

## **The Annual Governance Statement – year ended 5 April 2021**

**This statement has been prepared by the Trustee of the Cameron Defined Contribution Pension Plan (the “Plan”) to demonstrate how the Plan has complied with the governance standards introduced under The Occupational Pension Plans (Charges and Governance) Regulations 2015.**

This statement covers four key areas:

1. The investment strategy relating to the Plan’s default option;
2. The processing of core Plan financial transactions;
3. Charges, transaction costs & value for money within the Plan;
4. The Trustee’s compliance with the statutory knowledge and understanding (TKU) requirements.

The Trustee’s statements in respect of these requirements are set out below and cover the period 6 April 2020 to 5 April 2021.

The Trustee has also produced an illustrative example of the cumulative effect over time of the application of charges and transaction costs on the value of a Plan member’s benefits, taking into account relevant regulatory guidance.

The Trustee receives professional Defined Contribution (‘DC’) investment and governance advice from Willis Towers Watson (‘the Professional Adviser’). The Plan is administered by Aviva (‘the Plan Administrator’).

### **Investment strategy – relating to the Plan’s default arrangement**

The statement set out below outlines the various processes and components that together govern the Trustee’s decision making process in connection with the Plan’s default investment arrangement.

#### *The Trustee’s investment beliefs & objectives*

In accordance with legislative requirements, the Trustee has appended the latest copy of the Statement of Investment Principles (the ‘SIP’) prepared for the Plan in compliance with Section 35 of the Pensions Act 1995 and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, which governs decisions about investments in the Plan, including the default investment strategy. A copy of the Plan’s SIP is also available to view at the following publically available website: <https://vfm.aviva.co.uk/cameron-retirement-savings-f69403/>. The SIP captures:

- i. The Trustee’s (and the fund managers’) aims and objectives
- ii. The Trustee’s policies in relation to:
  - a. Choosing investments and delegation to fund managers
  - b. Kinds of investments to be held
  - c. Balance between the different kinds of investment
  - d. Risks, including how these are measured and managed
  - e. Expected return on investments
  - f. The realisation of investments, and
  - g. The extent to which social, environment or ethical considerations are taken into account in the acquisition, retention and disposal of investments.
- iii. An explanation of how the policies in (i) and (ii) above apply in relation to the default investment strategy and how those policies are intended to ensure that assets are invested in the best interests of the relevant members and beneficiaries

### *Recent and current reviews of the Plan's default option*

The Trustee receives regular updates from the Professional Adviser with regards to market practice for default investment strategies in DC trust-based pension plans.

The Default Lifestyle Strategy initially invests in a return-seeking fund; the Aviva Pension BlackRock (30:70) Global Equity Currency Hedged Index (Aquila C) Fund until 25 years from retirement. Half of the member's investments held in the Aviva Pension BlackRock (30:70) Global Equity Currency Hedged Index (Aquila C) Fund are then gradually switched into a diversified growth fund: the Aviva Pension BlackRock Aquila Connect Market Advantage Fund over the next five years. Ten years prior to retirement, the lifestyle strategy gradually switches into the Aviva Pension LGIM Pre-Retirement Fund and finally three years prior to retirement, the Aviva Pension BlackRock Institutional Sterling Liquidity Fund is introduced. This lifestyle is most suitable for members who intend to purchase a fixed annuity at retirement. There are also two alternative lifestyle strategies available to members – the Cash Lifestyle Strategy and the Drawdown Lifestyle Strategy.

The Trustee concluded its last formal review of the Plan's investment strategy in May 2019 with its Professional Advisor looking at the performance and expected returns of the underlying funds and the expected retirement behaviour of members based on the membership profile and retirement experience. The review found that very few members had purchased an annuity at retirement and that, based on projected account sizes, the expectation is that many would choose to take a drawdown benefit at retirement.

As a result of the review, the Trustee considered making changes to the Default Lifestyle Strategy which would result in the default strategy targeting drawdown at retirement. However, the proposed changes were paused owing to the Company's proposal to transfer all deferred member accounts from the Plan into a Master Trust arrangement with Scottish Widows which was completed in June 2021.

### *Performance monitoring*

The Trustee reviews how the funds within the default strategy and self-select fund range have performed against the investment managers' objectives and benchmarks. An update was provided at each trustee meeting held during the last Plan year as part of the Professional Adviser's investment performance monitoring report. The analysis and advice provided supports the Trustee in determining whether it should consider making any changes as a result of the performance of funds.

As part of the review of the Default Lifestyle Strategy, additional monitoring was carried out to monitor the expected outcomes for members in the Default Lifestyle Strategy. The Trustee will use this monitoring to ensure the default strategy remains fit for purpose.

The Trustee is satisfied that the investment strategy for the Plan remains appropriate because:

- (a) during the period of this Statement, all funds produced returns in line with their stated objectives and respective benchmarks over the long term;
- (b) the strategy for investment in the default arrangement and self-select funds continues to meet the Trustee's objectives; and
- (c) the funds within the default strategy (and self-select funds) provide broad investment opportunities for members and comply with the Trustee's requirement to consider Environmental, Social and Governance (ESG) factors in making investments available in accordance with the SIP.

### **Core plan financial transactions**

The Trustee has a specific duty to ensure that core financial transactions relating to the Plan are processed promptly and accurately and must describe to members how this obligation is met. Aviva and HS Admin,

as the Plan Administrators carry out regular monitoring, reconciliation and record keeping of member contribution investments and payments from the Plan.

The Trustee has reviewed the core financial transactions of the Plan at each trustee meeting via the Plan Administrator's administration report. These include the investment of contributions, transfers into and out of the Plan, fund switches and payments out of the Plan to and in respect of members. These reports contain details of the Plan Administrator's timeliness of completing administration tasks (i.e. transfers, retirement cases, responding to member queries etc.) against the administration service level agreements ("SLA") that the Trustee has agreed with the Plan Administrator. The administration reports also highlights any complaints raised in the period, and in the first instance they are raised with the Trustee to ensure the appropriate steps are taken to resolve the complaint as quickly as possible. During the Plan year, 22 complaints were received from members of which 16 were upheld. All complaints were resolved during the Plan year.

Aviva has a robust review process in place and is audited by auditors on an annual basis. In addition, Aviva produces an AAF report on an annual basis that details the controls and procedures in place regarding the administration function. This includes:

#### Processing contributions

- Aviva's processes for contributions to members' accounts are fully automated with validations built into the administration platform. Where any manual intervention is required for any bespoke arrangements, approval is required which is separate to the processor and managed by a segregation of duties built into the system. All staff are either accredited or their work is checked.
- Quality audit checks are undertaken on a sample of processes throughout the year with remediation undertaken of any errors found and improvements made if any systematic issues are found.
- Members are given secure online access to view their contributions and make investment switches.

#### Benefit payments

- All processes are undertaken by accredited staff or by staff who have their work checked.
- Calculations of member unit holdings for transactions are undertaken on the system for which the prices are checked on a daily basis and approved.
- A unit reconciliation between the investment and administration platform systems are undertaken daily and checked and approved weekly.
- Benefit payments are checked and approved by a person(s) independent on the processor. Timeliness of processing is monitored and reported on with escalation and reallocation of resources across the business where necessary.

#### Investment transactions

- Dealing teams undertake all transactions on a daily basis, processing movements arising from the previous day's member demands.
- Investment balances and transactions are based on external price feed and global pricing protocols which are checked daily. Dual checking is in place ahead of processing of transaction deals. If a transaction is over a certain size then additional approvals are required.
- Online member switching can only be carried out within the secure member portal and after the validation of identity.

The Trustee continues to work closely with the Company and the Plan Administrator to ensure that all of the required processes and controls are in place for the Plan to be compliant with the legal requirements noted in the Pensions Regulator's DC Code of Practice.

Based on the above, the Trustee is satisfied that the Plan’s core financial transactions have been processed promptly and accurately during the year. It is intended that the range of transactions monitored, and the Trustee’s view on acceptable timescales for completion of specific tasks will be kept under review and documented.

### Charges, transaction costs & value for money

#### *Charges and transaction costs*

Transaction costs are those incurred by fund managers as result of buying, selling, lending or borrowing investments. These costs are taken into account via the unit price for each of the funds. In 2017, the Financial Conduct Authority (FCA) published its policy on how asset managers must disclose transaction costs and administration charges. Regulations have since been finalised and the Trustee has started reporting on this basis for the period covered by this Statement.

The total expense ratios (TERs) for the funds available for selection are outlined below.

<b>Fund options</b>	<b>TER*</b>	<b>Aggregate transaction cost</b>
Aviva Pension BlackRock (30:70) Global Equity**	0.31%	0.1835%
Aviva Pension BlackRock UK Equity Index	0.28%	0.2548%
Aviva Pension Schroders QEP Emerging Markets Equity	1.04%	0.7441%
Aviva Pension BlackRock Aquila Connect Market Advantage**	0.56%	0.1978%
Aviva Pension LGIM Pre-Retirement Fund**	0.35%	0.0370%
Aviva Pension BlackRock Over 5 Year Index Linked Gilt Index	0.28%	0.0311%
Aviva Pension LGIM Hybrid Property	0.78%	0.0000%
Aviva Pension BlackRock Institutional Sterling Liquidity**	0.28%	0.0144%

*\*The TER provides investors with details of the total annual costs involved in running an investment fund. This includes the annual management charge, plus other charges incurred in administering the fund (these include share registration fees, legal fees, auditor fees, custodian fees etc.). Trading costs are not included.*

*\*\*funds that form part of the three lifestyle strategies*

The Trustee has reviewed the fees payable by members of the Plan in conjunction with the Professional Adviser and will continue to do so to ensure charges are competitive based on the size of the Plan. The Trustee has also received advice from the Professional Adviser confirming that the Plan default strategy is compliant with the charge cap of 0.75% of funds under management.

#### *Illustration of charges*

As required by legislation, the Trustee, with assistance from Aviva, has produced a “pound and pence” illustration of the effect of the costs and charges on the value of the funds which are commonly used (which include the four underlying funds of the default strategy) by Plan members and funds with different growth rates and charges.

The illustrations on the following page give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. When preparing the illustrations on behalf of the Trustee, Aviva has taken the statutory guidance prepared by the DWP into account.

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, members can see how much the charges over the years will impact their DC accounts. For example, if a member started making pensions savings at age 30 and expected to

retire at 65, the figures at the end of year 35 would give an idea of the effect of charges over the 35 years the member's pension savings are invested.

### Illustration of effect of costs and charges on commonly used funds within the Plan

At end of year	Av BlackRock (30:70) Currency Hedged Global Equity (Aq C)-FPBRCHGP		Av BlackRock Market Advantage FP-FPBRALMP		Av Legal&General(PMC) Pre-Ret-FPLGPREP		Av BlackRock UK Equity Index (Aquila C)-FPEQIX_P		Av BlackRock Sterling Liquidity-FPBGIC_P	
	Assumed growth rate 4.5%		Assumed growth rate 3%		Assumed growth rate 1.5%		Assumed growth rate 4.5%		Assumed growth rate 0.5%	
	Assumed costs and charges 0.49%		Assumed costs and charges 0.76%		Assumed costs and charges 0.39%		Assumed costs and charges 0.53%		Assumed costs and charges 0.29%	
	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	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
1	£1,200	£1,200	£1,190	£1,180	£1,180	£1,180	£1,200	£1,200	£1,170	£1,170
2	£2,420	£2,410	£2,390	£2,370	£2,350	£2,340	£2,420	£2,410	£2,320	£2,320
3	£3,670	£3,640	£3,590	£3,540	£3,510	£3,490	£3,670	£3,640	£3,450	£3,440
4	£4,940	£4,890	£4,790	£4,720	£4,650	£4,620	£4,940	£4,880	£4,560	£4,530
5	£6,230	£6,160	£6,010	£5,890	£5,790	£5,730	£6,230	£6,150	£5,640	£5,600
10	£13,100	£12,800	£12,200	£11,700	£11,300	£11,100	£13,100	£12,700	£10,800	£10,600
15	£20,700	£19,900	£18,500	£17,400	£16,500	£16,100	£20,700	£19,800	£15,400	£15,100
20	£29,000	£27,500	£24,900	£23,100	£21,500	£20,700	£29,000	£27,400	£19,600	£19,100
25	£38,200	£35,700	£31,500	£28,700	£26,300	£25,100	£38,200	£35,500	£23,400	£22,600
30	£48,300	£44,500	£38,300	£34,200	£30,800	£29,200	£48,300	£44,200	£26,900	£25,800
35	£59,400	£54,000	£45,300	£39,600	£35,100	£33,000	£59,400	£53,600	£30,000	£28,600
40	£71,700	£64,200	£52,400	£45,000	£39,200	£36,500	£71,700	£63,600	£32,800	£31,200
45	£85,200	£75,100	£59,700	£50,300	£43,200	£39,900	£85,200	£74,400	£35,400	£33,400
50	£100,000	£86,900	£67,200	£55,500	£46,900	£42,900	£100,000	£85,900	£37,700	£35,500

### Illustration of effect of costs and charges on funds with different growth rates and charges

At end of year	Av Cash-FPCASH_P		Av BlackRock Sterling Liquidity-FPBGIC_P		Av BlackRock (30:70) Currency Hedged Global Equity (Aq C)-FPBRCHGP		Av Schroder OEP EM Eq-FPSCHEEP	
	Assumed growth rate 0.5%		Assumed growth rate 0.5%		Assumed growth rate 4.5%		Assumed growth rate 4.5%	
	Assumed costs and charges 0.34%		Assumed costs and charges 0.29%		Assumed costs and charges 0.49%		Assumed costs and charges 1.78%	
	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	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,170	£1,170	£1,170	£1,170	£1,200	£1,200	£1,200	£1,190
2	£2,320	£2,320	£2,320	£2,320	£2,420	£2,410	£2,420	£2,380
3	£3,450	£3,440	£3,450	£3,440	£3,670	£3,640	£3,670	£3,570
4	£4,560	£4,530	£4,560	£4,530	£4,940	£4,890	£4,940	£4,760
5	£5,640	£5,600	£5,640	£5,600	£6,230	£6,160	£6,230	£5,950
10	£10,800	£10,600	£10,800	£10,600	£13,100	£12,800	£13,100	£12,000
15	£15,400	£15,000	£15,400	£15,100	£20,700	£19,900	£20,700	£18,000
20	£19,600	£19,000	£19,600	£19,100	£29,000	£27,500	£29,000	£24,100
25	£23,400	£22,500	£23,400	£22,600	£38,200	£35,700	£38,200	£30,200
30	£26,900	£25,600	£26,900	£25,800	£48,300	£44,500	£48,300	£36,400
35	£30,000	£28,400	£30,000	£28,600	£59,400	£54,000	£59,400	£42,600
40	£32,800	£30,900	£32,800	£31,200	£71,700	£64,200	£71,700	£48,900
45	£35,400	£33,200	£35,400	£33,400	£85,200	£75,100	£85,200	£55,200
50	£37,700	£35,100	£37,700	£35,500	£100,000	£86,900	£100,000	£61,600

#### Assumptions:

- The values above are for illustrative purposes only and not guaranteed.
- We have assumed the member has no pension savings when they start saving. Contributions are assumed to be paid £100 monthly increasing in line with assumed earnings inflation of 2.5% each year.
- The figures illustrate the pension pot value in 'today's money' which means they take inflation into account by discounting values at 2.5% a year. Seeing the figures in this way shows what they could be worth today. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in 'today's money.'
- Transaction costs may not have been included where data was not available from the fund managers.

### *Value for money assessment – current status*

The Trustee is committed to ensuring that the Plan represents value for members ('VFM') (i.e. the costs and charges deducted from members' pots and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Plan) when compared to plans of a similar size and structure.

**Assessment** – The Trustee requested an independent VFM assessment of the Plan and its administrator (Aviva) to be carried out by its Professional Advisor in April 2021. The five areas looked at were charges, scheme governance and management, investment options and performance, efficiency of administration services and member communications and support. The assessment included a review of the services where the cost is met by the member ("Core value for members") and those which members do not meet the cost of ("Broader value for members"). Under each area, the assessment included reviewing the benefits and services provided by the Plan and how they compare to schemes of a similar size and structure and other DC pension providers.

When looking at charges, the Annual Management Charge (AMC) for the passive global equity fund was benchmarked against the average cost of equivalent or comparator funds offered by other similar arrangements. The passive global equity fund is used as the benchmark as this fund is where the majority of members are invested. In addition, passive global equity funds are typically used in DC scheme default strategies, and therefore can be used as an appropriate comparator.

**Results** - Having considered the review carried out by the Professional Advisor, the Trustee concluded that the Plan continues to offer good VFM and that the combination of costs and the quality of what is provided in return for these costs is appropriate for the Plan membership as a whole when compared to other options in the market.

Members are provided with a range of tools (i.e. on-line access to their account and retirement calculators), resources (member and investment guides) and support (member helpline), together with a good range of investment fund options across all major asset classes that have performed in line with their stated objectives over the long term.

### **Trustees' knowledge and understanding ('TKU')**

The Pensions Act 2004 sets out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of pension scheme assets and other matters to enable them to exercise their functions as trustees properly.

The Trustee Board has a good working knowledge of the documentation in place for the Plan (including the Trustees' current policies, SIP, Trustee's Report & Accounts and Risk Register), and review this documentation when appropriate. All Plan documentation is saved onto a secure online web sharing facility, in order for the Trustee to easily find documents relating to the Plan and previous meeting papers and minutes. The Trustee has a governance framework document in place which outlines the key governance documents and procedures that the Trustee is required to be familiar with.

The Trustee Board has a multi-layered TKU process in place which enables it, together with the advice available, to exercise its function as Trustee of the Plan. For the period covered by this Statement, the Trustee's approach to meeting the TKU requirements included (but was not limited to):

- Receiving training at each trustee meeting as a standing agenda item, covering subjects proposed by the Trustee's legal adviser and/or Professional Adviser or requested by the Trustee. This included training on: (i) Private Credit Asset Classes, (ii) Pension Scams, (iii) Trustee duties relating to Master Trust/ DC-to-DC transfers, (iv) Economic, Social and Governance aspects of investing, (v) Data protection, (vi) GDPR policies and (vii) Cyber Security.

- Periodic advice from the Professional Adviser in respect of investment strategy (see above),
- An independent trustee director is in place to provide additional expertise on the Trustee Board.
- On an ongoing basis, the Trustee receives updates concerning legislative, regulatory, provider and wider market developments from the Trustee's advisers (including the Professional Adviser) where relevant to the Plan and/or the members.
- Arranging for new Trustee directors to attend a new trustee training session provided by the Trustee's legal advisers.
- As appropriate, completion of the Pensions Regulator's Trustee Toolkit. The Trustee Toolkit is a free, online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes.
- The Trustee, in conjunction with independent advisers, continues to identify any knowledge gaps in relation to further training required.
- Following each meeting, the Trustee discusses how the meeting went and the overall effectiveness of the meeting and the Trustee's advisers.

Following the above approach, the Trustee is satisfied that it has, and continues to develop, a sufficient knowledge of the law relating to pensions and trusts relevant to its role as Trustee of the Plan and the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes.

For the period covered by this Statement, the trustee knowledge and understanding requirements were met through a combination of the above methods and the Trustee is satisfied that it has met the relevant legislative requirements.

**Signed by the Chair of the Trustee of the Cameron Defined Contribution Pension Plan:**

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**Print name: Robert Jennings**                      **Date:**