for the majority of members taking benefits from the Scheme and that performance of the default fund had been in line with expectations. Fund performance was and will continue to be monitored each quarter.

#### **Self-select funds**

Members who prefer to make their own investment choices can choose from a range of individual funds selected by the Trustee in February 2016 after taking professional investment advice. The Trustee introduced a Shariah fund in July 2018 to help meet the needs of a diverse membership. The Trustee also introduced a climate focused fund in January 2022 in response to climate change and to support the membership to align their retirement benefits with personal beliefs.

Other final stage lifestyle strategies have also been made available for members who may wish to target an annuity purchase or an ongoing investment drawdown. These were established in February 2016 and the strategy and performance were also last reviewed in March 2022, and the Trustee concluded that they were still appropriate for the smaller numbers of members taking this route given that fund performance had matched the benchmark.

The Trustee undertakes an annual review of the range of investment choices open to members. In addition to an annual review of the default and self-select funds, a triennial investment strategy review is also carried out that includes an in-depth review of membership profiling. The latest triennial investment strategy review was prepared by the Trustee investment adviser and presented to the Trustee at the DC Committee meeting on 9 March 2022.

The Trustee concluded that no changes were required to the investment strategy based on the demographics of the membership and the choices members were making at retirement. The Trustee will undertake a review before the next annual review if there are any significant changes in investment policy or member demographics.

**Net investment returns for the self-select fund options**

The tables below show net investment returns for the Default Lifestyle Strategy and each self-select fund option that members are (or were) able to select during the year to 31 March 2022 and in which monies were invested. When preparing this information, the Trustee has considered the guidance issued by the Department for Work and Pensions (DWP) titled 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' dated October 2021. The Trustee is comfortable that the information provided meets the minimum requirements set out by the DWP.

***Lifestyle Strategy (Target Lump Sum)***

Age of Member	Net Investment Return 1 year to 31 March 2022	Net Investment Return 5 Years to 31 March 2022 (per annum)
25	12.22%	10.14%
45	11.92%	8.67%
55	6.02%	5.34%

***The Self-Select Fund Range***

Growth Funds	Net Investment Return 1 year to 31 March 2022	Net Investment Return 5 Years to 31 March 2022 (per annum)
Emerging Markets Equity	-8.00%	4.23%
Global Equity	12.22%	10.14%
Stewardship	6.34%	5.49%
HSBC Islamic Global Equity Fund (Shariah)	21.24%	15.92%
Climate-focused	N/A	N/A
Diversified Growth Fund*	6.02%	5.34%
<b>Approaching Retirement funds</b>		
Target Increasing Annuity	3.71%	3.08%
Target Level Annuity	-7.00%	1.18%
Money Market Fund	-0.02%	0.24%

**2 Financial transactions**

The Trustee is required to process core financial transactions of the DC Section promptly and accurately. The Trustee regularly monitors the core financial transactions of the DC Section. These include (but are not limited to) the investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members.

This is achieved through the review of quarterly reporting from the DC Section's administrator and the quarterly monitoring of contribution payments by the Employer's payroll. The Scheme's accounts are also audited annually by the Scheme's appointed auditors RSM UK Audit LLP. In addition, the in-house team hold monthly calls with Aviva to discuss performance, accuracy of transactions and plans for development.

Based on these reports the vast majority of contributions are invested in a timely manner. Those which fall outside the standard timescales for receipt and investment are often due to records not being established for new members in time and payroll and the Scheme Administrator work quickly to resolve this and invest the contributions as at the date they were received rather than date of resolution.

The administration report reviewed by the DC Committee each quarter contains details of Aviva's accuracy and timeliness of completing administration tasks (i.e. investment of contributions, transfers in and out of the Scheme, fund switches, retirement cases (quotes and payments to members), responding to member queries etc.) against the administration service level agreements ("SLAs") that the Trustee has in place with Aviva (which cover the accuracy and timeliness of these core transactions). The administration reports also include details of both compliant and non-compliant performance, which means any instances where core financial transactions may not have been processed promptly and accurately within a reporting period are disclosed to the Trustee, such that any remedial action(s) can be discussed and agreed.

Processes and systems adopted by Aviva to help meet its service levels include:

- Platform software that helps to simplify end to end processes
- Operation of a workflow management system, Blue Prism
- Centrally maintained process guides
- Payments of regular contributions are automated and invested in the fund selection of the individual member or in accordance with the default investment strategy automatically
- Processes in place to ensure that late contributions are pursued and reported as required. All payments out are peer checked.

The average SLA for tasks processed by Aviva within the period of this statement was 94%. The Trustee is satisfied that Aviva was operating appropriate procedures, checks and controls and operating within the agreed SLAs during the period covered by this statement.

Any issues arising from service are usually dealt with by the in-house team but, where material, these are escalated to the Trustee for noting and, where appropriate, action. The Trustee has access to senior management at Aviva, as well as a representative of Aviva attending every Committee meeting to answer questions on performance and plans for future improvements to member service. There have been no material administration errors in relation to processing core financial transactions during this Scheme year.

Any member complaints received are initially handled by Aviva and, if appropriate, escalated through the Trustee dispute resolution process – being considered by the pensions support team in the first instance and then by the Trustee if required or on appeal.

Based on the above, the Trustee is satisfied that, overall, the Scheme's core financial transactions have been processed in a timely manner and accurately during the Scheme year ending 31 March 2022.

### **3 Charges and transaction costs**

The following information is based on the Trustee's understanding of Statutory Guidance regarding the disclosure of costs borne by members of DC pension Schemes. The current total expense ratios (TERs) which are borne by members (covering Aviva's administration, investment management and member communications) and are applied to the Scheme's default arrangement and self-select fund range are shown in the following table:

Growth Funds	TER % p.a.	Transaction costs** (%)
Emerging Markets Equity	0.45%	0.00%
Global Equities*	0.24%	0.0396%
Stewardship	0.27%	0.079%
HSBC Islamic Global Equity Fund (Shariah)	0.51%	0.0155%
Climate-focused	1.13%	N/A
Diversified Growth Fund*	0.37%	0.00%
<b>Approaching Retirement funds</b>		
Target Increasing Annuity	0.21%	0.0095%
Target Level Annuity	0.29%	0.025%
Money Market Fund*	0.21%	0.0157%

\* These Funds make up the Default fund.

\*\* The transaction costs advised by Aviva.

- Please note that the most up to date charges are available for members on [www.myoneday.co.uk](http://www.myoneday.co.uk)
- The TERs are underpinned by the SLA with Aviva, which sets out standards for accuracy and timeliness of all core transactions. Aviva report their performance to the Trustee on a quarterly basis which covers the receipt and investment of contributions in a timely manner. No material issues occurred during the year.
- In addition to the total expense ratios, transaction costs are those incurred as result of buying, selling, lending or borrowing investments. The Trustee has obtained this information from Aviva and more detail is available for members to see via the website [www.myoneday.co.uk](http://www.myoneday.co.uk).
- Members do not incur any other additional charges as a member of the Scheme.

- Members invested in the default arrangement will have a mix of the above charges depending on how close they are to their selected retirement age:
  - Members who are more than 20 years from their target retirement age will be fully invested in the Global Equity Fund so will be subject to the charges applicable to that fund.
  - Members who are between 10 and 20 years from their target retirement age will have a mix of Global Equity and Diversified Growth Funds so will be subject to a combination of charges from those two funds.
  - Members who are between 5 and 10 years from their target retirement age will be fully invested in the Diversified Growth Fund so will be subject to the charges applicable to that fund.
  - Members who are less than 5 years from their target retirement age will have a mix of Diversified Growth and Money Market Funds so will be subject to a combination of charges from those two funds.

### **Illustration of the impact of costs and charges on members' funds**

#### ***Purpose of the illustrations***

As required by legislation, the Trustee has obtained from Aviva an illustration of the effect, in £ terms, of the costs and charges on the value of members funds if contributions are paid over a number of years. This information shows how the impact of costs and charges reduces the value of funds (and benefits) that will be available to members at retirement.

#### ***Basis on which the illustrations are prepared***

The illustrations are prepared by Aviva, who have previously provided the following statement regarding their methodology for the data in the illustrations:

*"In preparing our illustrations to support the disclosure of charges to members we have sought to provide an illustration that meets the regulatory requirement to include, in relation to the charges and transaction costs which trustees or managers are required to calculate....., an illustrative example of the cumulative effect over time of the application of those charges and costs on the value of a member's accrued rights to money purchase benefits.*

*Our illustration pays due regard to statutory guidance from the Department of Work and Pensions (DWP) along with the Government's consultation response on charge disclosure.*

*Our aim is to produce the range of illustrations required to comply with the regulations but also to meet the policy intent of enabling members to understand the cumulative effect over time that charges and costs have on their benefits.*

*We recognise that the challenge faced by trustees of established schemes with a diverse membership is that there can be a significant range of ages, contribution rates and accumulated fund values within their scheme. In arriving at our solution, we have sought to provide an illustration that adds value for all scheme members and have sought input from DWP regarding the compliance of our approach.*

*Taking the key elements in turn:*

- ***Duration:*** *We have assumed a 50-year term to comply with the requirement in paragraph 52 of the statutory guidance to base the term on the youngest member to the Scheme's retirement date. While pensions schemes may have a scheme normal retirement age (NRA) lower than state pension age we don't think it's appropriate to use a shorter term based on this as:*

- Automatic enrolment regulations demand that members are enrolled at any age up to state pension age, and that they can opt in from an earlier age than age 22.
- We believe that receipt of state pension will be a significant enabler for members to retire, leading to members retiring at this age rather than an earlier scheme NRA.

Given that all members aged 41 and under will receive state pension at age 68 we believe a term from age 18 to age 68 is appropriate, regardless of the scheme's NRA.

Providing a term that is possibly longer than required allows all members to see the impact of charges on a shorter term if that applies to them. If the term is limited, those who join the scheme at an early age would not be able to see the impact of charges over what is likely to be their full term to retirement.

- **Pot size:** We have chosen to illustrate a starting pot-size of zero as this is typical of the starting pot size of the youngest member. We did not feel it was appropriate to illustrate the median pot size as the youngest members will not hold the median pot size when they join the scheme. Taking a median pot size approach will overstate both projected benefits and the charges taken over the term to retirement.
- **Contributions:** We are conscious that pension schemes can contain members with a wide range of salaries, and therefore contribution amounts. Using an average, median or modal contribution rate would not be helpful to the very significant % of members who contribute at different levels. The youngest members are also unlikely to be contributing a median amount, leading to benefits being overstated in the same way as if median fund values are used.

We chose to illustrate a contribution of £100 per month to allow members to extrapolate or interpolate the approximate impact of charges based on their own circumstance. Using a contribution amount of a "typical" member would allow this, however we felt that calculations would be less intuitive.

- **Range of funds:** To ensure that we cover a sufficient range of funds with different rates of charge and return, in this statement, we have illustrated:
  - The funds that make up the default arrangement

Illustrations for the following funds are available to members at [www.myoneday.co.uk](http://www.myoneday.co.uk)

- A highest and lowest charge fund
- A highest and lowest growth fund

This is in line with paragraphs 44 and 51 of the statutory guidance

We believe that our approach as described above is in line with paragraph 114 of the Government's consultation response on charge disclosure. We have engaged DWP to obtain a view as to whether DWP believe that their statement in paragraph 114 is in line with the statutory guidance.

DWP's view is that paragraph 114 does not contradict the guidance and that the statutory guidance on pot size is that if trustees and managers chose to use just one pot size, the median pot size within the scheme **might** be a useful benchmark. Similarly, DWP do not feel that the requirement that contributions should be **broadly representative** is incompatible with the concept of illustrating the impact of investing £1,000 per annum.

While DWP cannot give a legal view or interpret their own legislation we have taken comfort that our approach meets the regulatory requirements, and the policy intent, with regard to the provision of information on charges."

**The illustrations**

The following table shows the effect of costs and charges for the three funds that make up the Scheme's default arrangement in which c.96% of members are invested. Full details of the effect of costs and charges on ALL of the funds available to members is available for members to see via the website [www.myoneday.co.uk](http://www.myoneday.co.uk)

The information in this table is only intended to be illustrative and members should exercise caution before relying on this information for the purposes of making decisions about savings, investment and retirement choices. In particular, the values shown are estimates based on a number of assumptions and are not guaranteed - the illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The key assumptions are explained beneath the table below. Members should refer to the Scheme's Investment Guide (available at [www.myoneday.co.uk](http://www.myoneday.co.uk)) for more context about the characteristics (as opposed only to cost) of investment options and take independent financial advice as appropriate when making decisions. The Trustee has taken account of the statutory guidance when preparing this section of the statement.

Illustration of effect of cost and charges for typical funds within the Scheme						
	Av Global Equity (BIGPS)		Av Diversified Growth (BIGPS)		Av Money Market (BIGPS)	
	Assumed growth rate 4.5%		Assumed growth rate 3.6%		Assumed growth rate 0.5%	
	Assumed costs and charges 0.29%		Assumed costs and charges 0.37%		Assumed costs and charges 0.23%	
At end of year	Projected Value assuming no charges are Taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
<b>1</b>	£1,200	£1,200	£1,190	£1,190	£1,170	£1,170
<b>2</b>	£2,420	£2,410	£2,400	£2,390	£2,320	£2,320
<b>3</b>	£3,670	£3,650	£3,620	£3,600	£3,450	£3,440
<b>4</b>	£4,940	£4,910	£4,850	£4,810	£4,560	£4,540
<b>5</b>	£6,230	£6,190	£6,100	£6,040	£5,640	£5,610
<b>10</b>	£13,100	£12,900	£12,500	£12,300	£10,800	£10,600
<b>15</b>	£20,700	£20,200	£19,300	£18,800	£15,400	£15,100
<b>20</b>	£29,000	£28,100	£26,500	£25,500	£19,600	£19,200
<b>25</b>	£38,200	£36,700	£34,000	£32,400	£23,400	£22,800
<b>30</b>	£48,300	£46,000	£42,000	£39,600	£26,900	£26,000
<b>35</b>	£59,400	£56,200	£50,400	£47,000	£30,000	£29,000
<b>40</b>	£71,700	£67,200	£59,200	£54,800	£32,800	£31,600
<b>45</b>	£85,200	£79,100	£68,600	£62,700	£35,400	£33,900
<b>50</b>	£100,000	£92,100	£78,400	£71,000	£37,700	£36,000

Please note that the complete illustrations (including all of the assumptions used to underpin the above calculations) are available for members on [www.myoneday.co.uk](http://www.myoneday.co.uk)

The Trustee has obtained this information from Aviva and more detail is available for members to see via the website [www.myoneday.co.uk](http://www.myoneday.co.uk)

#### Notes

- i Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- ii The starting pot size is assumed to be £0
- iii Inflation is assumed to be 2.5% each year
- iv Future investment return assumptions are as set out in the column headers in the table
- v Contributions are assumed to be £100 a month for the period in question and increase in line with assumed earnings inflation of 2.5% each year. To the extent that a member's contributions are different to this, the effect of costs and charges can be scaled accordingly
- vi The illustration is for up to 50 years, being the approximate duration that the youngest scheme member has until they reach State Pension Age (68)
- vii Values shown are estimates and are not guaranteed

#### 4 Value for members

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value". The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

On 19 May 2022 the Trustee undertook a value for members' assessment of the 2021/22 Scheme Year (including fee-benchmarking against a peer-group of similar schemes) and finalised the assessment at the 7 September 2022 DC Committee meeting. The Trustee will continue to carry out the value for members' assessment annually. This assessment is conducted with support from its advisers, and the Trustee has included Value for Members as an item on the Scheme's risk register. Members can access a copy of the value for members' assessment via the website [www.myoneday.co.uk](http://www.myoneday.co.uk)

Given that the fees referred to in this section include investment management, communication and administration fees, the Trustee has concluded that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

The Trustee will continue to monitor value for members on an annual basis to ensure that, as a minimum, current standards are maintained. The Trustee will also strive to improve the current VFM ratings via continued discussions with Aviva in relation to their SLAs for administration tasks and the roll-out of enhanced digital solutions to improve member engagement.

#### ***Value for members assessment***

*The Trustee believes that low cost doesn't necessarily mean better value. The assessment took into consideration the quality of the services provided for that cost including, as a minimum:*

- (a) fund management
- (b) administration and
- (c) communications support

In the following table, the Trustee has used a rating of 1-3 to determine the extent to which the benefit/service provided represents value for members. The rating scale is as follows:

1. Demonstrates insufficient breadth/quality
2. Demonstrates appropriate breadth/quality
3. Demonstrates good breadth/quality

In the table, reference is made to the Total Expense Ratio (TER). This is the total fees deducted from members' accounts as highlighted in section 3 of this Statement.

Features	VFM rating and justification
<p><b>A. Investment features</b></p> <p>The DC Section offers a range of investment options to help members manage their retirement savings.</p> <p>There is also a 'Lifestyle' default investment strategy for members who do not wish to take regular investment decisions.</p> <p>The DC Section's investment approach was designed taking into account the profile, characteristics and needs of the DC membership, and reflects current investment thinking.</p> <p>There is a range of different types of investment to help members to spread risk and increase diversification.</p>	<p><b>Rating = 3</b></p> <p>The Trustee has implemented a range of Lifestyle funds (including the default) for those members wishing to target annuity purchase, drawdown or cash. These are supported by a small, but structured, set of self-select funds.</p>
<p>Who pays for this feature?</p>	<p>Members via TER</p>
<p>Need for this feature</p>	<p>Essential i.e. contributions must be invested and administered. Around 96% of the Scheme's membership are invested in the default fund demonstrating that there is a need for a well-designed and governed default investment strategy.</p>
<p>Performance of this feature</p>	<p>Trustee reviewed Investment Strategy in March 2022 and believes it still continues to meet the needs of most members.</p>

<p><b>B. Investment performance</b></p> <p>The Trustee (via the DC Committee) monitors the performance of each investment fund against its objectives and performance targets at quarterly intervals. Performance is measured net of associated charges.</p> <p>The investment skill and capacity of the fund manager to deliver future performance is assessed annually.</p> <p>The efficiency and appropriateness of key elements of the investment strategy (i.e. the growth phase of the Lifestyle default and the pre-retirement funds) are monitored.</p> <p>The Trustee (via the DC Committee) undertakes a comprehensive investment strategy review at least at three yearly intervals which examines the structure and key features of the DC Section's investment arrangements to ensure that they remain appropriate for the member and reflect latest investment thinking, trends and best practice.</p>	<p><b>Rating = 3</b></p> <p>Use of passive funds limits the impact of a fund manager's skill and capacity but the Trustee adds further value through monitoring performance quarterly, in-depth annual assessments and three yearly strategic reviews. Funds have largely performed in line with expectation throughout the year.</p>
<p>Who pays for this feature?</p>	<p>n/a performance is a by-product of investing</p>
<p>Need for this feature</p>	<p>n/a performance is a by-product of investing</p>
<p>Performance of this feature</p>	<p>The Trustee reviews investment performance on a quarterly basis and is satisfied with performance based on expectations and fund structures. The investment options are performing in line with expectations.</p>

<p><b>C. Investment services</b></p> <p>As the principal service provider for the DC Section, Aviva also provides the following range of investment services to support the Trustee in delivering the optimum performance for members:</p> <ul style="list-style-type: none"> <li>▪ Provide and maintain an investment fund platform.</li> <li>▪ Provide and maintain systems and processes to enable the Trustee to set a core range of investment funds for members of the Scheme.</li> <li>▪ Provide and maintain systems and processes to enable the Trustee to set a bespoke automated investment strategy (e.g. Lifestyle) for members of the Scheme.</li> <li>▪ Provide the facilities to enable the Trustee to set a default investment.</li> <li>▪ Offer the facility to add, remove and change existing Scheme investment options, including the creation of white labelled and blended investment options.</li> <li>▪ Provide appropriate governance and oversight of the investment platform.</li> <li>▪ Regularly monitor and review the investment funds and managers on the investment platform.</li> <li>▪ Negotiate fund management charges and additional expenses with the investment managers.</li> </ul> <p>Provide investment performance reporting, manager factsheets and commentary at agreed intervals for the Trustee and members.</p>	<p><b>Rating = 3</b></p> <p>The chosen investment platform is flexible and advanced enough for the Trustee to develop an investment strategy that is not constrained by operational capability.</p> <p>Decisions can therefore be made in the best interests of members' needs.</p> <p>Information required by members to make informed choices is available on-line through Scheme Guides and modelling tools and members can switch investments through their own account.</p>
<p>Who pays for this feature?</p>	<p>Members via TER</p>
<p>Need for this feature</p>	<p>Essential i.e. contributions must be invested and administered.</p>
<p>Performance of this feature</p>	<p>Trustee reviewed the quality of Aviva's investment services in March 2022 and concluded that the current Aviva platform continues to meet the needs of the Trustee and members.</p>

<p><b>D. Governance and oversight</b></p> <p>A dedicated 'DC Committee' comprising of Trustee Directors is responsible for the monitoring and oversight of the DC Section.</p> <p>The DC Committee operates a governance framework to co-ordinate and help manage its oversight and risk management activities. A risk register is maintained and reviewed regularly. Potential risks are assessed and actions to mitigate/control risks are identified and implemented where appropriate.</p> <p>The membership of the DC Committee is reviewed to ensure that it has the appropriate skills, knowledge and resources to manage the DC Section.</p> <p>Where appropriate, the DC Committee utilises the services of Group Pensions Department and external professional advisers to support its activities.</p>	<p><b>Rating = 3</b></p> <p>To ensure issues relating to the DC section of the Scheme are addressed comprehensively the Trustee has established a Committee with specific responsibilities for DC issues.</p> <p>This Committee has full delegated authority with regard to operational, communication and investment issues affecting the DC membership.</p>
<p>Who pays for this feature?</p>	<p>The employer via reimbursement of management costs to the Scheme</p>
<p>Need for this feature</p>	<p>Essential due to the nature of legislation and regulations surrounding Trust based occupational pension schemes. This need is a cornerstone of the Pension Regulator's own beliefs.</p>
<p>Performance of this feature</p>	<p>Trustee believes that appropriate governance structures are in place to help achieve better outcomes for members.</p>
<p><b>E. Administration</b></p> <p>The majority of the pension administration services are outsourced to Aviva. A wide range of services are utilised to ensure that the DC Section runs efficiently and that members receive a quality service.</p> <p>The Trustee has in place service level agreements with its service providers to ensure that the scope of services are appropriate for the needs of the membership.</p> <p>Administration performance is measured against a wide range of service level targets and monitored at quarterly intervals.</p>	<p><b>Rating = 2</b></p> <p>Administration services are provided through a bundled approach and therefore bespoke services are not always possible although the Trustee believes that the general administration of the Scheme remains appropriate.</p>
<p>Who pays for this feature?</p>	<p>Members via TER</p>

<p>Need for this feature</p>	<p>Essential i.e. benefits must be administered. Members have a need for prompt and accurate processing of tasks such as fund switches, retirement quotations and contribution investments. Given this tends to be the area where most complaints are raised across the industry, the need for high quality administration is evident.</p>
<p>Performance of this feature</p>	<p>Performance monitoring has continued to be a priority for the Trustee during 2021/22 as Aviva have continued with their services transformation project and introduction of new processes. Whilst SLAs have not been met in some cases the Trustee has understood the rationale for this as new processes are bedded in and instances of complaints from members have been low. Where Aviva has fallen short against SLAs this has largely been in relation to non-critical tasks.</p>
<p><b>F. Administration services and record keeping</b></p> <p>Aviva is responsible for handling routine pension administration and member specific events, such as dealing with new entrants to the DC Section, processing annual renewals, producing annual benefit statements, dealing with leavers, opt-outs/ins, transfer requests, deaths and retirements. In addition, Aviva are responsible for:</p> <ul style="list-style-type: none"> <li>▪ Maintaining a membership record.</li> <li>▪ database for all classes of member, continually updated to reflect membership changes and meeting all regulatory responsibilities.</li> <li>▪ Maintaining a record of all contribution types</li> <li>▪ against each member's account.</li> <li>▪ Ensuring all statutory obligations are fulfilled in respect of administration matters, including but not limited to all disclosure of information legislation.</li> <li>▪ Establishing and maintaining an administration system to aid the Administrator in its duties of Scheme administration.</li> <li>▪ Providing dedicated resource for the effective administration of the DC section through a dedicated administration team.</li> <li>▪ Providing online access to the administration system for the Trustee and authorised members of the pensions team.</li> <li>▪ Providing and maintaining a bespoke administration manual for the DC Section.</li> </ul>	<p><b>Rating = 3</b></p> <p>Data accuracy is of a high standard and the services available to members and the Trustee are sufficient to meet all the needs of running the Scheme.</p> <p>The administration platform offers good functionality.</p>

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Need for this feature	Essential i.e. benefits must be administered. Members have a need for prompt and accurate processing of tasks such as fund switches, retirement quotations and contribution investments. Given this tends to be the area where most complaints are raised across the industry, the need for high quality administration is evident.
Performance of this feature	Performance monitoring has continued to be a priority for the Trustee during 2021/22 as Aviva continue with their services transformation project and introduction of new processes. Whilst SLAs have not been met in many cases the Trustee has understood the rationale for this as new processes are bedded in and instances of complaints from members have been low. As indicated above, where Aviva has fallen short against SLAs this has largely been in relation to non-critical tasks.
<p><b>G. Communications and member support</b></p> <p>Members can get information about the DC Section and find out how it works in a variety of ways; including:</p> <ul style="list-style-type: none"> <li>▪ Information about the DC section and its features and options is available via a member booklet and other literature.</li> <li>▪ Members can access a dedicated website for details of the investment options and how the funds have performed.</li> <li>▪ Members can contact Aviva directly in relation to the management of their retirement accounts, including in relation to transfers in or out of the Scheme, leaver options, retirements and other claims.</li> </ul> <p>A dedicated helpline is available to answer member and prospective member enquiries, deal with routine member requests and liaise with authorised third-parties to process routine tasks. The helpline is available between 8:30 to 17:30, Monday to Friday. A dedicated telephone number is provided.</p> <p>The helpline can assist with a range of enquiries and requests, including:</p>	<p><b>Rating = 3</b></p> <p>A combination of services provided by Aviva such as online access, modellers, face to face and online presentations, together with bespoke communications from the Trustee mean that members have access to all relevant information they require.</p>

<ul style="list-style-type: none"> <li>• Fund valuations</li> <li>• Pension and DC Scheme enquiries</li> <li>• Issue of unit and benefit statements</li> <li>• Investment Management (switch and redirection of contributions)</li> <li>• Transfer Out quotations</li> <li>• Retirement enquiries and quotations</li> <li>• Enquiries relating to death in service benefits</li> <li>• 'Manage Your Account' support.</li> <li>• Other miscellaneous queries relating to Scheme membership and benefits.</li> </ul> <p>Members can securely log into the Scheme's website and view their fund, details and make changes to their account.</p> <p>A new website was launched in association with the Employer in November 2017. This includes Financial Education videos and modules as well as basic information about how the Scheme works and a link to the member's own record held with Aviva, My Workplace.</p>	
<p>Who pays for this feature?</p>	<p>A combination of members via TER and the company via reimbursement of management costs to the Scheme for the additional bespoke communications available to members.</p>
<p>Need for this feature</p>	<p>Some items are a legislative requirement whilst others, such as face to face seminars, add value for members in helping to understand benefits. Good communication is likely to become increasingly important due to the complexity of choice available to members and the regulatory focus on this area.</p>
<p>Performance of this feature</p>	<p>The introduction of a new Aviva website has increased the communication and the Trustee believes the standard of core communications is good and will continue to develop. C.19% of members have registered to use MyWorkplace and 14% have logged on in the 12 months to 31<sup>st</sup> March 2022. Aviva's overall approach to communications is continually monitored and continued to be rated positively.</p>

<p><b>H. Member engagement services</b></p> <p>As part of the Trustee's broader strategy to encourage member engagement and raise awareness of pension matters, the following range of additional communications services are provided:</p> <ul style="list-style-type: none"> <li>• Online Modelling Tools – Aviva provide an</li> <li>• 'Attitude to Risk' tool and a 'Retirement Planner' tool</li> <li>• Online – The oneday website was launched in association with the Employer in November 2017. This includes Financial Education videos and modules as well as basic information about how the Scheme works and the choices members have plus a link to the member's own record held with Aviva.</li> <li>• DC Newsletter - Online annual communication to members in addition to their annual Benefit Statement</li> <li>• Face-to-face sessions or webinars – where appropriate, representatives from the Pensions Department and Aviva are made available to run pension sessions and explain options to members directly.</li> <li>• Member Guides – Additional information guides in respect of DC benefits and AVCs are made available to cover specific topics.</li> <li>• Factsheets - Investment fund factsheets are also available via the Scheme website.</li> </ul>	<p><b>Rating = 2</b></p> <p>While communications and tools exist for members to be able to fully understand their benefits and the options available to them the Trustee acknowledges that further work can be done across the membership to highlight how to access these.</p> <p>Take up of online services can be improved – c19% of members have registered to use MyWorkPlace and 14% of members of logged on in the 12 months to 31<sup>st</sup> March 2022.</p> <p>Steps have been taken to encourage greater take up of online services and the tools available therein. This will continue as well as regular campaigns and reminders to the membership.</p>
<p>Who pays for this feature?</p>	<p>A combination of members via TER and the company via reimbursement of management costs to the Scheme for the additional bespoke communications available to members.</p>
<p>Need for this feature</p>	<p>Some items are a legislative requirement whilst others, such as face to face seminars, add value for members in helping to understand benefits. Good communication is likely to become increasingly important due to the complexity of choice available to members and the regulatory focus on this area.</p>

<p>Performance of this feature</p>	<p>Engagement of DC members remains low although improving and not out of line with the general industry. The Trustee acknowledges this requires continual effort.</p>
<p><b>I. Retirement support</b></p> <p>The DC Section offers a range of services and support for members who are approaching retirement or making decisions on how to draw their benefits at retirement, including:</p> <ul style="list-style-type: none"> <li>• Educational support to help members who are approaching retirement (typically, beginning from 10 years to scheduled retirement date) to allow them to make informed decisions.</li> <li>• Access to online guides to support members' decision making to utilise real-time comparative annuity tools and modeller, including an online video assistant.</li> <li>• A dedicated customer retirement helpdesk, manned by experienced case handlers who deal with all aspects of the retirement process.</li> <li>• An annuity broking service that offers whole of market search and automatic assessment for enhanced annuity rates.</li> <li>• A robust broking process that focuses on quality and compliance driven.</li> </ul> <p>Competitive charges, with the option of capped commission or discounted fees.</p>	<p><b>Rating = 2</b></p> <p>At retirement members have a choice of using the Aviva Retirement Support centre or taking their own decision/advice. The Trustee also appointed Hargreaves Lansdown (HL) in 2014 to provide 'at retirement' guidance to members.</p> <p>Although processes are in place for the exchange of information between HL and Aviva this can also appear competitive and contradictory leading to confusion for members.</p> <p>Since the appointment of HL in January 2014 the government has also removed the obligation to purchase an annuity and therefore this area of support was reviewed by the Trustee during 2019. The Trustee concluded that existing support and communications are appropriate for now but expect to review the overall retirement support process in the coming years as pot sizes grow and members are expected to become more interested in other options (notably Draw-down).</p> <p>In 2021, the Trustee, together with the DC investment adviser, carried out an exercise to review member engagement and the retirement journey/support members experience. The Trustee concluded that both strategies remained appropriate at this time with no immediate changes required. The Trustee would continue to monitor both strategies.</p>
<p>Who pays for this feature?</p>	<p>The two-stage retirement helpdesk run by Aviva is provided to members at no charge.</p> <p>If the member chooses to use the HL annuity broking service, the member pays a fee dependent on whether the annuity is straightforward or an impaired life annuity.</p>
<p>Need for this feature</p>	<p>Pension Freedoms has introduced legislation compelling providers to issue risk warnings and provide more support at retirement (ie. to enable members to consider all options before transacting)</p> <p>The HL annuity service is not required but provides</p>

	a point of contact for members who would otherwise not know how to purchase an annuity and also enables the small number of members who do require an annuity to source the best rate (Aviva only offers an Aviva annuity).
Performance of this feature	Retirement process works well.

Every aspect of the scoring matrix set out above was rated either "2" (demonstrates appropriate breadth/quality) or "3" (demonstrates good breadth/quality) for the reasons set out above. Overall, the Trustee concluded that the Scheme is offering value for members.

A copy of the Value for Members assessment for the 2021/22 Scheme year can be provided to members on request and a summary is published on the website [www.myoneday.co.uk](http://www.myoneday.co.uk)

**5 Trustee’s knowledge and understanding (TKU) –The Scheme’s Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively.**

Each Trustee Director must be conversant with the trust deed and rules of the Scheme, the Scheme’s statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.

All the Trustee Directors are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to 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, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme’s investments.

Each Trustee Director must also have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee has a strong TKU process in place which enables it, together with the advice available to it, to effectively exercise its functions as trustee of the scheme. The Trustee’s advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee’s advisers would typically deliver training on such matters at Trustee meetings if they were material.

The Trustee’s approach to meeting the TKU requirements includes:

- An induction/training programme is implemented for new Trustee Directors, focusing on training requirements for the first 12 months. This includes one-to-one meetings with the in-house team, sessions with the Scheme’s advisors on specific issues, where appropriate and attendance at external training sessions including those run by industry organisations such as the PLSA. The aim of the induction programme is to ensure that new Trustee Directors are brought up to speed on their role and are able to exercise their functions proficiently upon appointment.
- Maintaining a rolling programme of bespoke trustee training, which is delivered within trustee meetings, where appropriate. Recording all training and attendance at appropriate seminars in a trustee training log. A minimum of 25 hours professional development is required each year by each member of the Trustee Board and this is in addition to regular meetings and duties. However, due to the impact of the COVID-19, the minimum CPD requirement for 2021/22 will be 15 hours until social distancing is eased.

The appointment of specialist Defined Contribution advisers who attend each DC Committee meeting in order to provide specialist advice on Defined Contribution issues to support the existing knowledge and understanding of the Trustee Directors. Advisers proactively raise any changes in governance matters and other relevant matters as they become aware of them.

- Circulating to each Trustee hot topics and general updates from its advisers about matters relevant to the Scheme.
- The Chair of the Trustee meets on a 1-2-1 basis with all Directors on an annual basis to identify development needs and this is translated into training objectives for the future.
- Reviewing the training programme annually following the 1-2-1 with the Chair. This includes the Trustee assessment of the following: their working knowledge of the Trust deed and rules, current SIP and trustee documents and policies; knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding and investment of occupational DC schemes. Each Trustee Director is required to have a working knowledge of the Scheme Documentation and relevant legislation. This is supported through taking appropriate advice when making decisions. This assessment concluded that the level of TKU gained by each Trustee Director was appropriate for the effective running of the Scheme.
- Given the complex nature of Pensions legislation and regulations there will inevitably be gaps in the knowledge of individual Trustee Directors but the collective Trustee and individual Director knowledge is considered to be at a good level. Based on the assessment referred to above (through which the Trustee identifies knowledge gaps), emphasis has been placed on additional investment training over the next 12 months to help Directors better understand investment decisions. This knowledge is also supported by taking appropriate advice and through the support and experience of the in-house team.
- Completion of the Pensions Regulator's Trustee Toolkit (which has been completed by all Directors) and regularly keeping up with updates.

The Trustee undertook a further review of the Scheme against the DC Code expectations and Key Governance Requirements in August 2022. The review was carried out by the Trustee's DC advisers in conjunction with Babcock's in-house pensions team and the results were presented at the September 2022 DC Committee meeting. The review confirmed that the DC Section meets the regulatory standards and is therefore compliant with the Pension Regulator's DC Code of Practice number 13 and the Code of Practice number 7 on TKU. The intention is to undertake a further review during the 2022/23 Scheme year when the DC Code is replaced by a new consolidated Code of Practice.

The Trustee is satisfied that it has met the relevant legislative requirements enabling it to properly exercise its duties as Trustee. Trustee board members undertook an aggregate of 231 hours of CPD and/or training in the Scheme year to 31 March 2022.

Topics of CPD included, a dedicated Trustee training day covering various topics such as the single code of practice, GMP equalisation, cyber security and data protection and investments. In addition, training through the year included how to manage conflict situations, communications strategy, GDPR, TCFD training, formal pension conferences, quarterly technical updates and presentations from the Principal Employer on group finance and operations.

On the basis set out above, the Trustee is satisfied that its combined knowledge and understanding (alongside input from advisers) enables it to properly and effectively exercise its functions.

**6 AVCs**

During 2020, the legacy AVC arrangements with Utmost and Aviva were consolidated into the DC Section. A legacy AVC policy remains in place with Utmost in respect of four members who are over age 75. These members continue to be traced or communicated with so their benefits can be settled.

In conclusion, the Trustee believes that it has taken all necessary steps to meet the relevant legislative requirements.

**Signed by the Chair on behalf of the Trustee of the Scheme:**

Susan Jee

Dated: 2022