Mitsubishi Electric UK Retirement Benefits Scheme ("the Scheme")

Defined Contribution Section and AVC arrangements

Annual governance statement by the Chair of the Trustees for the year ending 31 March 2024

Introduction

Governance standards apply to defined contribution pension arrangements like the Defined Contribution Section of our Scheme. These standards are designed to help members achieve a good outcome from their pension savings.

As Chair of the Trustees of the Mitsubishi Electric UK Retirement Benefits Scheme, I am required to provide you with a yearly statement which explains what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards. The information included in my statement is set out in law and regulation.

The Trustees are committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

The Trustees have included the return on investments (after the deduction of any charges and transaction costs paid for by the members). We have done this for the default investment arrangement and for each self-select fund which members are now able, or were previously able, to select and in which members have been invested during the year. The net returns to the year ending 31 March 2024 have been included to help members understand how their investments are performing.

This year for the first time, the Trustees have included the percentage of assets in the default arrangement allocated to various types of asses class, as specified in legislation. This is to improve transparency so that members have access to all relevant information surrounding the investments being made with their pension savings and the outcomes these investments could have on their future retirement.

I welcome this opportunity to explain what the Trustees do to help to ensure the Defined Contribution Section is run as effectively as it can be.

Feedback

If you have any questions about anything that is set out in this statement, or any suggestions about what can be improved, please do let us know. You can contact the Trustees by emailing the Scheme Administrators at mitsubishielecuk@buck.com

Signed for and on behalf of the Trustees of the Mitsubishi Electric UK Retirement Benefits Scheme by Peter Thomlinson, Chair of the Trustees.

Peter Thomlinson
29 October 2024

Executive summary

Over the year to 31 March 2024, the Trustees of the Scheme have reviewed the following areas and our main conclusions are as follows:

Defined Contribution Section

The default investment strategy	In the year to 31 March 2024, the Trustees concluded a review of the default investment strategy on 25 May 2023. No changes were made. The next review is due in the year to 31 March 2027. A table and graphs have been included to show the percentage of assets in the default arrangement allocated to various types of asses class, as specified in legislation. This is to improve transparency so that members have access to all relevant information surrounding the investments being made with their pension savings and the outcomes these investments could have on their future retirement.
Charges and transaction costs	The charges that members pay to invest in the investment funds in the Defined Contribution Section range from 0.10% to 1.97% per annum. Annual transaction costs averaged over the previous 5 years to 31 March 2024 are between 0.01% and 0.08%. The Company pays for all other costs and charges.
Performance of the investment options	Tables showing information about the return on investments (after the deduction of any charges and transaction costs paid for by members) have been included. This information is included to help members understand how their investments are performing.
Value for members and wider value for money	The charges and transaction costs incurred by members represent satisfactory value for members. When the wider services paid for by the Company as well as the generosity of employer contributions are taken into account, the Defined Contribution Section represents satisfactory value for money.
Core financial transactions	The Scheme's administrator, Gallagher (formerly known as Buck), operates to high standards around the accuracy and timeliness of all core financial transactions.
Trustee knowledge and understanding	The Trustees received appropriate training to ensure that the Trustees meet the knowledge and understanding requirements and understand the Scheme and its documents.

Additional Voluntary Contribution (AVC) arrangements within the Defined Benefit Section

The AVC arrangements represent a very small proportion of the total assets of the Scheme and they are closed to new members with no 'default' fund. Members invest in a range of funds with Utmost Life, ReAssure and Clerical Medical. Investments with Utmost Life are held on a unit-linked basis with annual charges of between 0.5% and 0.75% per annum. With Clerical Medical, members invest in either a with-profits fund or a variety of unit-linked funds, each of which has a charge of 1% per annum. With ReAssure, members have access to a with-profits fund only.

The Trustees reviewed the AVC arrangements in the previous Scheme year to 31 March 2023 and no changes were made. The next review is due in the year to 31 March 2026.

Default investment arrangement

The Trustees have selected and provide a default investment arrangement for members who do not choose an investment option for their contributions, although members can also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. We take professional advice from regulated investment advisers.

Setting an appropriate investment strategy
Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles. A copy of the latest Statement of Investment Principles is attached to this statement as the Appendix. The document was last updated on 9 August 2023.

When deciding on investment strategy, the Trustees recognise that the majority of members do not take active investment decisions and instead invest in the default option. Therefore, the Trustees' primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account factors such as the size of members' pension savings within the Defined Contribution Section, members' current level of income and likely expectations for income post-retirement etc. When choosing the default strategy, it is the Trustees' policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustees also recognise that there are various investment and operational risks and gives qualitative and quantitative considerations to such risks.

During the year to 31 March 2024, the **Income Drawdown Lifestyle Strategy was the default investment arrangement.**

The Income Drawdown Lifestyle Strategy is structured to provide the potential for a level of growth over and above inflation in the long term. In addition, as members approach retirement the monies in the Income Drawdown Lifestyle Strategy are gradually switched to less volatile investments but retain exposure to a growth fund at retirement. This lifestyle strategy would typically be used by those members who wish to transfer their benefits to another pension arrangement at retirement to access an income drawdown option.

The Income Drawdown Lifestyle Strategy initially invests in a growth fund (the Diversified Fund) until seven years before retirement. At this point cash and fixed income funds are gradually introduced increasing over time up to the point of retirement where the cash allocation will be 25% and the fixed income allocation will be 25%. The fixed income allocation is broadly split 50% Over 15 Year Gilts Index Fund and 50% Fixed Interest Over 15 Year Targeted Duration Fund. The allocation to the Diversified Fund at retirement is 50%. The default assumes that members will take DC savings as a 25% cash lump sum with the remainder as income drawdown at retirement.

There is an alternative Lifestyle strategy available for members to select which is called the Annuity Lifestyle Strategy.

The Annuity Lifestyle Strategy initially invests in a growth fund (the Diversified Fund) until seven years before retirement. At this point cash and fixed income funds are gradually introduced increasing over time up to the point of retirement where the cash allocation will be 25% and the fixed income allocation will be 75%. This lifestyle assumes that members will take DC savings as a 25% cash lump sum with the remainder converted to a pension (annuity) at retirement.

Reviewing the default investment arrangement
The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the Defined Contribution Section membership when designing it.

To fulfil our fiduciary duty to act in members' best interests, we first confirm our understanding of the key features of the current and expected membership. We use this information to develop an understanding of their needs, attitudes and expectations. This enables us to make assumptions as to what members' reasonable expectations could be.

We consider members' attitudes to risk and their retirement expectations and analyse different lifestyle strategies and revisions to the funds in the default investment arrangement, before deciding on what changes would be appropriate. Investment modelling of a variety of different investment strategies contributes to our decision-making process.

A review of the default investment arrangement concluded on 25 May 2023. No changes were made. The next review is due in the year to 31 March 2027.

In addition to the strategy review, the Trustees also review the performance of the default investment arrangement against their aims, objectives and policies on a regular basis, taking advice from the Trustees' investment consultant. The Trustees carry out such reviews on investment performance at every Trustees' meeting.

In carrying out the reviews of the performance of the default investment arrangement, the Trustees considered that the growth fund in the default investment arrangement had reasonably good performance. The fixed income funds within the default arrangement provided negative absolute returns but that reflects the change in investor sentiment towards fixed income investments given high inflation continues to affect all sectors of the economy.

The default investment arrangement, therefore, remains appropriate and consistent with the aims and objectives as stated in the Statement of Investment Principles. To help members understand how the default investment arrangement is performing, the Trustees have included a section later in this statement to show annualised net returns over one year and five years, to the Scheme year ending 31 March 2024.

Self-select investment choices
In addition to the default investment arrangement, the Trustees allow members to self-select from a range of funds as indicated below. Members may wish to take financial advice before choosing between these funds.

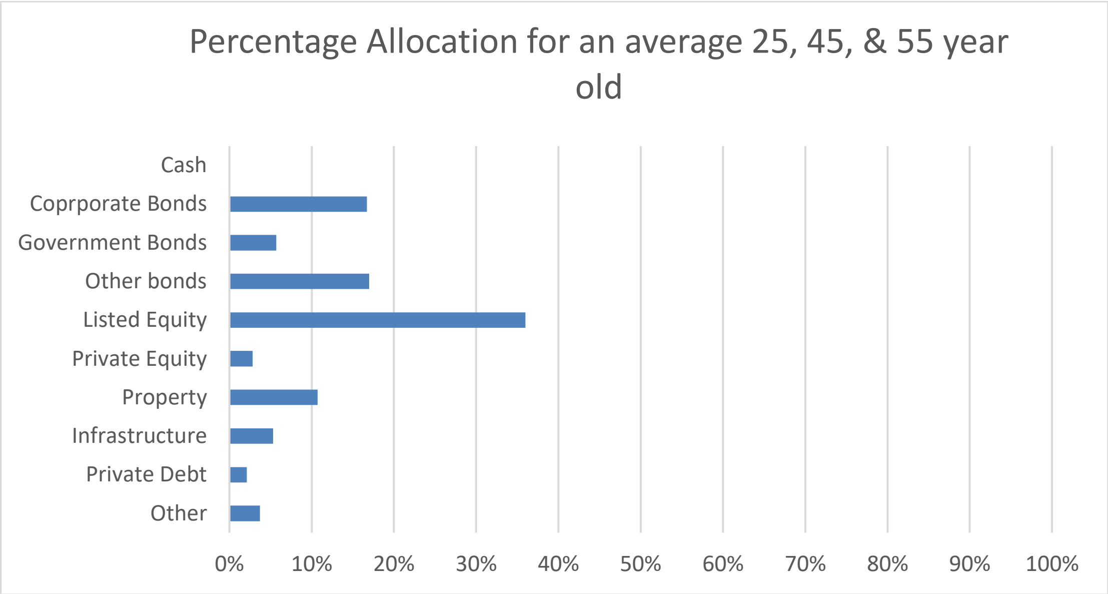
Fund Name
Diversified Fund
UK Equity Index Fund
World Emerging Markets Equity Index Fund
Cash Fund
Global Equity Fixed weights (60:40) Index Fund
Over 5 Year Index-Linked Gilts Index Fund
Over 15 Year Gilts Index Fund
Fixed Interest Over 15 Year Targeted Duration Fund
World Equity Index Fund - GBP Currency Hedged
Managed Property Fund
Future World Multi Asset Fund

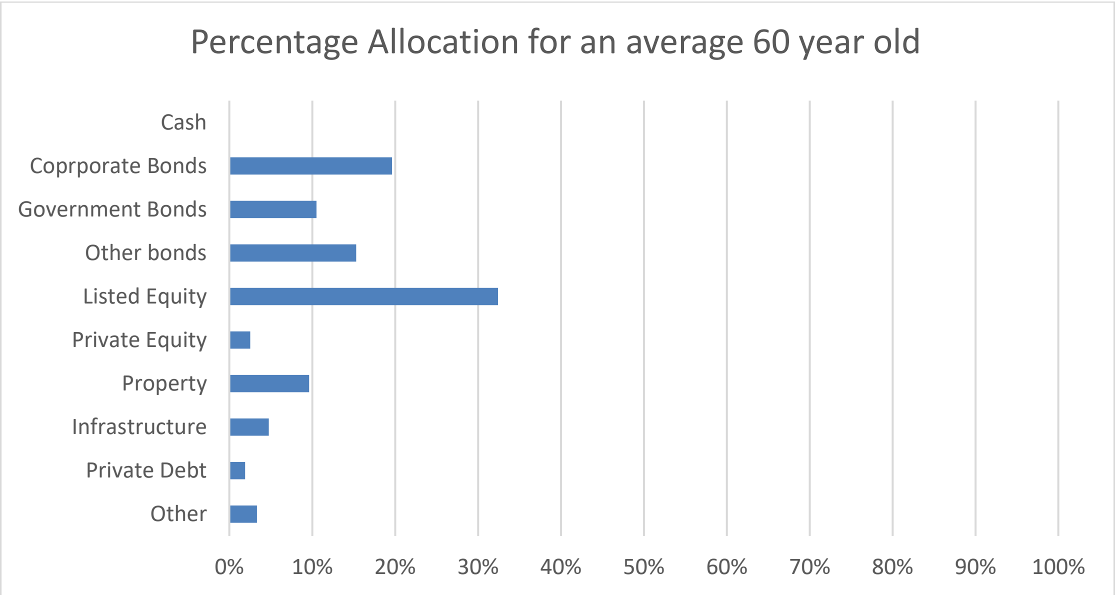
Asset allocation of the default investment arrangement

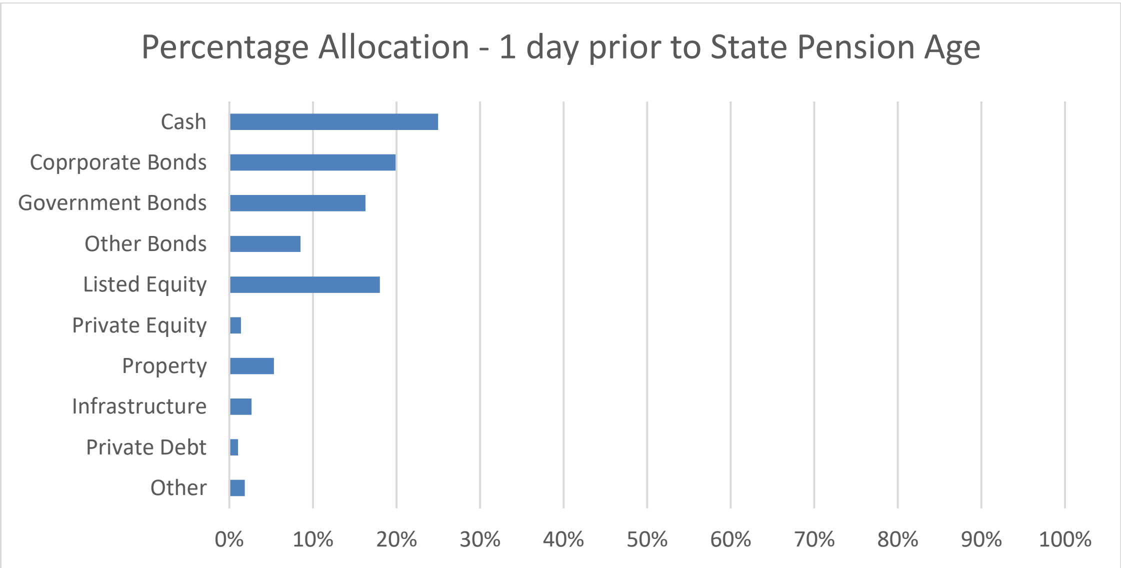
We are required to provide the percentage of assets allocated in the default arrangement to specified asset classes and show how the asset allocations change at different ages. This is to show members the different asset allocation phases that take place as pension savings accumulate in the default arrangement up to and at retirement.

We have prepared the below table and graph having taken account of the statutory guidance effective from 30 January 2023 issued by the Department of Work and Pensions in preparing this section of our statement.

Asset class	**Percentage allocation- average 25 year old**	**Percentage allocation- average 45 year old**	**Percentage allocation- average 55 year old**	**Percentage allocation- average 60 year old**	**Percentage allocation- 1 day prior to State Pension Age**
Cash					25.00%
Bonds					
Corporate bonds	16.70%	16.70%	16.70%	19.64%	19.89%
Government bonds	5.70%	5.70%	5.70%	10.52%	16.31%
Other bonds	17.00%	17.00%	17.00%	15.30%	8.50%
Listed equities	36.00%	36.00%	36.00%	32.40%	18.00%
Private equity	2.80%	2.80%	2.80%	2.52%	1.40%
Venture capital					
Buyout funds					
Property	10.70%	10.70%	10.70%	9.61%	5.35%
Infrastructure	5.30%	5.30%	5.30%	4.77%	2.65%
Private debt	2.10%	2.10%	2.10%	1.89%	1.05%
Other	3.70%	3.70%	3.70%	3.33%	1.85%
Total	100.00%	100.00%	100.00%	100%	100.00%


Percentage Allocation for an average 25, 45, & 55 year old
Cash
Coprporate Bonds
Government Bonds
Other bonds
Listed Equity
Private Equity
Property
Infrastructure
Private Debt
Other
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%


Percentage Allocation for an average 60 year old
Cash
Coprporate Bonds
Government Bonds
Other bonds
Listed Equity
Private Equity
Property
Infrastructure
Private Debt
Other
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%


Percentage Allocation - 1 day prior to State Pension Age
Cash
Coprporate Bonds
Government Bonds
Other Bonds
Listed Equity
Private Equity
Property
Infrastructure
Private Debt
Other
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

Charges and transaction costs paid by members

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

The investment management and transaction costs can be explained like so:

- The total ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges). The charges for the default investment strategy are compared against the 0.75% charge cap set by legislation.

- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund or strategy. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and the costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike the ongoing charges figures, transaction costs are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is typically net of these transaction costs.

The level of ongoing charges applicable to the Defined Contribution Section's default investment arrangement during the last year to 31 March 2024 were 0.27% to 0.39%.

The level of ongoing charges applicable to the Annuity Lifestyle Strategy were 0.14% to 0.39%.

The charges depend on the term to retirement and a breakdown is provided for the default investment arrangement in the table below:

Term to Retirement (Years)	**Ongoing charges**
7+	0.39%
6	0.38%
5	0.37%
4	0.36%
3	0.33%
2	0.32%
1	0.29%
0	0.27%

The level of charges applicable to the Defined Contribution Section's other investment funds that members were invested in during the last year to 31 March 2024 were:

Fund Name	**Ongoing charges**
Diversified Fund*	0.39%
UK Equity Index Fund	0.18%
World Emerging Markets Equity Index Fund	0.48%
Cash Fund*	0.13%
Global Equity Fixed weights (60:40) Index Fund	0.23%

Fund Name	Ongoing charges
Over 5 Year Index-Linked Gilts Index Fund	0.10%
Over 15 Year Gilts Index Fund*	0.11%
Fixed Interest Over 15 Year Targeted Duration Fund*	0.16%
World Equity Index Fund - GBP Currency Hedged	0.25%
Managed Property Fund	1.97%
Future World Multi Asset	0.32%

*Funds used within the default Income Drawdown Lifestyle Strategy

The transaction costs applicable to the default investment arrangement were confirmed by Legal & General as being between 0.01% and 0.03%. (We have taken an annual average over the last 5 years).

The transaction costs applicable to the other investment funds being utilised by members were confirmed by Legal & General as follows (we have taken an annual average over the last 5 years of data available):

Fund Name	Transaction costs
Diversified Fund*	0.01%
UK Equity Index Fund	0.01%
World Emerging Markets Equity Index Fund	0.05%
Cash Fund*	0.04%
Global Equity Fixed weights (60:40) Index Fund	0.02%
Over 5 Year Index-Linked Gilts Index Fund	0.08%
Over 15 Year Gilts Index Fund*	0.06%
Fixed Interest Over 15 Year Targeted Duration Fund*	0.01%
World Equity Index Fund - GBP Currency Hedged	0.08%
Managed Property Fund	0.02%
Future World Multi Asset	0.04%

*Funds used within the default Income Drawdown Lifestyle Strategy

Switching between different investment funds in the Scheme

The funds used by the Defined Contribution Section of the Scheme operate on a single-swinging price basis with no explicit switching costs charged to members so when members ask to move from one investment fund to another, the Trustees do not ask members to pay a fee. However, implicit costs will apply when trades are placed with the investment manager (Legal & General), which will be reflected in the prices that members receive when placing their trades. These implicit costs will vary between members depending on what switches took place for each member and the date at which these occurred.

The Trustees are not able to track what switching costs have been incurred in practice for particular members, although it should be noted that not all switches will incur these costs, with many taking place at nil cost.

Any members considering switching funds should consider the risk involved and take any advice they feel is necessary. Free impartial guidance is available from the Money and Pensions Service. Visit their website at https://www.moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/pension-investment-options-an-overview.

Completeness of transaction cost information

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

We confirm that there was no information about costs or charges that could not be obtained and the Trustees were pleased that transaction cost data could now be averaged over five years as a full five year history of transaction cost data was available from the investment managers.

Illustrations of the impact of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. We are required to provide illustrative examples of the cumulative effect over time of the impact of the charges and transaction costs on the value of a member's pension savings.

We have prepared the following illustrations, having taken account of the statutory guidance issued by the Department of Work and Pensions.

Projected pension savings/pot in today's money for an active member of the Scheme joining at age 20 and paying contributions until age 65

	Income Drawdown Lifestyle Strategy (default) *The funds used change based on term to retirement*		**Cash Fund** *Only one fund is used throughout*		**Managed Property Fund** *Only one fund is used throughout*	
	Ongoing charge 0.27-0.39%		Ongoing charge 0.13%		Ongoing charge 1.97%	
Age	Before charges £	After all charges + costs deducted £	Before charges £	After all charges + costs deducted £	Before charges £	After all charges + costs deducted £
20 (Starting pot)	-	-	-	-	-	-
21	1,341	1,339	1,329	1,328	1,341	1,329
23	4,082	4,059	3,968	3,958	4,082	3,968
25	6,904	6,839	6,581	6,554	6,904	6,583
30	14,329	14,052	13,003	12,897	14,329	13,009
35	22,313	21,661	19,270	19,035	22,313	19,284
40	33,200	31,966	27,579	27,160	33,200	27,604
45	44,907	42,837	35,688	35,023	44,907	35,727
50	60,949	57,723	46,891	45,909	60,949	46,950
55	78,199	73,425	57,823	56,444	78,199	57,906
60	100,553	93,765	71,783	69,916	100,201	71,895
65	124,935	115,892	85,404	82,954	123,861	85,552

Notes

1. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Each fund shown in the illustration has different potential returns and levels of associated risk. For example, the default has a higher expected projected pension than the Cash Fund, but this is to be expected as the default includes equity funds which tend to provide the best long-term reward but with the highest level of risk.*
3. *The illustration assumes that 100% of contributions are credited to each fund shown.*
4. *The starting pot size is assumed to be £0 as would be applicable for a new joiner to the Scheme (we have assumed joining at age 20 which is approximately the age of the youngest member of the Scheme).*
5. *Future contributions based on an age-related scale (please refer to the member booklet for more details) are assumed to be payable and a current salary of £15,000.*

6. *Inflation is assumed to be 2.5% each year.*
7. *Contributions are assumed to start from age 20, to continue to age 65 and increase in line with assumed earnings inflation of 2.5% each year.*
8. *Values shown are estimates and are not guaranteed, the actual fund value could be higher or lower.*
9. *The assumed projected growth rates before charges for each fund are as follows:*
   Default fund: 1.46% above inflation in the growth phase only
   Cash Fund: 0.49% below inflation
   Managed Property Fund: 1.46% above inflation
10. *The growth rates are based on market conditions as at 31 March 2024.*

Projected pension savings/pot in today's money for a current contributing member with an existing fund of £25,000 and a current age of 43 with contributions continuing until age 65 (i.e. a 'typical' active member)

	Income Drawdown Lifestyle Strategy (default) *The funds used change based on term to retirement*		**Cash Fund** *Only one fund is used throughout*		**Managed Property Fund** *Only one fund is used throughout*	
	Ongoing charge 0.27-0.39%		Ongoing charge 0.13%		Ongoing charge 1.97%	
Age	Before charges £	After all charges + costs deducted £	Before charges £	After all charges + costs deducted £	Before charges £	After all charges + costs deducted £
43 (Starting pot)	25,000	25,000	25,000	25,000	25,000	25,000
44	30,134	30,028	29,604	29,559	30,134	29,606
46	42,417	42,031	40,516	40,358	42,417	40,525
48	56,876	56,098	53,086	52,775	56,876	53,104
50	71,761	70,468	65,533	65,031	71,761	65,563
55	110,922	107,764	96,124	94,975	110,922	96,192
60	162,799	156,812	134,751	132,693	162,240	134,873
65	219,199	209,760	172,444	169,194	217,425	172,638

Notes

1. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Each fund shown in the illustration has different potential returns and levels of associated risk. For example, the default has a higher expected projected pension than the Cash Fund, but this is to be expected as the default includes equity funds which tend to provide the best long-term reward but with the highest level of risk.*
3. *The illustration assumes that 100% of contributions are credited to each fund shown.*
4. *The starting pot size is assumed to be £25,000.*
5. *Future contributions based on an age-related scale (please refer to the member booklet for more information) are assumed to be payable and a current salary of £40,000.*
6. *Inflation is assumed to be 2.5% each year.*
7. *Contributions are assumed to start from age 43 (which is the median age of the current DC active membership of the Scheme) and continue to age 65 and increase in line with assumed earnings inflation of 2.5% each year.*
8. *Values shown are estimates and are not guaranteed, the actual fund value could be higher or lower.*
9. *The assumed projected growth rates before charges for each fund are as follows:*
   Default fund: 1.46% above inflation in the growth phase only
   Cash Fund: 0.49% below inflation
   Managed Property Fund: 1.46% above inflation
10. *The growth rates are based on market conditions as at 31 March 2024.*

Projected pension savings/pot in today's money for a member with an existing fund of £15,000, aged 42 who has ceased contributing to the Scheme (i.e. a 'typical' deferred member)

	Income Drawdown Lifestyle Strategy (default) *The funds used change based on term to retirement*		**Cash Fund** *Only one fund is used throughout*		**Managed Property Fund** *Only one fund is used throughout*	
	Ongoing charge 0.27-0.39%		Ongoing charge 0.13%		Ongoing charge 1.97%	
Age	Before charges £	After all charges + costs deducted £	Before charges £	After all charges + costs deducted £	Before charges £	After all charges + costs deducted £
42 (Starting pot)	15,000	15,000	15,000	15,000	15,000	15,000
42	15,220	15,161	14,927	14,902	15,220	14,928
44	15,668	15,488	14,782	14,708	15,668	14,786
46	16,130	15,822	14,638	14,516	16,130	14,645
50	16,849	16,337	14,425	14,233	16,849	14,436
55	18,118	17,233	14,076	13,774	18,118	14,094
60	19,554	18,250	13,736	13,330	19,483	13,760
65	21,153	19,435	13,404	12,900	20,951	13,435

Notes

1. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Each fund shown in the illustration has different potential returns and levels of associated risk. For example, the default has a higher expected projected pension than the Cash Fund, but this is to be expected as the default includes equity funds which tend to provide the best long-term reward but with the highest level of risk.*
3. *The starting pot size is assumed to be £15,000.*
4. *No future contributions have been included as would be the case for a deferred member of the Scheme.*
5. *Inflation is assumed to be 2.5% each year.*
6. *The projection assumes a starting age of 42 which is the median age of the current DC deferred membership of the Scheme.*
7. *Values shown are estimates and are not guaranteed, the actual fund value could be higher or lower.*
8. *The assumed projected growth rates before charges for each fund are as follows:*
   Default fund: 1.46% above inflation in the growth phase only
   Cash Fund: 0.49% below inflation
   Managed Property Fund: 1.46% above inflation
9. *The growth rates are based on market conditions as at 31 March 2024.*

Past performance of the investment options

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

The net returns to the year ending 31 March 2024 are shown in the tables below and have been included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance.

We have prepared the following tables, having taken account of the statutory guidance issued by the Department of Work and Pensions.

Annualised net returns (%) for the default investment arrangement over periods to the scheme year ending 31 March 2024

Age of member at the start of the five year period ending 31 March 2024*	5 years (2019-2024)	1 year (2024)
Age 25	4.3%	8.3%
Age 45	4.3%	8.3%
Age 55	4.2%	7.8%

*As the default investment arrangement is a lifestyle strategy made up of different investment funds, the returns vary With the age of the member, so we have shown the returns at three example ages in line with regulatory guidance.

Annualised net returns (%) for the self-select investment options over periods to the scheme year ending 31 March 2024

Investment Fund	5 years (2019-2024)	1 year (2024)
Global Equity Fixed Weights (60:40) Index Fund	7.8%	12.4%
UK Equity Index Fund	5.4%	8.5%
World Equity Index - GBP Hedged Fund	11.7%	25.7%
World Emerging Markets Equity Index Fund	3.1%	5.4%
Managed Property Fund	1.4%	0.3%
Diversified Fund	4.3%	8.3%
Future World Multi-Asset Fund	Not available	8.5%
Over 15 Year Gilt Index Fund	-8.2%	-4.7%
Fixed Interest Over 15 Year Targeted Duration Fund	-6.6%	-0.5%
Over 5 Year Index-Linked Gilt Index Fund	-6.6%	-6.9%
Cash Fund	1.5%	5.0%

Notes for both tables:

1. The default lifestyle performance is calculated from net of fees underlying manager performance figures minus switching costs incurred from de-risking the default lifestyle strategy as members approach retirement. Switching costs are calculated from the spreads applicable to the funds.
2. Figures shown for the self-select investment options are calculated based on underlying investment manager performance.
3. Composite performance figures for the lifestyle strategy assume allocations are in line with the switching matrix at each year end. We have not allowed for deviations due to market movements in the preceding period.
4. The Scheme updated its default investment strategy in 2021. The figures shown reflect the historic performance of the default investment strategy applicable as at 31 March 2024 as this is deemed to be of more relevance for making intra-scheme comparisons.

Core financial transactions

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

- investing contributions paid into the Defined Contribution Section;
- transferring assets relating to members into and out of the Defined Contribution Section;
- transferring assets between different investments within the Defined Contribution Section; and
- making payments from the Defined Contribution Section to, or on behalf of, members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the administrator, Gallagher (formerly known as Buck).

Service levels apply which provide for Gallagher to ensure accurate and timely processing of the core financial transactions for which it is responsible. Gallagher is required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Scheme’s trust deed and rules. The administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

In order to monitor this service, the Trustees receive regular reports confirming the payment and allocation of contributions, together with information on events such as cash management and pension payroll, as well as monthly statistics on the level of service that is provided in comparison to agreed targets and timescales. The Trustees monitor transactions made via the Trustees' bank account on a regular basis.

The following service standards apply to the core pension administration service:

Task	**Transaction Type**	**Transaction Target (working days following receipt by Gallagher on behalf of the Trustees)**
Death	Notification of Death	5
	Return of Certificates	5
	Payment of Benefits	5
Leaver	Quote	10
	Re-quote	10
	Withdrawal form (final figures)	10
Retirement	Quotation	10
	Actual Retirement	10
	Correspondence and Certificates	10
	Payment of Benefits	2
Investment	Contribution investment	10
Transfer Out	Initial Request	15
	Correspondence and Discharge Forms	15
	Correspondence and Certificates	5
	Payments of Benefits	2
Ad Hoc Queries	Member and Client Queries	10
	Third Party and NICO Queries	15

Members should note that each task may have several transactions. For example, a member's retirement task may include a quotation, return of multiple forms by the member and implementation of the retirement as well as other correspondence. The target dates are also conditional on the prior completion of all necessary paperwork by a member, dependant or beneficiary. Members should therefore plan well in advance of any transaction. For example, a retirement task can take several months to process, and members are usually contacted four to six months prior to their chosen retirement date so the process can start as early as possible.

Any mistakes or delays are investigated thoroughly, and action is taken to put things right as quickly as possible.

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

I am pleased that in the last Scheme year there have been no material administration service issues which need to be reported by the Trustees and core financial transactions have been processed accurately by Gallagher within a reasonable time.

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

Trustee knowledge and understanding

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

The Trustees meet all the knowledge and understanding requirements and understand the Scheme and its documents. The Trustees are aware that they must have a working knowledge of the trust deed and rules of the Scheme, the Statement of Investment Principles and the documents setting out the Trustees' current policies. They are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regularly reviewing the relevant Scheme documents via the Scheme's online portal.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board.

- New Trustees are required to complete the toolkit within 6 months of becoming a member of the Trustee Board. Each Trustee reviews the toolkit on an on-going basis to ensure our knowledge remains up to date.

- We have a training log for each Trustee and review this regularly and update it with our training activities.

- Training over the period covered by this statement relevant to the Defined Contribution Section of the Scheme included: Stewardship reporting in connection with the investments, Navigating the current economic climate, Mansion House reforms, Pension Dashboards, The Pensions Regulator's General Code of Practice, the appropriateness of illiquid assets in DC investment strategies, Cyber Security, Environmental, Social and Governance (ESG) standards, DC market update from our dedicated DC adviser and changes to the Chair's Statement to include new asset class disclosures.

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

- An induction process is in place for newly appointed Trustees and any new Trustees are invited to attend a trustee training course provided by the Trustees' professional advisers.

- The Trustees have previously assessed the Scheme against the standards set out in the code of practice for trustees of pension schemes providing money purchase benefits (the DC code) and related guides. This has been removed in 2024 and replaced by The Pensions Regulator's General Code. The Trustees will review the Scheme against the General Code in due course to ensure that we are offering a quality Scheme with an effective system of governance.

- Regular reviews of the performance and effectiveness of the Trustee Board are being considered in the future.

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

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

Defined Benefit Section - AVC arrangements

Our historic AVC arrangements associated with the Defined Benefit Section (which are closed to new AVC payers) are provided by Utmost Life, ReAssure and Clerical Medical (who are associated with Scottish Widows under the joint ownership by Lloyds Banking Group).

Members with Utmost Life are invested in an 'Investing by Age' strategy. The range of annual charges for the funds in the Investing by Age strategy are between 0.5% and 0.75%.

With ReAssure, members are invested in a with-profits fund which provides guaranteed annuity rates at retirement.

With Clerical Medical, members invest in with-profits funds or a variety of unit-linked funds, each of which has an annual charge of 1% p.a.

The Trustees carried out a review of the AVC arrangements in the previous Scheme year and no changes were made. The next review is due in the scheme year to 31 March 2026.

Assessing value for members

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

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

Categorising costs/charges and how these impact on our assessment
There is no legal definition of 'good value' and so the process of determining good value for members is a subjective one. We note that value for members does not necessarily mean the lowest fee.

In line with our legal duties and guidance issued by The Pensions Regulator, our first step has been to identify the services that members directly pay for, either through costs that only members pay, or costs that are shared with the Company.

The costs that are paid by members are fund management charges and transaction costs for the investment funds used within the Scheme.

For all other costs and charges, the Company bears the full cost. This covers such areas as:
- wider investment support and governance (e.g. the costs of regularly reviewing and updating funds available to members, etc);
- administration of the Defined Contribution Section (e.g. the costs of updating and maintaining member records, processing contributions and financial payments, dealing with member queries, producing annual financial statements, etc);
- member communications (e.g. the costs of producing and issuing member booklets, annual benefit statements, etc); and
- the management and governance of the Defined Contribution Section (e.g. the expenses of the Trustees, the costs of legal/actuarial advisers and annual audit, etc).

The Trustees have undertaken an analysis that covers the 'value for members' (i.e. arising from the benefits that members receive from the charges and transaction costs that they directly pay). This assessment is required by legislation and is mainly limited to the performance and volatility of investment returns versus the charges members pay for holding those funds.

The analysis has then been extended to assess the overall 'value for money' offered to members of the Defined Contribution Section, with the aim of capturing not only the value from member-borne costs but also the broader elements of value that members receive from the employer-financed costs, as well as wider factors such as the employer contribution rates.

Overall approach and conclusion
Assisted by our advisers and in line with The Pensions Regulator's guidance, we have taken the following approach:

1. We have collated information on services that members receive and the total costs that members pay, including transaction costs (where available);
2. We have assessed the scope and quality of the services that members receive;
3. We have compared the value members receive from the services against the cost of those services; and
4. We have reflected on our key findings and suggested courses of action to maintain areas of good value and improve areas where value could be better.

Overall, the above approach ensures that we are comparing the level of charges in each fund with the levels of return they have delivered to members, as well as comparing the costs of membership (i.e. the charges) against the benefits of membership (i.e. the services provided by the Defined Contribution Section).

In attempting to compare these against other options available in the market, the Trustees have found that there are limited industry-wide benchmarks for each service area and so the Trustees have relied on the market knowledge of its advisers.

Based on our assessment, we conclude that the Defined Contribution Section offered satisfactory 'value for members' and satisfactory 'value for money' over the year to 31 March 2024.

There are areas where overall 'value for money' could be improved for members and the Trustees plan to perform further investigations into these areas, taking action in some, over the year to 31 March 2025 and further details are included later in this section.

Preparation for the assessment
The Trustees received support from advisers around how to undertake the assessment and also considered the statutory guidance.

The Trustees used a scoring system for the assessment and individual elements of service were given scores by considering the scope and quality of the services under those areas. A weighted score ranging from 0% to 100% was produced and the Trustees agreed that any score between 50% to 75% represented satisfactory value and a score of 75% or over represented good value. The Trustees agreed that scores would be compared from year to year with a view to measuring and monitoring changes in 'value for money'.

Process followed for the assessment, including key factors considered
The Trustees then considered the services provided by the Scheme in the areas where costs are borne (whether by members or by the employer), such as investment, communications, scheme management and governance, and administration. The scores for these areas were assessed by considering the scope and quality of the services in each area.

We assessed the historic return and volatility of the default fund versus benchmark, and the charges and transaction costs and reviewed the larger set of services paid for by members and the Company, including (but not limited to) the following:

Area	Examples
Investments / charges	The quality / governance of the default fund and alternative choices, the historic return and volatility of the default fund, charges and transaction costs versus benchmark, etc
Communications / member support	Whether bespoke / tailored or event-driven communications are used, at-retirement communications / guides / modellers / support, access to pension freedoms, etc

Area	Examples
Scheme management and governance	Understanding of membership characteristics / attitudes / needs, compliance with The Pensions Regulator's Codes of Practice, Trustee Knowledge and Understanding practices, use of expert advisers, etc
Administration / online services	Online fund values / switching, use of service level agreements, core administration team / helpline, etc
Employer contribution to member funds	The generosity of the employer contributions over and above the automatic enrolment minimum.

While all of the factors above contribute to whether the Scheme is well run, the Trustees believe that two of the biggest factors that can influence retirement outcomes are the level of contributions paid into the Scheme and the level of investment performance net of fees.

As a result, 40% of the overall 'value for money' score is allocated to the benefits members received including the level of contributions; 40% of the score is allocated to investments and 20% to the competitiveness of fees and transaction costs.

Explanation of the results of the assessment
Our conclusion that the Defined Contribution Section offers satisfactory 'value for money' over the year to 31 March 2024 is based on aspects such as:

- The growth fund in the default investment arrangement had reasonably good performance over the year to 31 March 2024.
- The default investment strategy has a maximum ongoing annual charge of 0.39%, which is broadly comparable to the 0.37% average charge for default funds within trust-based defined contribution pension schemes that featured in the most recent Pensions and Lifetime Savings Association annual survey.
- The contribution structure is generous compared to the automatic enrolment minimum.
- The default investment strategy was designed with reference to the membership profile of the Defined Contribution Section and its performance is reviewed on a regular basis.
- Members are able to receive a wide range of administration services (e.g. a dedicated helpline manned by a ring-fenced administration team, etc), which compares well to other options in the market.
- Members receive communications that aid member decision-making (including regularly updated member booklets, an annual benefit statement, etc).
- The Trustees meet around four times a year, discussing DC-related matters at most meetings, with a Trustee training plan in place and ad-hoc training received before major decisions, as well as clear contracts with external advisers.

It is not as easy to assess value for money for those members of the Defined Benefit Section with AVC funds, particularly for those who were invested in with-profits funds. The low transparency of costs, combined with a lack of visibility and influence on how the with-profits fund is run are a negative factor when assessing value for money, However, the inherent guarantees that feature in many with-profit funds may have been valued by members and this is particularly relevant to the ReAssure AVC arrangement in the Scheme which features guaranteed annuity rates.

Follow-on actions and investigations
The Trustees' focus is on maintaining the value for money and identifying if further improvements can be made. Over the year to 31 March 2025, the Trustees plan to do the following:

- Review the communications and tools that members have access to in order to determine if any enhancements can be made;
- Explore the retirement options and guidance available to members, and
- Share this analysis with the Company to obtain their views.