The Ockham Pension Scheme

DC Governance statement, covering the period from 1 April 2020 to 31 March 2021

1. Introduction

The Trustee of the Ockham Pension Scheme (DC Section) (the "Scheme") welcomes this opportunity to explain what it does to ensure that the Scheme operates as effectively as possible. The key points that the Trustee would like members reading this Statement to take away are as follows:

- The Trustee regularly monitors the investment arrangements, and it is satisfied that the default and other investment options remain suitable for the membership;
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the period 1 April 2020 to 31 March 2021 (the "Scheme year"). The Trustee is satisfied with the administrator's performance;
- Fees can have a material impact on the value of your pension savings and that impact increases over time because money used to pay fees is not then available to earn future investment returns; and
- Fees for the Scheme's investment options are set out in this Statement. The Trustee remains comfortable that these fees are reasonable given the circumstances of the Scheme and represent good value for the benefits members obtain.

If you have any questions or comments about anything in the Statement, please contact mypension@lv.com in the first instance.

2. Default arrangements

Prior to 9 July 2019 the Scheme's legal advisors confirmed that the Scheme did not have a "default arrangement" for the purposes of the legislation and the Trustee confirmed that the Scheme was not being used as a Qualifying Scheme for automatic enrolment. As such, the special governance standards required under Department for Work and Pensions regulation relating to the preparation and regular review of a default investment strategy, outlined in the Statement of Investment Principles, did not apply to the Scheme.

The Scheme remains closed to new members, as well as on-going contributions, and is not used as a Qualifying Scheme for automatic enrolment.

The Trustee introduced the default investment arrangement on 9 July 2019 which for the period covered by this Statement is the Universal Lifetime Strategy (the "Default"). It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meet its view of the needs and circumstances of the majority of the membership.

The Trustee recognises that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustee decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

Since the Trustee introduced the Default, it is responsible for investment governance, which includes setting and monitoring the investment strategy for the Default.

Details of the objectives and the Trustee's policies regarding the Default can be found in a document called the 'Statement of Investment Principles' ("SIP"). The elements of that SIP that cover the default is attached as an appendix to this document. The aims and objectives of the Default are defined in the SIP as follows:

- it is designed to be appropriate for members who take an annuity, cash or drawdown at retirement; and
- generate long term growth in excess of inflation whilst members are some distance from retirement, but then switch automatically and gradually to lower risk investments as members near retirement.

Three times a year the Trustee's DC Sub-committee checks that the risk and return of the Default and the underlying funds are as expected using performance monitoring reports produced by its advisers. There is a formal review of the performance and the strategy at least every three years and following any significant change in investment policy or the Scheme's member profile.

With the help of the Scheme's investment adviser, the Trustee reviewed the Default strategy on 4 March 2021. This included a review of the demographics of the current Scheme membership to understand how members are likely to access their benefits based on their projected pot sizes and a review of the performance. The Trustee concluded that the performance had been broadly as expected and was in line with the stated aims and objectives and that the design of the Default remains appropriate given the Scheme's risk profiles and membership.

The Trustee decided to make a change to one of the underlying funds used within the My Global Shares Fund and the My Balanced Fund, which are both used in the Default and alternative lifetime strategies.

The Trustee reviewed the self-select fund range and decided to change one of the funds used as part of the self-select fund range.

The Trustee is currently considering when to implement the agreed changes.

The next formal review is scheduled for before 4 March 2024 or, as stated above, immediately following any significant change in investment policy or the Scheme's member profile.

3. Requirements for processing core financial transactions

Aviva administer the Scheme's DC pension arrangements for the Trustee and are responsible for processing core financial transactions which include (but are not limited to[1]): processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

Aviva have provided the Trustee with its AAF 01/06 report and this has satisfied the Trustee that Aviva has adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA") in place with Aviva, which covers the accuracy and timeliness of all core financial transactions.

The SLA sets out the Trustee's expectations for the promptness and accuracy of processing core financial transactions and commits Aviva to regularly report on their performance against the SLA, including quality of service and speed of service measures. Any mistakes or delays are investigated and corrected as quickly as possible. The Trustee continues to work with its Pensions Team, its investment advisers and Aviva to ensure that the standards set out in the SLA are met.

The key processes undertaken by Aviva are as follows:

- Payments
- Transfers In
- Fund Switches
- Customer Arrangements
- Transfer Out Process
- Retirement Quotes
- Retirement Payments
- Death Claim Process
- General Administration

[1] Core financial transactions also include the investment of on-going contributions. As the Scheme is closed to new contributions, this is not listed.

The SLA gives Aviva a target of competing 95% of all items within the agreed service level in any given period. For most transactions the target turnaround time is 5 working days: for death claims, it is 3 working days.

In addition, Aviva monitor the time taken to complete all elements of a request starting from when the member first makes contact. (By contrast the SLA reporting measures the time taken for each stage and does not include periods during which the request may be 'open' while, for example, Aviva are waiting for information.) This end-to-end measure is part of a more holistic service monitoring approach that gives the Trustee an even stronger understanding of the service experienced by members.

Aviva employs the following measures to meet the SLA:

- They use a customer management tool to support the allocation and control/ measurement of work;
- They monitor speed of service to members;
- They monitor quality of service splitting the 'value' and 'non-value' demands that members make;
    - a 'value' demand is something that the Trustee would expect members to want to contact Aviva about;
    - a 'non-value' demand reflects a situation where a member should not have to make contact with Aviva: e.g. a member not receiving what they expected; a member not understanding what they have received; or, a member making contact to understand the position with their previously submitted request, due to a lack of an update being provided. Aviva aims to identify non-value demands so that it and the Trustee can understand how Aviva can improve the service to members.

The Trustee has monitored Aviva's performance by:

- reviewing Aviva's quarterly governance reports; and
- instructing the Pensions Team to monitor performance in the interim and to report any concerns back to the Trustee. This has been achieved by running regular calls with Aviva and making changes as required.

Any issues identified as part of these review processes would be raised with Aviva immediately, and steps would be taken to resolve the issues.

Aviva has reported service levels of 87% for the year to 31 March 2021. That is below the agreed target of 95% but is a slight improvement on last years' service level performance of 85%. This has been impacted by the low number of cases being dealt with so that when one case falls out of SLA, there is a significant reduction in the average percentage. The Trustee has satisfied itself that this dip in service was not unreasonable against a backdrop of the Covid-19 pandemic but is working with Aviva to improve the service in future.

Additional Voluntary Contributions ("AVCs")

The Trustee also has AVC policies with Standard Life. Standard Life have confirmed that all core financial transactions were dealt with promptly and accurately over the period. There is a standard SLA covering the accuracy and timeliness of all core transactions which targets 10 working days for core financial transactions and has an internal controls statement which outlines information about processing of these core financial transactions.

Standard Life have confirmed that they aim to complete 90% of all requests within 10 working days. They confirmed that 63% of requests (5 out of 8), that includes updating Scheme/member records and providing Scheme/members information (non-telephone), were completed within this timeframe over the year to 31 March 2021. As such, the service level is below Standard Life's target.

However, the number of cases being dealt with is very low, so when one case falls out of SLA, there is a significant reduction in the average percentage. In light of this and against the backdrop of Covid-19, the Trustee is broadly comfortable with Standard Life's underperformance against its service level target but is committed to continuing to work with Standard Life to improve these levels going forward.

Governance and oversight arrangements are in place to monitor SLA performance against defined service levels and risk standards. Authorising and processing transactions and achieving the stated SLA is managed through controlled systems including, but not limited to, the following actions:

- Automated systems are designed to ensure consistent, timely and accurate receipt and allocation to the correct funds for regular and single payments;

- Regular monitoring of process and people performance, including control self-assessment reviews;
- Reconciliations are carried out between Finance and Customer Operations to ensure contributions are accurately recorded;
- Documented business procedures are in place for contributions processed;
- Compliance with processes is supported by an automated workflow system that ensures work is enabled, tracked and managed;
- A dedicated control team actively manages manual payments (including automation failures) and the reporting of missed contributions to the Pensions Regulator;
- An automated quotes system, which ensures the consistent application of calculations;
- Scheme rules and policy provisions are coded within automated systems that have been built and tested to establish project management practices; and
- A quality assurance framework is in place to ensure that payments are processed in line with the defined processes and service levels.

Overall

Based on the Trustee review processes, it is satisfied that over the period covered by this Statement:

- Aviva and the AVC provider were operating appropriate procedures, checks and controls, and operating within the agreed SLAs;
- there have been no material administration issues in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year by Aviva and the AVC provider.

4. Member-borne charges and transaction costs

The charges incurred by members over the period covered by this Statement are set out in the tables overleaf. The total expense ratio (TER) column shows the annual fund management charges and additional fund expenses such as custody costs but excludes transaction costs. The TER represents charges paid by the members and is reflected in the unit price of the funds.

The TER includes any costs such as administration and investment borne by the members other than the transaction costs.

The transaction costs shown arise when the Scheme's fund managers buy and sell assets within investment funds. They don't include costs incurred when members invest in and switch between funds. They are borne by members.

The charges and transaction costs have been supplied by Aviva, the Scheme's platform provider. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. The method for calculating transaction costs sometimes produces a negative cost, which is not a sensible guide to what the members will experience in future. In such cases the table shows a zero rather than a negative number.

Default arrangement

The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Universal Lifetime Strategy – charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (% pa)
15 years to retirement	0.38	0.10
10 years to retirement	0.48	0.15
5 years to retirement	0.57	0.20
At retirement	0.58	0.20

Self-select funds

Members may also choose between a number of self-select investment options. The charges for these funds and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Self-select fund charges and transaction costs

Fund name	TER (% pa)	Transaction costs (% pa)
My Global Shares Fund	**0.38**	**0.10**
My Balanced Growth Fund*	**0.57**	**0.20**
My Approaching Retirement Fund*	**0.58**	**0.20**
My Cash Fund	0.29	0.01
My Diversified Growth Fund	0.50	0.00
My Diversified Growth (Active) Fund	0.59	0.56
My Property Fund	0.87	0.11
My UK Shares Fund	0.29	0.20
My Ethical Global Equity Fund	0.51	0.01
My Emerging Markets Equity Fund	0.60	0.02
My Islamic Global Equity Fund	0.66	0.02

*These funds are not currently offered on a self-select basis.

AVC assets

The Trustee has a policy with Standard Life and over the period covered by this Statement, the following funds had member assets invested in them

Fund name	TER (% pa)	Transaction costs (% pa)
Standard Life Stock Exchange Pension Fund	1.02	0.00

Illustration of charges and transaction costs

The table on the following page sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance. In order to provide this example, the Trustee has to make a number of assumptions; these assumptions are explained below:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past three years (where available), subject to a floor of zero (so the projection does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years for the My Cash Fund, My Diversified Growth (Active) Fund and My Pre-Retirement (Annuity Focused) Fund as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Scheme year. For the My Universal Lifetime Strategy and the My Emerging Markets Equity Fund, we have used two-year transaction costs figures as this is the longest period over which figures were available due to the when the funds were added to the Scheme.
- The illustration is shown for the Default since this is the arrangement with the most members invested in it, as well as four funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:
  - the My Emerging Markets Equity Fund because this is the fund with the highest before costs expected return;
  - the My Cash Fund because this is the fund with the lowest before costs expected return;
  - the My Diversified Growth (Active) Fund because this is the fund with highest annual member borne costs; and
  - the My Pre-Retirement (Annuity Focused) Fund because this is the fund with lowest annual member borne costs.

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- The starting pot size used is £4,500. This is the approximate average (median) pot size for members aged below the Scheme's median age of 49 (rather than using a whole membership average, we have taken this approach to give a more realistic 25-year projection).
- The projection is for 25 years, being the approximate duration that the youngest Scheme member has until they reach the scheme's Normal Pension Age.
- We have assumed that no contributions are paid into the Scheme as the Scheme is closed to future contributions.
- The projected annual returns used are as follows:
- Default option: 2.00% above inflation for the initial years, gradually reducing to a return of 0.10% **below** inflation at the ending point of the lifestyle.
  - My Emerging Markets Equity Fund: 2.00% above inflation
  - My Cash Fund: 2.00% **below** inflation
  - My Diversified Growth (Active) Fund: 0.50% above inflation

- My Pre-Retirement (Annuity Focused) Fund: 1.00% **below** inflation

No allowance for active management outperformance has been made.

Projected pension pot in today's money

	Universal Lifetime Strategy		My Emerging Markets Equity Fund		My Cash Fund		My Diversified Growth (Active) Fund		My Pre-Retirement (Annuity Focused) Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£4,600	£4,600	£4,600	£4,600	£4,400	£4,400	£4,500	£4,500	£4,500	£4,400
3	£4,800	£4,700	£4,800	£4,700	£4,200	£4,200	£4,600	£4,400	£4,400	£4,300
5	£5,000	£4,900	£5,000	£4,800	£4,100	£4,000	£4,600	£4,400	£4,300	£4,200
10	£5,500	£5,200	£5,500	£5,200	£3,700	£3,600	£4,700	£4,200	£4,100	£3,900
15	£6,100	£5,600	£6,100	£5,500	£3,300	£3,200	£4,800	£4,100	£3,900	£3,700
20	£6,700	£6,100	£6,700	£5,900	£3,000	£2,800	£5,000	£4,000	£3,700	£3,500
25	£7,400	£6,600	£7,400	£6,300	£2,700	£2,500	£5,100	£3,900	£3,500	£3,200
30	£8,000	£7,000	£8,200	£6,800	£2,500	£2,200	£5,200	£3,800	£3,300	£3,000
35	£8,600	£7,200	£9,000	£7,200	£2,200	£2,000	£5,400	£3,600	£3,200	£2,800
40	£8,700	£7,000	£9,900	£7,800	£2,000	£1,800	£5,500	£3,500	£3,000	£2,700

5. Value for members assessment

The Trustee has worked with its advisers, Lane Clark & Peacock LLP, to carry out a detailed assessment of the extent to which all key elements of the Scheme represent value for money over the Scheme Year ending 31 March 2021.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was: 7 July 2021. There is no legal definition of 'good value' which means that determining this is subjective. The Trustee notes that value for money does not necessarily mean the lowest fee: and also considers the overall quality of the service received. The Trustee has rated the Scheme against seven criteria. 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).

The Trustee continues to use ratings from 'poor' to 'very good' to facilitate comparisons with previous years. Where relevant, the rating also incorporates a comparison with other UK Pension Schemes.

1. **Charges** – Very good – the costs borne by members are good value given the size of the Scheme. Relative to other similar sized schemes, the fees are very competitive. The Trustee actively monitors fees on a regular basis.

2. **Administration –** Fair – Aviva has missed its SLA target over the year although saw an improvement from the previous Scheme year in what was a difficult period for administrators as a result of the Covid-19 crisis. The Trustee is committed to working with Aviva on behalf of members to understand any fall in service and how Aviva intends to improve performance versus its SLA.

3. **Governance** – Very good – the Trustee is very committed to the Scheme and how it is run.

4. **Communications** – Good – communications are clear, informative and comply with legislation.

5. **Default investment arrangement** – Very good – the "Universal" default investment strategy, implemented in July 2019, was reviewed during the Scheme Year considering the unique requirements of the Scheme and remains appropriate for the majority of members by targeting all three retirement outcomes. Overall, the Trustee is confident that this strategy is appropriate for most members. One fund change was agreed to the underlying equity allocation within the My Global Shares and My Balanced Growth Funds, the implementation of which will be considered over the upcoming Scheme Year.

6. **Self-select investment range** – Very good –The self-select fund range is concise, offers good value and covers all major asset classes. The self-select range was reviewed over the year and the Trustee agreed to

make a change to replace the underlying fund used in the My Ethical Global Equity Fund. The implementation of these changes will be considered over the upcoming Scheme Year.

7. **At - retirement services** – Good – members have access to the full range of investment options, hosted by Aviva, when making decisions in respect of their retirement.

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and costs that they incur. The Trustee believes this for the following reasons:

- The costs and charges deducted from members provide good value in relation to the benefits and services they receive, when compared to other options available in the market.
- The charges for the default investment fund are below the charge cap (0.75% pa).
- The Scheme offers a wide range of services to ensure members receive a quality service.
- The Trustee carries out regular strategic reviews (for example benchmarking the fees members pay and the fund range available against other UK Pension Schemes) to monitor whether the Scheme provides good value for members on an on-going basis.
- The Trustee includes assessing value for members on the Scheme's risk register.
- A good fund range is offered to members, with funds across the risk/return spectrum to cater for a range of member needs.

6. Trustee knowledge and understanding

The Trustee has measures in place to comply with the legal requirements for knowledge and understanding of matters relevant to running a pension scheme, including investment, pension and trust law. Details of how the Trustee has met these requirements during the period covered by this Statement are set out below.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. There are at least two dedicated training sessions each year. 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 typically deliver training on such matters at Trustee and DC Sub-committee ("DCSC") meetings if they are material.

Additionally, the Trustee receives quarterly updates on topical pension issues from its investment advisers and legal advisors.

All Trustee Directors are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & Rules and Statement of Investment Principles (which sets out the Trustee's policies on investment matters). The Trustee Directors believe that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All new Trustee Directors must complete an induction plan within the first six months of appointment. This Induction covers the following:

- Overview of the Scheme;
- Introduction to Trustee role;
- Overview of a DC Scheme;
- Pension scheme funding training;
- Pension scheme investment training;
- GDPR; and
- Trustee toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).

All Trustee Directors are required to commit to completing the training, either at the relevant meetings or by personal study. The Trustee's DC adviser provided a training session on 28 June 2021 to cover much of the Scheme specific DC content.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

There is a Training and Development Framework in place. This was last reviewed and updated in March 2019. It documents how gaps in the Trustee Directors' knowledge will be identified using self-assessment questionnaires. The questionnaires are completed [each year] and are reviewed at least every two years or more frequently if there is a significant change to the Pensions Regulator's expectations of trustees. Any gaps are discussed 1:1 with the Chair of the Trustee Board to agree individual training and development activities. The Trustee also commissioned an external trustee effectiveness analysis, which concluded in 2019, to ensure that Trustee skills and core competencies are identified. A training log is maintained and updated on a quarterly basis in line with best practice. Progress against the agreed plan will be discussed at the following year's one-to-one review session. The Trustee has planned to undertake a further Trustee effectiveness analysis in 2022.

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

- a rolling programme of bespoke Trustee training delivered as separate training sessions or during Trustee and DCSC meetings as appropriate;
- recording all training and attendance at appropriate seminars in the Trustee training log in order to support the Chair's Statement;
- circulating to each Trustee Director "hot topics" and general updates from its advisers about DC and legal matters;
- reviewing the training programme annually following an assessment of Trustee knowledge, understanding and skills; and
- carrying out an effectiveness self-assessment from time to time.

Over the Scheme year, the Trustee Directors received training on the following:

- DC Developments (Pension Schemes Bill, State Pension rates, SIP registry, Charge cap, Pension scams, General levy consultation, DWP working group – solutions to small pots issue and Pensions dashboard);
- Environmental, Social and Governance ("ESG");
- Climate change related duties and risks;
- Managing conflicts of interest;
- Covid-19 impact;
- TPR Single Code of Practice;
- Implementation statement;
- Consultation on Annual Benefits Statements;
- New TPR compliance guidance;
- 2021 Budget; and
- Consultation on increase to normal minimum pension age

The knowledge and experience the Trustee Board possesses includes:

- The Trustee Board is conversant with the Scheme's Trust Deed and Rules, SIP and other key administrative documents, and has appropriate knowledge of pensions and trust law and matters relating to scheme funding and investment.

- The Chair of the Trustee Board and the Chair of the DCSC are professional trustees who have many years' experience of acting as pension scheme trustees for a number of different schemes.
- The Trustee Board's specialist legal, actuarial and DC advisers attend Trustee and DCSC meetings as appropriate to advise on specific matters on the agenda.
- The combined experience of the Trustee Board includes expertise on a broad range of business disciplines and commercial expertise.

Considering the knowledge and experience and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors, the Trustee believes it is well-placed to exercise its functions properly and effectively.

Huw Evans

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Signed by the Chair of the Trustee Board of the Ockham Pension Scheme Trustee

22 October 2021

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Date

Appendix to Chair’s Statement

Ockham Pension Scheme Statement of Investment Principles – Extracts covering DC default fund

B. Defined Contribution Section – “DC Section”

Investment Objectives

The Trustee’s primary objective for the DC Section of the Scheme is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile and which will help to enable members to accumulate a fund to provide suitable benefits at retirement; and

- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

Investment Policy

The Trustee’s policy to achieve this objective is to provide a range of funds and a lifestyle which offer a suitable mixture of real and other assets and a default investment strategy appropriately targeted for the membership. It recognises that the returns on return-seeking assets, while expected to be greater other the long-term than those on other assets, are likely to be more volatile. The range of funds utilised to meet the DC Section’s objectives are set out in Appendix A.

Risks

When deciding how to invest the Scheme’s assets, the Trustee has considered several investment risks in the DC Section, including, but not limited to, those set out below:

- *Risk of inadequate returns* - in the DC Section, as members’ benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members’ benefits close to retirement, the Trustee has made the default option a “lifetime” strategy.

- *Risk from lack of diversification* - This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the member’s assets. The Trustee believes that the Scheme’s DC default strategy is adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme’s investment arrangements and is monitored by the Trustee on a regular basis.

- *Credit risk* - This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

- *Currency risk* - Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. For the Scheme's lifetime strategies, the Trustee believes that the currency exposure is managed in an appropriate manner given the objective of each of those strategies. Within the Scheme's self-select fund range some funds will be subject to currency risk where the underlying investments are held in overseas markets which the Trustee considers reasonable.

- *Manager risk* – the risk that the chosen investment manager underperforms its benchmark. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

- *Illiquidity risk* - this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

- *Valuation risk* is the risk that it is not possible to value accurately some, or all of the underlying assets held within a fund due to market specific circumstances. This may mean that a sufficiently reliable fund unit price cannot be established. The Trustee seeks to appoint investment managers who will manage this risk appropriately should such circumstances occur by, for example, suspending dealing in any affected fund where this is in investors' best interests. The Trustee reviews this risk from time to time and in particular during periods of adverse or unusual market conditions.

- *Risk from excessive charges* - If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent good value for members.

- *Environmental, social and governance (ESG) risks* - Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

The funds and default lifetime strategy option offered through the DC Section have been chosen to help members mitigate these risks through appropriate fund selection and, in addition, to allow members to achieve an adequate level of diversification. These considerations feature in the selection criteria for new managers and the monitoring process for ongoing managers.

Suitability

The Trustee has taken advice from its investment consultant to ensure the fund range and default strategy remain suitable, accommodating a broad range of asset classes covering the needs of members in terms of their attitude to investment risk.

Liquidity

The funds are offered through a life insurance policy and as such are in normal circumstances intended to be realisable to provide pension benefits on retirement, or earlier on death or transfer to another pension arrangement.

Investment arrangements

The Trustee has entered into a contract with a platform provider, Aviva, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

Responsibility for the day to day management is effectively delegated to individual investment managers. The current managers are shown in Appendix A.

Charges, transaction costs and value for money

The Trustee is committed to ensuring that DC Section members get value for money (i.e. that the costs and charges deducted from DC Section members' pension accounts or contributions provide good value in relation to the benefits and services provided) and keeps value for money in mind on an on-going basis, including it as an item on the Scheme's risk register. The Trustee undertakes an annual value for money assessment with support from its advisers. The Trustee is mindful of providing value for money to members.

The charges for the default lifetime strategy is below the charge cap (0.75%).

Default investment strategy

The Trustee offers the lifetime strategy "Universal" as the default strategy as it is believed to be reasonable for those members who do not wish, or have not elected to select a preferred investment choice for their pension investments themselves. It is designed to be appropriate for members who take an annuity, cash or drawdown at retirement. It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meeting the Trustee's view of the needs and circumstances of the majority of the membership.

The objective of the default strategy is to generate long term investment growth in excess of inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement. With that in mind, the Universal Lifetime Strategy initially invests in equities in the accumulation phase and then starts to move into a multi-asset fund 15 years before the member's selected retirement age. Further switching, which is designed to strike an appropriate balance between risk and return for members approaching retirement, then results in an asset allocation of 50% diversified growth, 25% absolute return bonds and 25% cash by selected retirement age. While the Trustee recognises the need for a default investment strategy, it believes that members should be encouraged to regularly review their personal circumstances and to make positive selections rather than to rely on the default strategy. This will help the member better understand their individual position and ensure corrective action is taken if required.

The Trustee will monitor the choices members make at retirement to check whether assumptions made about how members will access their benefits are borne out in practice.

Details of the Universal Lifetime Strategy are set out in Appendix A.

Monitoring

When the Trustee decides to invest in pooled investment vehicles, it recognises that due to the collective nature of these investments, there is less scope to directly influence how the asset manager invests. In such instances, the Trustee's investment advisers ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe, subject to a minimum of three years. The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees annually to confirm they are in line with market practices, notably when the Trustee expects the manager to take an active ownership approach and consider long-term ESG factors.

The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers annually, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

The Trustee's policy towards monitoring non-financial performance is set out in the Responsible Investment section of the SIP.

The DC assets are predominantly held in pooled funds and the Trustee recognises that managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy.

As such, the Trustee recognises its responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

The Trustee is not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. The Trustee's investment adviser provides regular advice on the suitability of the fund range and default strategy as well as monitoring how material changes to the legislation or the membership may impact this. A set of objectives have been provided by the underlying fund manager and are consistent with their benchmark and investment approach (these are, of course, simply objectives and the rate of return can obviously not be guaranteed).

The benchmark for each fund is set by the underlying fund manager, however it should be noted that as Aviva provides 'wrapped' versions of the underlying funds in which it invests the wrapped version of the fund will not exactly match the performance of the underlying fund.

The Trustee accepts that the discrepancy between the performance achieved by a wrapped fund and that of the underlying fund in which it invests is unavoidable. However, Aviva should take steps to reduce this to an absolute minimum and the Trustee will monitor accordingly.

The platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers;
- providing the Trustee with regular information concerning the management and performance of the assets; and
- Administering member assets.

The Trustee reviews the performance of the platform provider on a regular basis.

C. Responsible Investment

Environmental, Social and Governance Factors

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

The Trustee does not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision making, nor do they appoint investment managers that consider these factors.

Stewardship

The Trustee recognises that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights are important as they help preserve and enhance asset owner value over the long term.

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

The Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments, and reports to the Trustee on a regular basis.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the asset managers of the Scheme. The Trustee monitors and discloses the voting records of its managers on an annual basis.

Appendix A – DC Section funds and default lifetime strategy

The default option is a lifetime strategy. Details of the default option are set out below. Members are provided with clear information on the investment options and their characteristics that will allow them to make an informed choice.

The fund options are provided to members via an investment only platform arrangement with Aviva. The funds are all white labelled, open ended and are priced daily. The funds shown below are building blocks of the default lifetime strategy.

White label fund name	Underlying fund name	Benchmark	Objective
My Global Shares Fund	50% BlackRock Aquila World Index Fund 50% LGIM Diversified Equity Factor Fund	50% FTSE All World Developed Index 25% MSCI World 25% MSCI World (100% GBP Hedged)	This fund invests in a mix of UK, overseas, and emerging market equities. It aims for returns in line with a broad equity benchmark.
My Balanced Growth Fund	10% Newton Global Dynamic Bond Fund 20% BlackRock World Equity Index Fund 20% LGIM Diversified Equity Factor Fund 25% Baillie Gifford Multi Asset Growth Fund 25% LGIM Diversified Fund	10% 1 month £ LIBOR + 2% pa 20% FTSE All World Developed Index 10% MSCI World 10% MSCI World (100% GBP Hedged) 25% BoE Base Rate + 3.5% pa 25% 3 month LIBOR + 3.5% pa	This fund invests in a mix of asset classes including equities, property and bonds, aiming to provide long-term investment growth in excess of inflation. Currently this fund cannot be accessed on a self-select basis.
My Approaching Retirement Fund	25% Newton Global Dynamic Bond Fund 25% Baillie Gifford Multi Asset Growth Fund 25% LGIM Diversified Fund 25% BlackRock Cash Fund	25% 1 month £ LIBOR + 2% pa 25% BoE Base Rate + 3.5% pa 25% 3 month LIBOR + 3.5% pa 25% 7 day LIBID	This fund invests in a mix of asset classes including equities, property and bonds and is designed to contain an appropriate balance between risk and return for members approaching retirement. Currently this fund cannot be accessed on a self-select basis.

The Trustee makes available the default lifetime strategy where members' investments are initially allocated to equities and are progressively switched into a multi-asset fund, bonds and cash as retirement approaches. The way in which the investments change over time until members reach their selected retirement age for the default lifetime strategy is set out below.

Universal Lifetime Strategy			
Years to selected retirement age	**My Global Shares**	**My Balanced Growth**	**My Approaching Retirement**
15+	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	80%	20%
3	0%	60%	40%
2	0%	40%	60%
1	0%	20%	80%
0	0%	0%	100%