

# AG Solutions Pension Plan (The “Plan”)

## Chair’s Statement

Annual Statement regarding  
Defined Contribution  
governance

Year ended 5 April 2024

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# 1. CHAIR'S ANNUAL REPORT

This Statement reports on how the Trustee has complied with the defined contribution ("DC") governance standards that were introduced under:

The Occupational Pension Schemes (Charges and Governance) Regulations 1996 (the Regulations"), The Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended) The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 ("the 2018 Regulations") and The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021.

It describes how the Trustee has met the statutory governance standards in relation to:

- the Scheme's default funds arrangement;
- disclosure of the Scheme's charges and transaction costs for default funds;
- the appropriateness of the default investment strategy;
- net asset returns for the Scheme's default funds;
- the Scheme's self-select funds;
- disclosure of charges and transaction costs for the Scheme's self-select funds;
- net asset returns for the Scheme's self-select funds;
- assessment of the Scheme's charges and transaction costs
- provision of examples of the cumulative effect of scheme specific charges and transaction costs on the value of a member's benefits;
- the requirement for trustees of schemes that have been running for three years or more and have less than £100m total scheme assets, to carry out a detailed assessment to demonstrate that it is providing good 'value for members' (a 'VFM Assessment') that includes a comparison against at least three other schemes of:
  - reported costs and charges
  - net fund investment performance, and
  - the governance and administration of the scheme,
  - the governance and administration of the scheme assessment includes:
    - promptness and accuracy of core financial transactions;
    - quality of record keeping;
    - appropriateness of the default investment strategy;
    - quality of investment governance;
    - the requirement for trustee knowledge and understanding;
    - quality of communication with scheme members;
    - effectiveness of management of conflicts of interest
  - the outcome of the 'value for members' (VFM) assessment

This statement covers the period between 6 April 2023 and 5 April 2024 ("the Scheme Year").

This report is available to review under: <https://www.fujitsu.com/uk/documents/pension-plan/>



## 2. DEFAULT FUNDS

### Auto-enrolment

The Plan was closed to new entrants in 2006 and therefore has never been used as a Qualifying Plan for the purposes of Auto-Enrolment.

### Default Strategy

As the Plan is not used for Auto Enrolment it does not have a default strategy. However, it does have a default Lifestyle Strategy.

The funds used within the default strategy are:

BNY Mellon Global Balanced Fund  
Insight Sterling Liquidity Fund  
BlackRock Pre-Retirement Fund

The table below illustrates how the investments are allocated at five-year periods leading up to Retirement. "Retirement" here means a member's planned Target Retirement Age or age 65.

Pre-Retirement Switching Strategy	Years to retirement						
	6+	5	4	3	2	1	0
BNY Mellon Multi Asset Global Balanced Fund	100%	96%	72%	48%	24%	0%	0%
BlackRock Pensions DC Pre-Retirement Fund	0%	3%	21%	39%	57%	75%	75%
Insight GBP Liquidity Fund	0%	1%	7%	13%	19%	25%	25%

Costs and Charges	6+	5	4	3	2	1	0
Charges (%)	0.50%	0.50%	0.47%	0.45%	0.43%	0.41%	0.41%
Transaction costs (%)	0.00%	0.00%	0.01%	0.02%	0.04%	0.05%	0.05%
Total Costs (%)	0.50%	0.50%	0.49%	0.48%	0.47%	0.46%	0.46%

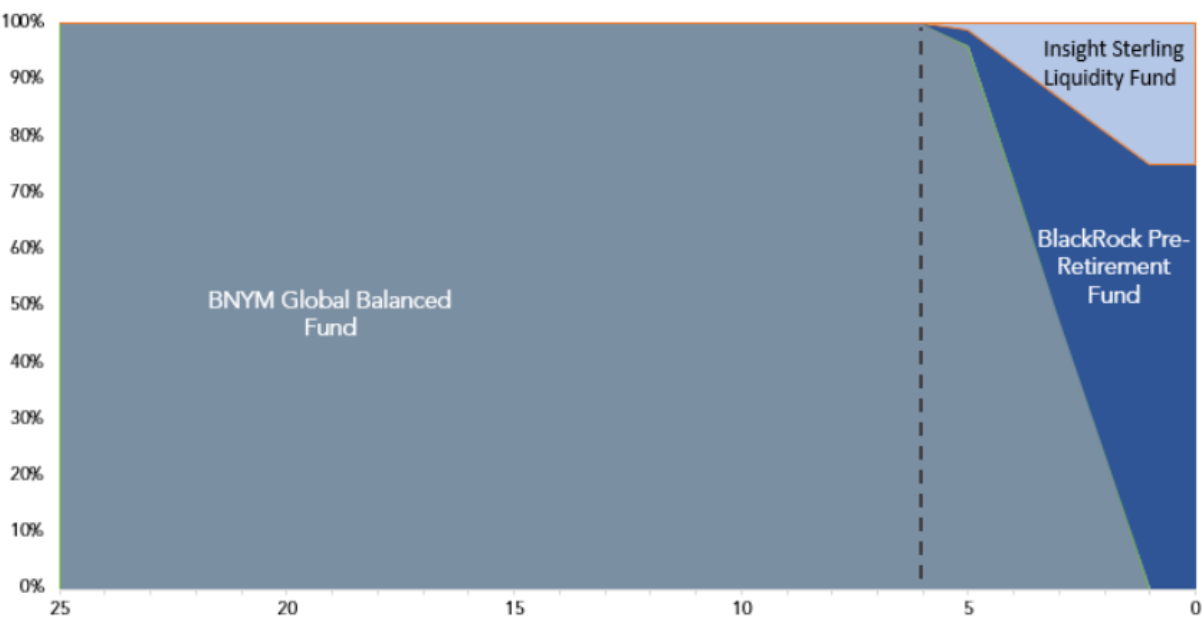
Costs are provided as at 31 March 2024 for all funds. Due to rounding total costs may not sum accurately.

### The Default strategy funds 'glide path'

The key principle of the default strategy is that investments are made into higher growth (but riskier) funds in earlier years and then switched progressively to less risky funds as a member's retirement approaches. This automatic switching process begins 6 years before the member's retirement age to reduce uncertainty and increase flexibility on occasions when members retire earlier or later than expected.

In practice, members investments are reviewed monthly and switches made as necessary to maintain the target proportions invested in each fund. The chart below illustrates the changes in the asset allocation for the default strategy over the period before a member's retirement.





There are three phases to the default strategy:

The Growth Phase (up to 6 years before retirement) – where the funds are all held in a mixture of funds, but with the majority held in equities, to obtain maximum investment returns across a range of growth assets.

The Transition Phase (5-1 years before retirement) – where the mix of funds is progressively changed to control the volatility of investments coming up to retirement, while continuing to offer potential for investment growth.

The Pre-Retirement Phase (1 year immediately before retirement) – where funds are held in cash and bonds to protect capital.

This asset mix recognises the fact that members have a wide range of options at retirement, which might include taking the fund (or part of it) as cash, purchasing an annuity, or remaining invested for a longer period beyond retirement. As members’ plans may change over time, the asset mix provides flexibility for members to make these choices and indeed, to change their plans.

### Default alternative fund in the case of a fund suspension

In the event that any of the Trustee’s chosen asset classes (either default funds, or self-select funds) becoming illiquid, difficult to buy or sell, price accurately, or dealings with that fund are either temporarily suspended (‘gated’) by the fund manager, particularly when financial market conditions are stressed or volatile, the Trustee is able, without individual member’s explicit consent, automatically divert the members’ future contribution allocations in respect of that particular fund into a:

Diversified Growth Fund (DGF)

In the event that a particular suspension of a fund is lifted, funds will automatically be re-directed to the previously expressly chosen fund, unless in the interim, the member has chosen an alternative investment strategy.

In the event that a fund is suspended for more than a year a new alternative fund will be substituted.



## Statement of Investment Principles

The Trustee is responsible for the Scheme's investment governance which includes setting and monitoring the investment strategy.

Details and objectives of the Trustee's policies regarding the arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP")

Appended to this statement is a copy of the Scheme's latest Statement of Investment Principles, which has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles").

The SIP also includes the Trustee's policy on Environmental, Social and Corporate Governance (ESG) and any recent fund changes.



### 3. MEMBER SELF-SELECTED FUNDS (MEMBER CHOICE – FREE STYLE)

In addition to the lifestyle strategy, the Trustee also offers a range of self-select funds to provide flexibility to members who wish to have control over where they invest. The self-select funds available are listed below:

#### Self-Select Funds (Member choice-free style)

Fund Name	Type	Charges	Transaction costs	Total Costs
BNY Mellon Multi-Asset Global Balanced Fund	Multi-Asset	0.50%	0.00%	0.50%
BlackRock Pensions DC Pre-Retirement Fund	Multi-Asset	0.51%	0.06%	0.57%
Insight GBP Liquidity Fund	Cash	0.10%	0.01%	0.11%
BlackRock MSCI World Index Fund	Equities	0.14%	0.00%	0.14%
Provider	Fund Name	Charges	Transaction costs	Total Costs
Standard Life	Standard Life With Profits One Fund	0.60% (Implicit)	0.04%	0.64%
Utmost	Multi-Asset Moderate Fund	0.97%	0.02%	0.99%
	Multi-Asset Cautious Fund	1.01%	0.26%	1.27%
	Money Market Fund	0.51%	0.01%	0.52%

Notes: The Fee structure for the Standard Life With Profits One fund changed on 01/01/23. The cost of the fund guarantee is now zero. The remaining charges are implied through deductions made. Transaction costs are provided by Utmost and Standard Life as at 31/03/24.



## 4. TRUSTEE ASSESSMENT OF MEMBER-BORNE CHARGES AND TRANSACTION COSTS

### Level of member-borne charges and transaction costs

In accordance with regulation 25(1)(a) of the Administration Regulations, and “the 2018 Regulations” the Trustee is required to set out the “charges” and the “transaction costs”, borne by members of the Plan.

For these purposes,

- “charges” means “administration” charges other than:
  - “transaction costs”
  - where an order of the court provides for the recovery by the trustee or managers of costs incurred in complying with the order, the amount of those costs
  - charges permitted by regulations made under section 24 or 41 (charges in respect of pension sharing costs) of the Welfare Reform and Pensions Act 1999
  - “winding up costs”
  - costs solely associated with the provision of death benefits.
- “transaction costs” means the costs incurred as a result of the buying, selling, (switching), lending or borrowing of investments”
- “Winding up costs” means the costs of winding up a pension scheme including (but not limited to) the cost of:
  - legal advice
  - tracing, consulting and communicating with members
  - advice on exiting investments
  - selection of an alternative scheme or investments.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

### Annual Management Charge (AMC)

The ongoing charges borne by members, which comprise the annual fund management charges plus any additional fund expenses, such as custody costs, but excluding any transaction costs, is known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

Performance related fees (not applicable), periodic charges (where applicable) and any other running costs of the funds that the underlying managers charge to the funds are payable in addition to the Annual Management Charge (AMC), and are taken out of the underlying assets directly.

### Transaction costs

The transaction costs disclosed in this statement are the costs incurred as a result of the buying and selling of assets within investment funds.





Due to the way in which transaction costs have been calculated, it is possible for overall transaction costs to be negative; since transaction costs are unlikely to be negative over the long term, the Trustee has shown any negative figure as zero.

### Lifestyle Arrangement

Members can choose the Lifestyle Fund which has been designed to meet the perceived needs and characteristics of the average member who is likely to use it. 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 date and in which fund they are invested.

For the period covered, the annualised charges and transaction costs are set out in the table below. The member-borne charges comply with the charge cap.

### Charges and transaction costs

Costs and Charges	6+	5	4	3	2	1	0
Charges (%)	0.50%	0.50%	0.47%	0.45%	0.43%	0.41%	0.41%
Transaction costs (%)	0.00%	0.00%	0.01%	0.02%	0.04%	0.05%	0.05%
Total Costs (%)	0.50%	0.50%	0.48%	0.47%	0.47%	0.46%	0.46%

### Self-select options

In addition to the current default arrangement, members also have the option to invest in several other self-select funds.

The level of charges for each self-select fund and the transaction costs over the period covered by this statement are set out in the following table.

### Self-select fund charges and transaction costs

Name of fund	TER	Transaction costs
BNY Mellon Global Balanced Fund	0.50%	0.00%
Insight Sterling Liquidity Fund	0.10%	0.01%
BlackRock Pre-Retirement Fund	0.51%	0.06%
BlackRock MSCI World Index Fund	0.14%	0.00%
Utmost Multi Asset Cautious Fund	1.01	0.26%
Utmost Multi Asset Moderate Fund	0.97%	0.02%
Utmost Money Market Fund	0.51%	0.01%
Standard Life With Profit Fund	0.60%	0.04%

Charges and any associated transaction costs (where applicable) are subject to change.



## Illustrative Example of the cumulative effect of scheme specific charges and transaction costs on the value of the member’s Defined Contribution benefits

In order to comply with “the 2018 Regulations” the Trustee has provided below an illustrative example of the effect over time of the application of charges and transaction costs borne by the Scheme membership on the value of their accrued rights to defined contribution benefits:

	BNY Mellon Multi-Asset Global Balanced Fund		BlackRock Pensions DC Pre-Retirement Fund		Insight GBP Liquidity Fund		BlackRock MSCI World Index Fund	
Years	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs
1	£148,935	£148,220	£51,707	£51,415	£19,902	£19,881	£87,902	£87,780
3	£177,420	£175,045	£55,299	£54,364	£19,709	£19,644	£94,008	£93,614
5	£206,744	£202,386	£59,140	£57,483	£19,517	£19,410	£100,538	£99,837
10	£283,895	£273,063	£69,950	£66,085	£19,046	£18,837	£118,916	£117,263
15	£366,857	£347,194	£82,737	£75,975	£18,585	£18,281	£140,653	£137,732

### Notes

1	Projected pension fund values are shown in today's terms, and do not need to be further reduced for the effect of future inflation.								
2	<p>The starting fund is assumed to be:</p> <table><tr><td>BNY Mellon Multi-Asset Global Balanced Fund</td><td>£135,000</td></tr><tr><td>BlackRock Pensions DC Pre-Retirement Fund</td><td>£50,000</td></tr><tr><td>Insight GBP Liquidity Fund</td><td>£20,000</td></tr><tr><td>BlackRock MSCI World Index Fund</td><td>£85,000</td></tr></table>	BNY Mellon Multi-Asset Global Balanced Fund	£135,000	BlackRock Pensions DC Pre-Retirement Fund	£50,000	Insight GBP Liquidity Fund	£20,000	BlackRock MSCI World Index Fund	£85,000
BNY Mellon Multi-Asset Global Balanced Fund	£135,000								
BlackRock Pensions DC Pre-Retirement Fund	£50,000								
Insight GBP Liquidity Fund	£20,000								
BlackRock MSCI World Index Fund	£85,000								
3	Inflation is assumed to be 2.5% each year.								
4	<p>Contributions are assumed to be 20% of salary. For illustrative purposes a salary of £60,000 is assumed. Salary is assumed to increase in line with inflation.</p> <p>Contributions are assumed to be invested in the BNY Mellon Multi-Asset Global Balanced Fund.</p>								



5	Values shown are illustrative only and are not guaranteed.								
6	Charges and transaction costs are as quoted in section 3 above								
7	Charges take into account all of those which can be expected to be taken after investment.								
8	<p>The projected investment return, before charges and transaction costs, is:</p> <table><tr><td>BNY Mellon Multi-Asset Global Balanced Fund</td><td>1.5% above inflation</td></tr><tr><td>BlackRock Pensions DC Pre-Retirement Fund</td><td>3.4% above inflation</td></tr><tr><td>Insight GBP Liquidity Fund</td><td>-0.5% above inflation</td></tr><tr><td>BlackRock MSCI World Index Fund</td><td>3.4% above inflation</td></tr></table>	BNY Mellon Multi-Asset Global Balanced Fund	1.5% above inflation	BlackRock Pensions DC Pre-Retirement Fund	3.4% above inflation	Insight GBP Liquidity Fund	-0.5% above inflation	BlackRock MSCI World Index Fund	3.4% above inflation
BNY Mellon Multi-Asset Global Balanced Fund	1.5% above inflation								
BlackRock Pensions DC Pre-Retirement Fund	3.4% above inflation								
Insight GBP Liquidity Fund	-0.5% above inflation								
BlackRock MSCI World Index Fund	3.4% above inflation								



## 5. VALUE FOR MEMBERS ASSESSMENT

The Government expects that members should be in well run schemes that deliver optimal value for them over the long term, and if this cannot be achieved in their existing scheme it can be achieved by consolidation with other DC schemes.

In accordance with regulation 25(1)(b) of the Administration Regulations, and The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, the Trustee has therefore assessed the extent to which charges and transaction costs paid by the members and fund performance (net investment returns), including how the Plan is administered and governed, represents good value for members by comparing the Plan with three comparison schemes.

### Comparators

In accordance with the regulations in order to undertake the comparison the Trustee has chosen three comparator schemes and have had discussions with the providers of at least one comparator scheme about the transfer of member's rights if the Plan is wound up, should the Plan following the assessment, be found that it does not provide good value for members.

The Trustee has chosen the following comparators:

- Legal & General WorkSave Master Trust (LGMT) - an Authorised Master Trust.
- National Employment Savings Trust (Nest) - an Authorised Master Trust.
- Smart Pension Master Trust (Smart) - an Authorised Master Trust.

Three Master Trusts have been selected as a basis of comparison. After reaching out to Legal & General, they have previously offered terms with a Total Expense Ratio of 0.27% for the Scheme using their Target Date Fund range as the default, though this is not binding. Nest is obligated to take on members should the plan be wound up.

Nest charges a contribution fee. The costs have been approximated by comparing the charges levied on an average yearly contribution to the average member pot size. Where a strategy involves Lifestyling, samples have been taken in 10-year increments to be representative of member experience.

- Legal & General were chosen as an authorised mastertrust as it can offer competitive terms for their TDFs as the default fund.
- Nest was chosen as they are required to take on all prospective members and so are a fair point of comparison.
- Smart was chosen as an authorised mastertrust that may be able to offer competitive terms.



## Comparison of Costs & Charges

The costs and charges faced by members have been compared to those of other providers: LGMT, Nest and Smart Pension.

### Default Funds

This table considers the default options of the comparator schemes and the Pre-Retirement Switching strategy of AG Solutions. The assumed retirement age is 65.

	Investment costs	Admin costs (where separated)	Transaction costs	Total costs
AG Solutions Pre-Retirement – 35 Years Old	0.50%	0.00%	0.00%	0.50%
AG Solutions Pre-Retirement – 45 Years Old	0.50%	0.00%	0.00%	0.50%
AG Solutions Pre-Retirement – 55 Years Old	0.50%	0.00%	0.00%	0.50%
AG Solutions Pre-Retirement – 65 Years Old	0.40%	0.00%	0.05%	0.45%
L&G Target Date Funds – 35 Years Old	0.15%	0.12%	0.08%	0.35%
L&G Target Date Funds – 45 Years Old	0.15%	0.12%	0.04%	0.31%
L&G Target Date Funds – 55 Years Old	0.15%	0.12%	0.04%	0.31%
L&G Target Date Funds – 65 Years Old	0.15%	0.12%	0.03%	0.30%
Nest Default Target Date Funds - 35 Years Old	0.30%	0.47%	0.05%	0.82%
Nest Default Target Date Funds - 45 Years Old	0.30%	0.47%	0.06%	0.83%
Nest Default Target Date Funds - 55 Years Old	0.30%	0.47%	0.06%	0.83%
Nest Default Target Date Funds - 65 Years Old	0.30%	0.47%	0.03%	0.80%
Smart Pension Lifestyle– 35 Year Old	0.30%	0.13%	0.08%	0.51%
Smart Pension Lifestyle– 45 Year Old	0.30%	0.13%	0.08%	0.51%
Smart Pension Lifestyle– 55 Year Old	0.30%	0.13%	0.08%	0.51%
Smart Pension Lifestyle– 65 Year Old	0.30%	0.13%	0.06%	0.49%
<b>Average</b>	<b>0.31%</b>	<b>0.18%</b>	<b>0.05%</b>	<b>0.53%</b>
<b>Average for a 35 year old</b>	<b>0.31%</b>	<b>0.18%</b>	<b>0.05%</b>	<b>0.55%</b>

*Totals may not sum due to rounding error.*

*For AG Solutions, transaction costs were provided by the asset managers as at 31 March 2024.*

*Those for LGMT are based on data within the April 2023 Chair Statement. Indicative costs were chosen though these may vary. Charges for Smart were collected from the Chair statement dated 30th June 2023 (with the transaction costs being the costs incurred during the Scheme year). Indicative costs were chosen though these may vary.*

*Charges for Nest were collected from the Chair statement dated 31st March 2023.*

*Up to date information was not available from the providers but it is believed to be broadly representative.*

*Nest charge a 1.8% fee on contributions as well as a 0.3% fee on AUM. The impact has been estimated on an average member over 5 years. Similarly, Smart charge a £1.75 a month fee for administration and the impact has been estimated on a typical member.*



## Self-Select Funds

The costs of the Self-Select funds are reported in the table below. The most comparable self-select funds offered by comparators has been used. Nest did not have broadly comparable strategies so have been excluded.

Fund Name	Charges	Transaction costs	Total Costs
<b>BNY Mellon Multi-Asset Global Balanced Fund</b>	<b>0.50%</b>	<b>0.00%</b>	<b>0.50%</b>
<i>LGIM Multi Asset Fund</i>	<i>0.25%</i>	<i>0.03%</i>	<i>0.28%</i>
<i>Smart Sustainable Growth</i>	<i>0.43%*</i>	<i>0.08%</i>	<i>0.51%</i>
<b>BlackRock Pensions DC Pre-Retirement Fund</b>	<b>0.51%</b>	<b>0.06%</b>	<b>0.57%</b>
<i>LGIM Future World Annuity Aware Fund (Formerly Pre-Retirement Fund)</i>	<i>0.39%</i>	<i>0.02%</i>	<i>0.41%</i>
<i>Smart Annuity Fund</i>	<i>0.43%*</i>	<i>0.00%</i>	<i>0.42%</i>
<b>Insight GBP Liquidity Fund</b>	<b>0.10%</b>	<b>0.01%</b>	<b>0.11%</b>
<i>LGIM Cash Fund</i>	<i>0.23%</i>	<i>0.00%</i>	<i>0.17%</i>
<i>Smart Cash Fund</i>	<i>0.43%*</i>	<i>0.062%</i>	<i>0.46%</i>
<b>BlackRock MSCI World Index Fund</b>	<b>0.14%</b>	<b>0.00%</b>	<b>0.14%</b>
<i>LGIM World (Ex-UK) Equity Index</i>	<i>0.30%</i>	<i>0.01%</i>	<i>0.31%</i>
<i>Smart World (Ex UK) Dev Equity Fund</i>	<i>0.43%</i>	<i>0.099%</i>	<i>0.39%</i>

Totals may not sum due to rounding error.

For AG Solutions, transaction costs were provided by the asset managers as at 31 March 2024.

Those for LGMT are based on data within the April 2023 Chair Statement. Indicative costs were chosen though these may vary.

Charges for Smart were collected from the Chair statement dated 30th June 2023 (with the transaction costs being the costs incurred during the Scheme year). Indicative costs were chosen though these may vary.

Charges for Nest were collected from the Chair statement dated 31st March 2023.

Up to date information was not available from the providers but it is believed to be broadly representative.

Nest charge a 1.8% fee on contributions as well as a 0.3% fee on AUM. The impact has been estimated on an average member over 5 years. Similarly, Smart charge a £1.75 a month fee for administration and the impact has been estimated on a typical member.



Finally, the Standard Life and Utmost costs are shown against suitable comparator funds. The Standard Life With Profits Fund had no suitable comparators.

Fund Name	Charges	Transaction costs	Total Costs
<b>Standard Life With Profits One Fund</b>	<b>0.60% (Implicit)</b>	<b>0.04%</b>	<b>0.64%</b>
<i>L&amp;G TDFS</i>	0.27%	0.03-0.12%	<b>0.30-0.39%</b>
<i>Nest TDFs</i>	0.77%	0.019-0.064%	<b>0.79-0.84%</b>
<i>Smart Lifestyle</i>	0.43%	0.06-0.08%	<b>0.49-0.51%</b>
<b>Utmost Multi-Asset Moderate Fund</b>	<b>0.97%</b>	<b>0.02%</b>	<b>0.99%</b>
<i>LGIM Multi Asset Fund</i>	0.25%	0.03%	0.28%
<i>Smart Sustainable Growth</i>	0.43%*	0.08%	0.51%
<b>Utmost Multi-Asset Cautious Fund</b>	<b>1.01%</b>	<b>0.26%</b>	<b>1.37%</b>
<i>L&amp;G Retirement Income Multi Asset</i>	0.49%	0.10%	<b>0.76%</b>
<i>Smart Income Fund</i>	0.43%**	0.08%	<b>0.51%</b>
<b>Utmost Money Market Fund</b>	<b>0.51%</b>	<b>0.01%</b>	<b>0.52%</b>
<i>LGIM Cash Fund</i>	0.23%	0.00%	0.17%
<i>Smart Cash Fund</i>	0.43%*	0.062%	0.46%

Notes: The Fee structure for the Standard Life With Profits One fund changed on 01/01/23. The cost of the fund guarantee is now zero. The remaining charges are implied through deductions made.

Transaction costs are provided by the various underlying fund managers as at 31<sup>st</sup> March 2024..

Totals may not sum due to rounding error.

For AG Solutions, transaction costs were provided by the asset managers as at 31 March 2024.

Those for LGMT are based on data within the April 2023 Chair Statement. Indicative costs were chosen though these may vary.

Charges for Smart were collected from the Chair statement dated 30th June 2023 (with the transaction costs being the costs incurred during the Scheme year). Indicative costs were chosen though these may vary.

Charges for Nest were collected from the Chair statement dated 31st March 2023.

Up to date information was not available from the providers but it is believed to be broadly representative.

Nest charge a 1.8% fee on contributions as well as a 0.3% fee on AUM. The impact has been estimated on an average member over 5 years. Similarly, Smart charge a £1.75 a month fee for administration and the impact has been estimated on a typical member.



## Trustee's Assessment of Costs

The Trustee has assessed the costs and charges of the Plan and concluded that they compare well with the three chosen comparators. Whilst the costs of the Pre-Retirement Switching strategy are higher for younger members than that of L&G, this does not necessarily lead to 'poor value'. The costs are comparable to Smart and Nest and so good value for members can be demonstrated.

Furthermore, the self-select options provide options for members at appropriate price points based upon the strategy. The fee levels of the self-select funds are reasonable for the style of product offered, with the passive products cheaper than the competitors and the active strategies.

Overall, the Trustee is satisfied that from a cost perspective the scheme is offering good value for money.





## Comparison of Net Investment Returns (Fund Performance)

The performance of the Plan’s funds has been compared to competitors to show whether the performance has been adequate. The Trustee assessed the net performance investment returns of the Plan against the three comparator schemes in the short term (a one-year period) to give an immediate indication of performance trend, and over a longer more sustained period for which broadly comparable data can be found (3 and 5 years). A retirement age of 65 has been assumed for all funds listed.

### Annualised net returns of the Plan’s Funds

Detailed below are the annualised net returns of the Plan’s Pre-Retirement Switching Strategy and the Self-Select funds.

#### Pre-Retirement Switching Strategy

Fund	1 Year	3 Years (p.a.)	5 years (p.a.)
Pre-Retirement Switching Strategy – 6+ Years to Retirement	12.2%	8.3%	8.9%
Pre-Retirement Switching Strategy – 5 Years to Retirement	11.8%	7.7%	8.5%
Pre-Retirement Switching Strategy – 4 Years to Retirement	9.1%	4.2%	5.6%
Pre-Retirement Switching Strategy – 3 Years to Retirement	6.5%	0.8%	2.8%
Pre-Retirement Switching Strategy – 2 Years to Retirement	3.9%	-2.6%	0.0%
Pre-Retirement Switching Strategy – 1 Years to Retirement	1.4%	-5.8%	-2.7%
Pre-Retirement Switching Strategy – 0 Years to Retirement	-1.4%	-5.8%	-2.7%

*Note: Returns are sourced via Morningstar*



## Default Comparison

The returns of the comparators' defaults broken down by membership age is showcased below and compared to the Plan's Pre-Retirement Switching Strategy to highlight the appropriateness of the strategy for a variety of different membership profiles.

	1 Year	3 Years (p.a.)	5 Years (p.a.)*
	Return	Return	Return
<b>AG Solutions Age 65</b>	<b>1.4%</b>	<b>-5.8%</b>	<b>-2.7%</b>
LGIM TDF Age 65	6.6%	1.2%	2.7%
Nest Age 65	9.5%	2.6%	3.6%
Smart Pension Age 65	9.4%	1.0%	2.6%
<b>AG Solutions Age 55</b>	<b>12.2%</b>	<b>8.3%</b>	<b>8.9%</b>
LGIM TDF Age 55	8.4%	2.4%	4.1%
Nest Age 55	14.1%	5.7%	7.3%
Smart Pension Age 55	17.2%	7.8%	7.3%
<b>AG Solutions Age 45</b>	<b>12.2%</b>	<b>8.3%</b>	<b>8.9%</b>
LGIM TDF Age 45	11.0%	3.4%	4.8%
Nest Age 45	14.3%	5.7%	7.3%
Smart Pension Age 45	17.2%	7.8%	7.3%
<b>AG Solutions Age 35</b>	<b>12.2%</b>	<b>8.3%</b>	<b>8.9%</b>
LGIM TDF Age 35	12.1%	4.8%	6.0%
Nest Age 35	14.3%	5.7%	7.4%
Smart Pension Age 35	17.2%	7.8%	7.3%

*Note: Returns are sourced via Morningstar and LGIM.*



## Self-Select Returns

The table below shows the returns of the self select funds against the returns of comparators offering comparable self-select funds. As before Nest did not have broadly comparable strategies so has been excluded.

Fund	1 Year	3 Years (p.a.)	5 years (p.a.)
<b>BNY Mellon Multi-Asset Global Balanced Fund</b>	<b>12.2%</b>	<b>8.3%</b>	<b>8.9%</b>
<i>LGIM Multi Asset Fund</i>	8.6%	2.3%	4.2%
<i>Smart Sustainable Growth</i>	17.2%	7.8%	7.3%
<b>BlackRock Pensions DC Pre-Retirement Fund</b>	<b>0.7%</b>	<b>-8.4%</b>	<b>-4.1%</b>
<i>LGIM Future World Annuity Aware Fund (Formerly Pre-Retirement Fund)</i>	3.5%	-8.1%	-3.4%
<i>Smart Annuity Fund</i>	3.5%	-8.4%	-3.5%
<b>Insight GBP Liquidity Fund</b>	<b>5.2%</b>	<b>N/A</b>	<b>N/A</b>
<i>LGIM Cash Fund</i>	5.0%	2.3%	1.5%
<i>Smart Cash Fund</i>	5.0%	2.2%	1.4%
<b>BlackRock MSCI World Index Fund</b>	<b>22.5%</b>	<b>11.9%</b>	<b>12.9%</b>
<i>LGIM World (Ex-UK) Equity Index</i>	22.7%	11.5%	13.0%
<i>Smart World (Ex UK) Dev Equity Fund</i>	26.0.7%	12.3%	13.9%

Notes:

Returns are sourced via Morningstar, except for the BlackRock MSCI World Index Fund where returns were sourced from an Aegon provided fact sheet for the period gross of annual management charge but net of additional expenses. The AMC has been deducted from these numbers nominally. As such there may be some rounding error.

The returns shown for LGIM are for the cost-inclusive versions of the fund, with returns calculated on the basis of daily close prices, sourced via LGIM.

Smart returns are shown net of the 0.30% AMC. The Smart World (Ex UK) Dev Equity Fund, Cash Fund and Annuity Fund did not have a full 5-year history.

Finally, shows below is the net performance of Standard Life, Utmost and comparators. The Standard Life With Profits Fund had no suitable comparators.

Fund	1 Year	3 Years (p.a.)	5 years (p.a.)
<b>Standard Life - With Profits One Fund</b>	<b>1.85%</b>	<b>1.34%</b>	<b>1.11%</b>
<b>Utmost - Money Market Fund</b>	<b>4.7%</b>	<b>2.0%</b>	<b>1.2%</b>
<i>LGIM Cash Fund</i>	5.0%	2.3%	1.5%
<i>Smart Cash Fund</i>	5.0%	2.2%	1.4%
<b>Utmost – Moderate Multi-Asset Fund</b>	<b>10.8%</b>	<b>3.3%</b>	<b>N/A</b>
<i>LGIM Multi Asset Fund</i>	8.6%	2.3%	4.2%
<i>Smart Sustainable Growth</i>	17.2%	7.8%	7.3%
<b>Utmost - Cautious Multi-Asset Fund</b>	<b>6.0%</b>	<b>-0.6%</b>	<b>N/A</b>
<i>L&amp;G Retirement Income Multi-Asset</i>	7.1%	2.7%	4.0%
<i>Smart Income Fund</i>	11.0%	3.4%	4.3%

Note: For the Standard Life With Profits One Fund, the net investment returns shown above are the annualised bonus rates declared on the Fund over the relevant period. It is assumed that this bonus is paid in 12ths on a monthly basis for the purpose of reporting. Whilst, in practice, a terminal bonus (or Market Value Adjustment) can be expected to increase (or decrease) returns, these amounts are unknown and are not guaranteed.

Source: Standard Life, Utmost, LGIM and Morningstar.



Fairway Analysis

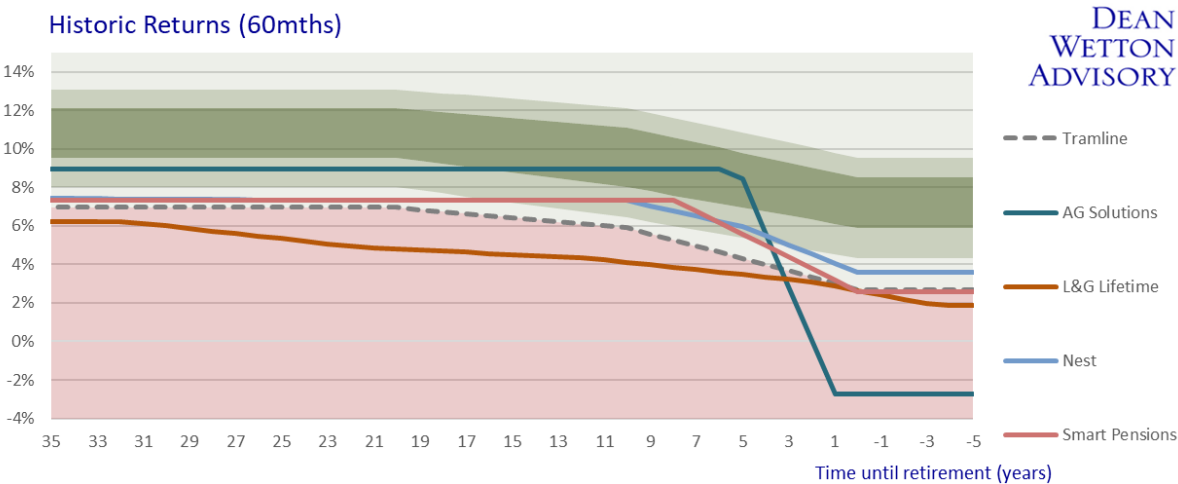
To make these differences in returns clearer, the Trustee has used a fairway model to illustrate the performances of the Plan’s Pre-Retirement Switching Strategy and that of the comparators.

The x- axis of each chart measures the number of years until a member retires, the y axis measures a single risk or return metric. These charts plot a potential default strategy so it can be seen how it changes over a member’s lifetime.

Each chart is divided into red and green areas, the boundaries of which are set by different blends of Global Equity and Cash. The green areas represent where it is believed an appropriate default should fall, with darker green areas generally being more appropriate. If a strategy strays into the red area, this may be inappropriate and would merit further investigation to conclude if it was suitable for the membership.

We consider the 5-year historic returns below up to the end of Q1 2024. These returns are gross of admin fees.

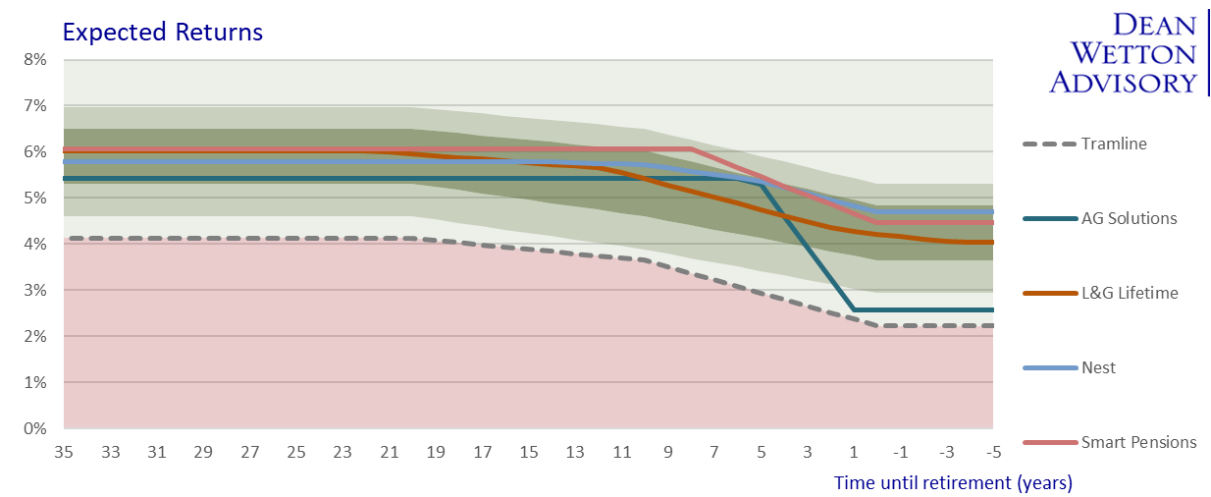
We consider the 5-year historic returns below up to the end of Q1 2024. These returns are gross of admin fees.



2022 saw significant drops in returns, particularly for fixed income assets, as a result of rapidly rising UK interest rates as well as uncertainty surrounding the UK’s credit worthiness and wider economic uncertainty. 2023 in contrast saw a recovery in equities and a rotation back towards growth stocks, particularly in the US. These US stocks have been largely dominant in recent years and this is reflected in the strong performance of the ‘growth engine’ of the Plan. Performance for members approaching retirement has been significantly worse than comparators due to the poor performance of fixed income and a lack of comparable recovery, heightened in this strategy as it targets purchasing an annuity and therefore carries significant interest rate risk.



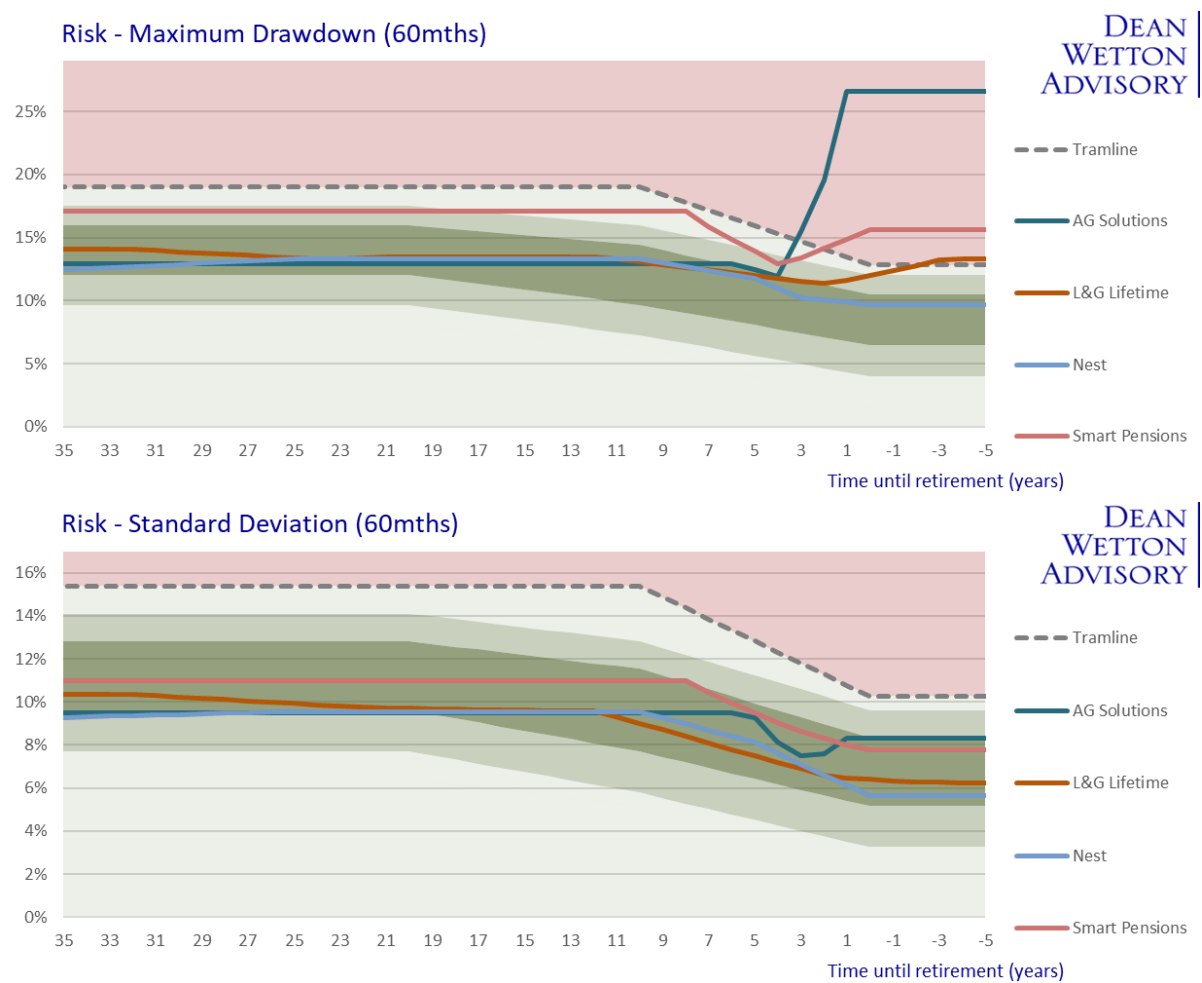
Also considered is the expected returns to assess the suitability. The expected returns are based on long term expected return assumptions for the underlying asset classes. No adjustment is made for alpha or geographies.



The expected returns suggest that we would expect the strategy to perform in line with the comparators over the long term. We note that the expected returns at retirement age are significantly better than those actually experienced, this highlights the severity of the losses caused by interest rate rises. A more diversified strategy would likely raise expected return and help control risk.



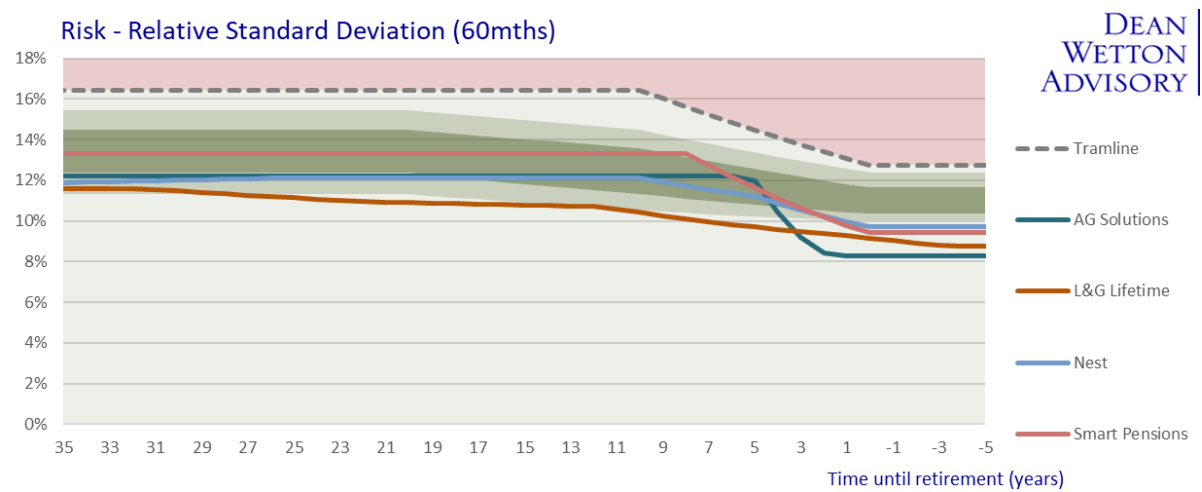
We next examine two measures of risk, Standard deviation, which looks at the month-to-month volatility of returns and Maximum Drawdown, which measures the largest peak-to-trough fall over the 5 year period.



Far from retirement, the strategy has controlled both measures of risk well compared to its comparators. However, members close to retirement have seen significant drawdown due to the rapid fall in fixed income prices in 2022, particularly in gilts. There is a significant amount of interest rate risk being carried close to retirement, when members are often least able to endure shocks to the value of their pension pot such as those seen recently. If members are targeting an annuity outcome it is likely that their ability to purchase an annuity is largely unchanged, as factors that affect gilt prices also affect annuity prices, however this strategy would not be well suited for those targeting other outcomes.



Next, we consider standard deviation relative to annuity prices, which measures both the ability to purchase an annuity as well as acting as a proxy for retirement income.

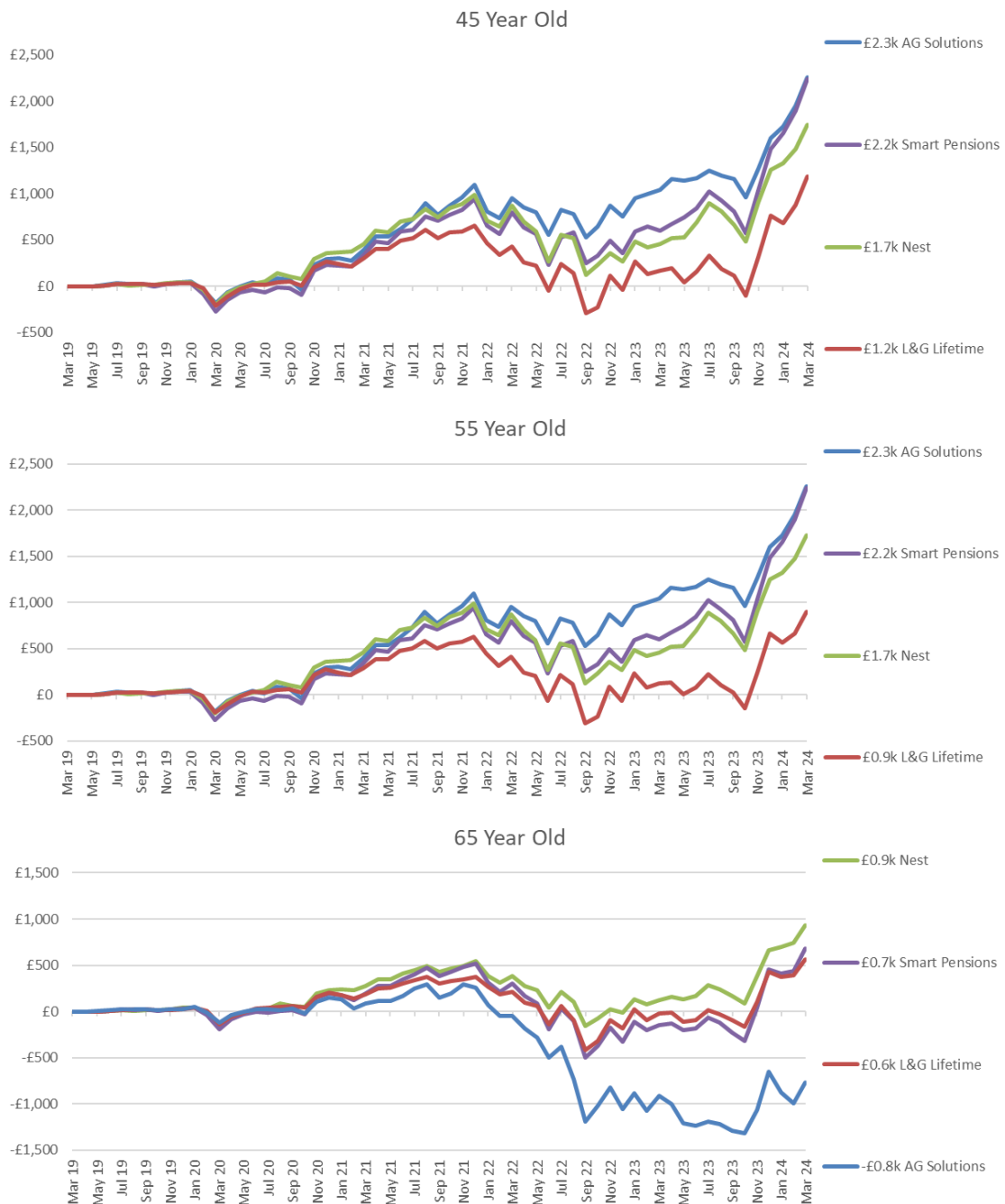


The strategy has done a good job tracking annuity prices. Although the strategy did suffer a large maximum drawdown for members approaching retirement, these same factors also moved annuity prices in a similar manner.



## Historic Value Add

We also look at the historic value add, for example members in the pre-retirement switching strategy and the comparators defaults. The charts below track how much more or less money would be in a member's pot over 60 months of returns, assuming a starting pot of 0, a contribution rate of 8%, a salary of £25,000 and a retirement age of 65. We consider a member who at the end of the period is 45 years old, one who becomes 55 years old and one who becomes 65 years old. These returns are net of admin fees. It is important to remember that historic returns are not a guarantee of future returns.



Whilst members far from retirement would have experienced better 'value add' than comparators, members close to retirement would have experienced a substantial negative 'value add' compared to comparators as a result of the fall in value of fixed income assets during the period of rising interest rates. This would likely materially affect the retirement plans of members not intending to purchase an annuity. Whilst there has been some recovery the overall impact is still negative.





## Trustee's Assessment of Fund Performance

Recent performance for the Pre-Retirement Switching has been strong compared to the comparators. The 'growth engine' of the fund has performed well relative to comparators, especially in 2022 which was a challenging year for assets. However, members approaching retirement saw significant drawdown as fixed income assets struggled in 2022 which has not yet recovered, though it is worth noting that annuity costs moved in a similar manner and so members' annuity purchasing power will remain comparable. The strategy is designed to target an annuity outcome, if there is compelling evidence that the majority of members wish to purchase an annuity then this strategy would be appropriate, however this strategy is not appropriate for members targeting other outcomes as it takes a high degree of interest rate risk. In this case the strategy should be revised to accommodate more flexible outcomes, or else the Scheme could be consolidated into a mastertrust better able to suit member needs.

## Trustee's Overall Assessment of Value for Money

Performance within the growth engine has been reasonable, and the strategy offers members competitive costs compared to those members might see in a mastertrust. However, the strategy is designed to target annuity purchasing and therefore carries a high degree of interest rate risk, this has caused significant drawdown for members close to retirement age as interest rates have risen sharply. While the ability to purchase an annuity for these members will largely be unaffected as annuity prices will also have moved with interest rates, members targeting other outcomes will likely be facing significant detriment in achieving their retirement outcomes. Unless there is compelling evidence that the majority of members are intending to purchase an annuity at retirement the strategy should be adjusted to allow greater flexibility in retirement outcome, or else the Scheme could be consolidated into a mastertrust better able to suit member needs.

The Trustee has commissioned an investment strategy review which will include a default offering for members targeting drawdown at retirement.

Furthermore, benefits are assessed against an Underpin. The Underpin means a pension which accrues in each fiscal year of Pensionable Service on and after 6 April 1997 and up to and including 5 September 2009 at the rate of 90% of 1/80th of the Member's earnings from the Employer between the Lower Earnings Limit and the Upper Earnings Limit (as defined in the Pensions Schemes Act) for that year; and on and after 6 September 2009 at the rate of 90% of 1/80th of the Member's earnings from the Employer between the Lower Earnings Limit and the Upper Accrual Point. This provides greater value for Members and would mean consolidation into a mastertrust difficult.



## 6. GOVERNANCE AND ADMINISTRATION OF THE SCHEME

### Promptness and accuracy of core financial transactions

The Trustee employs an external specialist company of pension administrators, Cartwright Benefit Consultants Limited, to provide the core financial transactions for the Plan.

“Core financial transactions” include (but are not limited to):

- investment of employee and employer contributions in the Plan;
- transfers of assets relating to members into and out of the Plan;
- transfers of assets relating to members between different investment funds within the Plan (switching investments);
- payments from the Plan to, or in respect of, members.

There is a dedicated pension administration team for the Plan.

The Scheme’s administration team has internal service level standards (“SLAs”) in place, which cover the accuracy, timeliness and volume of all core financial transactions, which are monitored and reported to the Trustee on a regular basis.

All contributions have been paid to the Plan by the 19th of the month following the collection of contributions and details of the dates the contributions are received and sent to the investment manager is reported to the Trustee.

Two administrators are involved in the processing of all financial transactions to ensure each fund holding agrees. Unit reconciliations between the member units held on the member’s record on the administration system and those held by the investment managers are undertaken on a monthly basis.

A regular administration report is provided to the Trustee in order to verify and satisfy themselves that the administrative services are of a high standard, that the administrator is operating good procedures and controls and that all core financial transactions have been processed promptly and accurately during the Plan year.

The report details:

- Membership movement and statistics.
- Type of processing activity.
- Service levels and work volumes for each activity type, the number of activities processed and the service level met in relation to each activity.
- The service levels achieved for each activity compared to previous quarters.
- Members’ feedback on their experience of the service they have received, together with any comments.
- Details of the date the contributions are received and the date they are invested each month.

Additionally, all underlying administrator processes are subject to annual audit by an external independent auditor, based on the framework set out in the technical release AAF 01/20, issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.

The latest AAF 01/20 report issued to the Trustee identified no exceptions during the period reviewed.



## Quality of record keeping

### Security of Data

All data is processed in accordance with the requirements of the Data Protection Act 2018.

The Trustee has a Data Protection Policy in place for the Plan and Privacy Notice is available to members which covers the processing of their data.

The Trustee ensures that the policy and its compliance with the Data Protection Act 2018 are reviewed each time a new third party adviser is appointed to provide services to the Plan, or in the event that a new system is adopted.

The review of the policy is included in the Trustee's Business Plan.

The policy, and processing activities, business plan and risk register are reviewed by the Trustee at least annually, and following any material changes that may impact the processing of the Personal Data for which they are responsible, and any material change to legislation or guidance.

### Accuracy and scope of records/data

The accuracy of member data is regularly reviewed and the Trustee is holding all the data necessary required by law and in order to process the member investments under the Plan and pay benefits.

Records of all financial transaction are recorded and Trustee meeting minutes are maintained.

Unit reconciliations take place between the Plan member records and the investment managers holdings on a monthly basis.

The Trustee reports common and conditional data scores to the Pensions Regulator via the Scheme Return.

### Review of data

The accuracy and quality of member data is reviewed regularly in accordance with the Pension Regulators requirements.

### Quality of investment governance

The Trustee is responsible for securing the proper management of the Plan's assets, and understands that expert and robust investment governance is crucial.

The Trustee employs investment managers who invest the assets of the Plan, and also a dedicated team of investment consultants. These individuals have the required knowledge and expertise to perform their roles competently in accordance with sections 34 and 36 of the Pensions Act 1995.

The Trustee regularly meet with their advisers and monitor their performance and the performance of the funds which have been selected for the Plan's Lifestyle and self-select investment strategies.

The Trustee has documented and robust investment governance procedures in place to which they adhere and a clear investment strategy which has been based on advice received and the Plan's membership demographic and requirements.



Any investment decisions are made by the whole Trustee Board after taking the appropriate advice and recommendations from the investment professionals they employ, and are minuted accordingly.

The Plan's investment strategies are reviewed regularly.

Full details of the Trustee's investment strategy can be found in the Statement of Investment Principles attached.

The Trustee has oversight of all member communications, particularly when there is a change in investment strategies. They keep members informed about their investments and options by providing annual benefit statements and annual newsletters. On-line access is being set up so that members can review their investments, access benefit statements, switch funds, and undertake 'what if' benefit calculations.

## Trustee knowledge and understanding

The Trustee holds quarterly meetings to discuss the investments, administration, governance and management of the Scheme. The meetings are minuted and full records are maintained of all decisions made.

The Trustee's combined knowledge and understanding, together with advice, enables proper exercise of its functions.

The Directors of the Trustee have diverse roles and skills, which they exercise at Trustee Board meetings.

The Trustee receives specialist advice and recommendations on investment, legal, regulatory matters and other issues from its professional advisers both in writing and during meetings.

The Chair of the Trustee is a professional trustee and has a wealth of pension's knowledge. She demonstrates leadership skills by drawing information, comments and questions from the rest of the board regarding relevant matters and controls the meeting and any conflicts that may arise, by applying fairness and pragmatism.

The Trustee has completed a Skills Evaluation matrix and have completed the trustee toolkit modules. A training plan is in place which is reviewed and updated regularly. In addition, all the Directors are participating in an ongoing training programme and individual training is recorded on a training log. This is designed to ensure knowledge is kept up-to-date. During the period covered by this statement wide-ranging training topics included the Scheme's investments, industry experience of member investment choices and investment trends.

The Trustee has a Business Plan against which they evaluate their activities.

The focus for training over the next 12 months will be the Effective System of Governance and the Pensions Dashboard.

During the Plan Year, the Trustee has met the requirements of sections 247 and 249 of the 2004 Act (requirements for knowledge and understanding) by receiving training from its advisors as part of the normal course of business of trustee's meetings. As a result, the Trustee considers it has a good working knowledge of the Plan's Trust Deed and Rules (which are subject to consolidation), SIP and documentation setting out the Plan's policies. The Trustee is also kept up-to-date with developments in pensions through briefings from its professional advisers.

The Trustee believes it has met the Pension Regulator's trustee knowledge and understanding requirements (as set out under the TPR's Code of Practice) during the Plan Year.



The Trustee Board reviews the performance of all their advisers on a regular basis and is in regular discussion with the Employer regarding the Plan.

## Quality of communication with members

The administration is outsourced to a third party pension administration provider.

The communications to members are issued in accordance the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and meet the regulatory timeframes and all other regulatory and legislative requirements. Communications, include Guides to the Scheme, an annual Newsletter, investment fund information and other investment information – such as fees and transaction costs, investment option forms, switching investment forms, transfer packs and retirement packs.

Where appropriate and necessary, the communications include signposting to the Money and Pensions Service, Pension Wise, MoneyHelper, the Financial Conduct Authority, Prudential Regulation Authority, The Pensions Regulator, Action Fraud, the Pension Tracing Service.

Where applicable members who are considering applying to transfer their benefits to an alternative pension arrangement are asked to obtain guidance from Pension Wise or opt out from doing so by completing a Opt Out form. Records are kept of the decisions made and of any appointments made and attended by the membership.

The Trustee and the pension administrators have pledged to combat pension scams and undertake detailed analysis and robust checks of the member's financial advisers, the receiving scheme and the receiving scheme investments, to determine whether any red or amber flags are present before a transfer can proceed.

Members are issued with feedback forms to provide their feedback on the service they receive from the administrator and their experience when they obtain ad-hoc benefit quotations, transfer out or retire. The feedback the members provide is reported to the Trustee in the Administration Management Report.

Members are permitted to communicate by any medium that suits them including technological or digital platforms, provided the content of the communication meets with Data Protection and IT security requirements.

Member's Annual Benefit Statements detail where the Chair's Statement, the Statement of Investment Principles, and the Implementation Statement can be viewed on-line.

## Management of conflicts of interest

The Trustee has a legal obligation to ensure the Plan is run properly, fairly and impartially and to exercise their powers in the best interests of the members and other beneficiaries in accordance with the Plan's legal documentation.

The Trustee has a robust Conflicts of Interest & Bribery and Corruption policy in place that identifies, manages and monitors any conflicts of interest, and any inducements gifts or entertainments should they occur.

Each member of the Trustee Board has completed a Declaration of Trustee Interests form declaring any personal or business interest which may impact or conflict with their responsibility as a Director of the Trustee and undertakes to advise their fellow Directors of any significant new interest that may arise.



The Secretary to the Trustee keeps a conflicts of interest register to record any conflicts that may occur which are also minuted. Any conflicted person may be asked to leave the meeting whilst a particular issue, where there is conflict, is dealt with.

This procedure is followed on the appointment of any new Director or other service provider.

The policy is reviewed annually.



## 7. OUTCOME OF THE VALUE FOR MEMBERS ASSESSMENT

The Trustee's VFM assessment has concluded that having compared three other comparator schemes with the Plan in relation to:

- costs and charges
- net fund investment performance, and
- governance and administration of the Scheme,

overall the Plan provides good value for the members.

This is apart from the Lifestyle strategy in the lead up to retirement which is being addressed currently by an investment strategy review. The Trustee do not believe it necessary to consider transferring the benefits of the members to another scheme, or to wind up the Plan.

However, in accordance with the regulations and good scheme governance the Trustee will continue to monitor and review the Plan on an annual basis.

The rationale for this decision is detailed in this report, but a summary of the assessment is as follows:

### Costs and charges

On the basis of its assessment, the Trustee concluded that the costs and charges compare favourably with those of the comparators and the Plan remains good value for members for the following reasons:

- Members have access to most pension flexibilities (excluding Flexible Drawdown) directly, without needing to transfer out.
- Members can take part or all of their benefits and continue contributing to the Scheme beyond their Target Retirement Date (if in continued employment)

Members can take part of their benefits before their Target Retirement Date and leave the balance invested until a later date

- Members can transfer-in benefits from alternative arrangements
- Members can opt for Bonus Sacrifice
- Members can pay Additional Voluntary Contributions
- Annuity broking is automatically offered.
- Communications from the Trustee are frequent and detailed.
- There is a wide range of investments with low investment charges.
- Members meet the costs of investment and transaction charges only, the company meet the cost of administration charges.
- Members will shortly have on-line access via 'CartwrightLive' and will be able to review their funds on a daily basis, if desired.
- Members can switch their funds as frequently as they desire, with the first two switches in a Plan year free of charge.





## Net Investment Returns

On the basis of its assessment, the Trustee concluded that the net asset returns of the Plan compare favourably with the three chosen comparators and that good value for members can be demonstrated under this measure as detailed under Section 5.

## Governance and administration of the scheme

### Promptness and accuracy of core financial transactions

The Trustee has concluded that the administrator is providing a good service to the members and the Trustee and provide good value for members under this measure for the following reasons:

- All transactions are on time
- Contributions are invested by 19<sup>th</sup> of the following month.
- The third party administrators meet their SLA's in terms of the Services Agreement with the Trustee and payments in terms of regulatory disclosure requirements.
- Unit reconciliations between the member units held on the member's record on the administration system and those held by the investment managers are undertaken on a monthly basis.
- In addition to the Plan being annually audited by the appointed auditors, the processes and controls adopted in relation to the administration of the Plan and the administrator's IT system's security is independently audited under the AAF 01/20 standards.

## Quality of record keeping

The Trustee has assessed the security, quality and accuracy of the Plan's data and have determined that it is secure, of good quality and accurate and that they are providing good value for members under this measure.

The data scores reported in the Scheme Return to The Pensions Regulator are:

Common data 95%  
Conditional data 99%

## Appropriateness of the default investment strategy

The Trustee have assessed the appropriateness of the Plan's default investment strategy and have determined that although the strategy is clear and has provided good value during the growth phase, the strategy needs to be amended for the period close to retirement. This is being addressed by a full investment strategy review.

Risk and return is properly considered and it is suitable for the investment objectives and the demographic profile of the Plan. The asset allocation and fund manager selection is currently being assessed.

## Quality of investment governance

The Trustee has assessed how it governs the Plan and have determined it meets all regulatory requirements, all processes, policies and procedures are fully documented, and it is well governed; therefore it is providing good value for members under this measure.





Trustee knowledge and understanding

The Trustee regularly assesses its knowledge and understanding. The Directors are experienced professionals with a good level of pension knowledge. They can evidence that they have completed TPR’s Skills Evaluation matrix, a gap analysis and have completed the TPR’s trustee toolkit modules. A training plan is in place which is reviewed and updated annually. All the Directors participate in an ongoing training programme and individual training is recorded on a training log. The Directors are also kept up to date with changes in legislation by their professional advisers.

Quality of communication with members

The Trustee has assessed member communications and have determined they are of a high standard and provide good value for members.

Effectiveness of management of conflicts of interest

The Trustee has assessed the effectiveness of the management of conflicts of interest and have determined they are providing good value for members under this measure.



J Davidson – on behalf of BESTrustees Limited  
Chair of the AG Solutions Pension Plan

01/11/2024

Date: .....



## APPENDIX 1 – STATEMENT OF INVESTMENT PRINCIPLES

### Written Statement of Investment Principles

For the AG Solutions Pension Plan

September 2020



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# 1. INTRODUCTION, BACKGROUND AND SUMMARY

## 1.1 Introduction

- 1.1.1 Under Section 35 of **The Pensions Act 1995**, Trustees are required to prepare a *Written Statement of Investment Principles*, dealing with certain specified matters.
- 1.1.2 This *Statement* has been approved by the Trustees of the AG Solutions Pension Plan (hereafter, the Plan) after considering appropriate written advice from a representative of Aon Solutions UK Limited ('Aon') on the appropriateness of this statement. Aon is authorised and regulated by the Financial Conduct Authority in respect of a range of investment business activities.
- 1.1.3 Our investment responsibilities are governed by the Plan's trust deed and this Statement takes full regard of its provisions. A copy of the Plan's trust deed is available for inspection upon request.
- 1.1.4 This Written Statement of Investment Principles was updated as part of a periodic review and is dated May 2019.

## 1.2 Background

- 1.2.1 The Plan is a hybrid scheme, a defined contribution scheme with a defined benefit underpin, whereby members' assets are invested according to each member's choice in specified investment funds. Each member's choice is limited when they are within 6 years of retirement, unless they have chosen to opt out of the pre-retirement strategy, when the members' assets are invested according to each member's choice in specified investment funds.

## 1.3 Summary

- 1.3.1 **Section 2** below represents the relevant Section of **The Pensions Acts**.
- 1.3.2 **Section 3** deals with the importance of the Myners investment principles to the Scheme.
- 1.3.3 **Section 4** deals mainly with the question of risk. The Trustees regard this as the most important matter in view of the fact that individual members of this type of hybrid scheme assume the vast majority of the investment risks.
- 1.3.4 **Section 5** deals with investment structure.
- 1.3.5 **Section 6** covers the default arrangement.
- 1.3.6 **Section 7** covers other statutory matters.



## 2. THE PENSIONS ACT 1995, 1999, 2004, 2005 AND 2015 REGULATIONS

2.1 Section 35 of The Pensions Act states, inter alia, that:

**"The Trustees of a pension trust must ensure that there is prepared, maintained, and from time to time revised, a written statement of the principles governing decisions about investments for the purposes of the Scheme."**

2.2 The statement must cover, among other things:

- the Trustees' policy for securing compliance with section 36 (choosing investments); and
- their policy about certain matters.

2.3 Those matters are:

- the kinds of investments to be held;
- the balance between different kinds of investments;
- risk;
- the expected return on investments;
- the realisation of investments; and
- such other matters as may be prescribed (e.g. solvency).

2.4 Before a statement under this section is prepared or revised, the Trustees must:

- obtain and consider the written advice of a person who is reasonably believed by the Trustees to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes; and
- consult the Sponsoring Employer.



- 2.5 The 1999 Amendment Regulations to the Pensions Act require Trustees to declare their policy in accordance with the following:
- the matters prescribed for the purposes of section 35(3)(f) of the 1995 Act (other matters on which Trustees must state their policy in their Statement of Investment Principles) are:
    - the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; and
    - their policy (if any) in relation to the exercise of the rights (including voting rights) attaching to investments.
- 2.6 The implications of the Pensions Act 2004 are:
- there is no longer a need to state the Trustees' policy in relation to compliance with the minimum funding requirement;
  - the requirement that investments be 'suitable' no longer applies and so references to it can be deleted;
  - the Trustees must now state their policy on the ways in which risks are to be measured and managed; (these are set out in an appendix to this statement) and
  - the Trustees must state their policy for securing compliance with the new diversification and other requirements that derive from Article 18 of the Pensions Funds Directive.
- 2.7 In line with The Occupational Pension Schemes (Investment) Regulations 2005, this statement is reviewed
- at least every three years; and
  - without any delay after any significant change in investment policy.
- 2.8 The Occupational Pension Schemes (Charges and Governance) Regulations 2015 introduced new minimum governance standards from April 2015 including the requirement for Trustees to prepare a Statement of Investment Principles in respect of the default arrangement. The required details in respect of the default arrangement are set out in later sections of this Statement.
- 2.9 The Trustee's investment adviser, Aon, has the knowledge and experience required under the Pensions Act 1995.
- 2.10 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to the Plan's appointed investment managers, which may include an insurance company or companies. The Plan's investment managers provide the skill and expertise necessary to competently manage members' investments.





### 3. MYNERS – INVESTMENT PRINCIPLES

- 3.1 The Trustees recognise the relevance to pension schemes of the Myners investment principles, which were published by the Government in October 2001.

#### Key Investment Decisions

- 3.2 The key investment decisions for the Plan are:

- range of funds
- choice of default fund

- 3.3 The Trustees should offer a wide enough range of investment options to satisfy the return and risk combinations for most members. In this case the Trustees have decided to permit members to select their own asset allocation mix (prior to the start of the compulsory de-risking period) from a limited choice of funds. These have been chosen by the Trustees to provide members with an element of investment choice which offers diversification and varying degrees of investment risk, whilst also limiting the number of fund options to maintain simplicity.

- 3.4 If a default fund is in place the Trustees should set the fund and investment objective. However, there are no default fund requirements until members are within 6 years of their target retirement age. During this 6 year pre-retirement period, investments are automatically switched to funds that match changes in annuity prices for that part of the assets likely to be used for annuity purchase and match cash for that part of the assets likely to be taken in cash. This applies to all assets except the With Profit funds and members' AVC funds and the assets of members who have chosen to opt out of the pre-retirement strategy.

- 3.5 Members may instruct switches of their assets between funds. During the pre-retirement period (if the member has not opted out of the pre-retirement strategy) member switches are not allowed to override the maximum or minimum allowed fund proportions. There is no administration charge to members for automatic pre-retirement switching or two member requested switches in any Plan year. If more than two member requested switches are made in a Plan year an administration fee will be payable by the member to the administrators.

#### Environmental, Social and Governance (ESG) considerations

- 3.6 In setting the Plan's default arrangement investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Risk considerations include the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting strategy, when selecting managers and when monitoring their performance.

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as



this ultimately creates long-term financial value for the Plan and its beneficiaries. The Trustees also recognise that these issues may be of particular interest to members.

The Trustees have undertaken training on Responsible Investment to understand how ESG factors, including climate change, could impact the Plan and will undertake additional periodic training, as appropriate.

### 3.7 Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"<sup>1</sup>).

#### **Trustee Policies on Arrangements with Asset Managers**

3.8 The Trustees monitor the investments used by the Plan to consider the extent to which the default arrangement investment strategy and decisions of the asset managers are aligned with the Trustees' policies as set out in this Statement of Investment Principles, including those on non-financial matters.

The Trustees may also monitor those investments available through the Plan, but not included in the default investment strategy. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment adviser.

Before appointment of a new asset manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to express their expectations to the asset managers to try to achieve greater alignment.

The Trustees believe that setting clear expectations of the asset managers (e.g. verbally or in writing at the time of appointment), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustees' policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager, but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment

<sup>1</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018





manager and some administration charges) are met by the members by deduction from the unit price. The Trustees regularly monitor and review the level of charges, as part of an annual review of the Value for Members provided by the Plan which is included in the Chair's Statement.

### 3.9 Stewardship – Voting and Engagement

The Trustees review the suitability of the Plan's appointed asset managers, particularly those used within the Plan's default investment strategy, and take advice from their investment adviser with regards to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If any incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position, but may look to replace the manager.

In fund selection exercises, ESG integration and stewardship quality will be a topic of discussion between the Trustees, their investment adviser, and prospective investment managers.

With input from their investment adviser, the Trustees will conduct, a review of their investment managers' policies with respect to inclusion of ESG factors (such as climate change) within the pooled funds made available to members on an annual basis.



## 4. RISK

- 4.1** The Trustees recognise that, in this type of hybrid scheme, members assume the vast majority of the investment risks.

The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, four types of risk can be identified, as noted in **4.2 - 4.5**. When setting the strategy, the Trustees also considered a number of other risks, as outlined in **4.6**.

### **4.2 Investment-Return Risk**

The risk is that a member is not investing in those asset classes (principally Equities) that are expected to yield the highest returns over the long run.

### **4.3 Annuity-Rate Risk**

Primarily applicable to members wishing to purchase an annuity at retirement, the risk is that, when close to retirement, a member has not invested that part of their fund which will be used to purchase a pension, in those asset classes (principally, medium to long-dated UK Conventional Gilts), which protect against annuity-rate movements.

### **4.4 Lump Sum Risk**

The risk is that, when close to retirement, a member has invested that part of their fund which will be used to provide a tax-free lump sum (or for members wishing to take their full benefits as cash, a taxable lump sum), in those asset classes (every type except Cash) that are subject to volatility in capital value terms.

### **4.5 Conversion Rate Risk**

The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured. For example, for members wishing to take their benefits by transferring to a flexible income drawdown arrangement.

### **4.6 Market-Switching Risk**

Where there is wholesale switching between investment funds, especially at the point of retirement, the risk is that it unnecessarily exposes members to the vagaries of the markets on a particular day.

### **4.7 Other Risks**

- **Default option risk.** The risk of the default option being unsuitable for the requirements of some members. The Trustees review the suitability of the default option as part of each periodic investment review, and have communicated to members the need to review their own requirements and circumstances before making any investment decisions.
- **Investment Manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustees regularly review each fund's



investment performance, and take ongoing advice from their investment adviser on the suitability of the funds and investment managers.

- **Liquidity Risk.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. To mitigate this risk, the Trustees have invested in unitised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** While the investment managers may use derivative instruments within their pooled funds, the Trustees will not invest in derivative instruments except to contribute to a reduction of risks or facilitate efficient portfolio management.
- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Scheme is exposed to arises from holdings in the underlying funds.
- **Market Risk.** The Scheme may be subject to currency, interest rate and other price risk associated with the underlying investment funds. These risks can impact the valuations of the funds. The Trustees make available a range of funds to allow members to diversify their investments to manage these risks. Further, the Trustees closely monitor the performance of the funds and receive formal quarterly reports which consider the ongoing appropriateness of the underlying investment managers.
- **The risk of fraud, poor advice or acts of negligence ("operational risk").** The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- **Environmental, Social, and Governance Risks.** Including:
  - The risk of the extent to which ESG factors are not appropriately reflected in asset prices and/or not considered in investment decision making processes leading to underperformance relative to targets.
  - The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees will include ESG-related risks, on the Plan's risk register as part of ongoing risk assessment and monitoring.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the flexibility of the default option periodically.

- 4.8 In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.



5. INVESTMENT STRUCTURE

5.1 A refresh of the default arrangement review was commissioned during 2017/2018. The Trustees concluded that as a vehicle to target annuity purchase, the current arrangement remained fit for purpose, but that there was sufficient evidence to suggest that members are choosing alternatives to annuity purchase at retirement following the introduction of pension flexibilities by the Government in April 2015. The Trustees therefore considered the best way to allow greater flexibility in the default arrangement to target additional options at retirement, deciding to allow members to 'opt out' of the (previously compulsory) pre-retirement strategy.

In addition, during 2017/2018 the Trustees commissioned a review of the existing fund choice, taking into account fund performance and transaction charges. Following the end of the Plan year, the Trustees decided to replace the actively managed Newton 50:50 Global Equity fund with the passively managed BlackRock DC Aquila MSCI World Index Fund.

During March 2018, the Trustees received notification that the BNY Mellon Sterling Liquidity Fund was due to close and, following the end of the Plan year, the Trustees moved the funds from the BNY Mellon Sterling Liquidity Fund to the Insight Sterling Liquidity Fund, a similar fund in objective, performance and charges.

At all stages of this review the Trustees consulted with their Investment Advisors, Aon.

5.2 In order to deal with the risks identified in 4.2 - 4.6, the Trustees have resolved to provide members with the following investment funds.

In the period prior to the de-risking strategy (i.e. more than 6 years from planned retirement date), and continuing for those members who have opted out of the de-risking strategy, members can select the proportions of contributions allocated to each of the funds, in multiples of 10%.

Fund type & description	Manager/ Fund	Investment aim & strategy
<b>Balanced Fund</b>  Invests predominantly in a worldwide portfolio of equities, as well as fixed interest securities and cash.	<b>BNY Mellon</b>  Global Balanced Fund Exempt 1	The aim is to exceed wage and salary inflation and produce upper quartile returns over rolling 5 year periods. The fund aims to outperform a fixed weight comparative index comprising 37.5% FTSE All Share, 37.5% FTSE World (ex UK), 20% FTSE Government All Stocks and 5% LIBD 7 day cash.





<b>With Profits Fund</b>  Designed to benefit from smoothing of investment growth from bonuses paid out of life office reserves.  This fund is closed to new investors.	<b>Standard Life</b>  With Profits One Fund	The aim is to provide growth in value over the long term, whilst maintaining an appropriate level of financial strength to meet contractual obligations. With profit providers do not have aims that can easily be measured however this fund continues to be provided for the benefit of members who have invested or wish to invest in this type of fund.
<b>Annuity Protection Fund</b>  Designed to protect the purchasing power (in the annuity market) for members approaching retirement	<b>BlackRock</b>  DC Pre-Retirement Fund Class E	The aim is to outperform a composite benchmark of fixed interest gilts and corporate bonds which is set by the fund manager to broadly reflect the market price of annuities.  The fund will invest mainly in long dated UK government bonds and long dated UK corporate bonds.
<b>Equity Fund</b>	<b>BlackRock</b>  DC Aquila MSCI World Index Fund	The aim is to achieve a return (gross of fees) broadly consistent with the MSCI World Index
<b>Cash Fund</b>	<b>Insight</b> Sterling Liquidity Fund	The objective is to provide as high a level of current income in sterling terms as is consistent with the preservation of capital in sterling terms and maintenance of liquidity.

#### Equitable Life With Profits Fund

In 2019, Equitable Life entered into an agreement to transfer bulk of its business and policies to Utmost Life and Pensions. The conversion terms resulted in significant uplift to with-profit policy values.

For the Plan members invested in the Equitable Life With Profits Fund, this meant that the guaranteed value of with-profits policies and any guaranteed investment returns were removed, and the policies were converted to unit-linked policies and transferred to Utmost Life and Pensions. A one-off uplift was applied to increase the with-profit policy values.

For the funds transferred from the with-profits funds, the 'Investing by Age' strategy offered by Utmost Life and Pensions was chosen by the Trustees, which gradually

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reduces risk over time, depending on a member's age. It comprises of the Multi-Asset Moderate Fund, the Multi-Asset Cautious Fund and the Money Market Fund, and automatically transitions through these funds as a member gets older.

#### **Multi-Asset Moderate Fund**

This Fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash with the potential for moderate to high levels of price fluctuations.

#### **Multi-Asset Cautious Fund**

This Fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income and cash with the potential for low to **moderate** levels of price fluctuations.

- 5.3 The investment managers have been given discretion as to the day-to-day investment policy.
- 5.4 It is not necessarily expected that active managers will achieve the targets in every three-year period. However, they should demonstrate that the skills exercised on the funds are consistent with these targets, and that the level of risk is appropriate. The investment managers will exercise their powers of discretion in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.
- 5.5 The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than returns on predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement who are planning to purchase an annuity. Cash funds are expected to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.
- 5.6 The Trustees monitor the performance of each fund manager and will review the status and appointment of each fund manager on an annual basis. In the event of the manager failing to meet the performance objective above, the Trustees will consider carrying out a formal review, which could lead to consideration of a change of investment funds and or manager(s).
- 5.7 Market-Switching Risk is addressed by having a phased transition between funds.
- 5.8 The Trustees recognise that, if there was complete switching between funds, members could be exposed to the vagaries of the markets on one particular day. Accordingly, they have adopted, as their default arrangement, the following phased transition (the Strategy) based on the number of months a member is from their target retirement age.
- 5.9 This Strategy does not apply to With Profits or AVC Funds, or to the assets of any member who has opted out of the Strategy.
- 5.10 There will be 4 transfer dates each year approximately 3 months apart. For members who are within 6 years of their target retirement age and have not opted out of the Strategy, members are matched to the "Period to Target Retirement Age" that they

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are next going to enter in the table below, as at the transfer date.

5.11 For members who have not chosen to opt out of the Strategy, at 6 years before retirement (the start of the pre-retirement period), asset switching will apply into the Global Balanced Fund from the BlackRock DC Aquila MSCI World Index Fund. There will then be a schedule of phased asset switching within 6 years of retirement. Minimum and target proportions of a member's assets within the Scheme will be invested in the DC Pre-Retirement Fund and the Sterling Liquidity Fund respectively, according to the table below and subject to the following conditions:

- Once invested in either the DC Pre-Retirement Fund or the Sterling Liquidity Fund no assets will be disinvested from that Fund even if the target holding is exceeded.
- As required by the current administration system, if holdings in the DC Pre-Retirement Fund exceed the minimum holding then no further switching will take place until the holding falls below the minimum.
- Assets will not be switched into the BNY Mellon Global Balanced Fund from the DC Pre-Retirement Fund nor from the Sterling Liquidity Fund.
- Assets will not be switched into the Sterling Liquidity Fund from the DC Pre-Retirement Fund.

5.12 In practice, the "6 years" could be up to 74 months. The process is run quarterly and each process includes all members, who have not chosen to opt out of the Strategy, who will be within the 72 month period at some point in the next quarter. For example, for the switch carried out in October, it will include members who reach their 6 year trigger point (or more) within the 3 months October to December. So at the time of the switch a member might have 74 months to Target Retirement Age but will be included at the "72" point. Similarly a member at 58 months at the point of calculation will have their switch based on the rules for 57.



Period to Target Retirement Age (months)	BNY Mellon Global Balanced Fund %	Insight Sterling Liquidity Fund %	BlackRock Pre-Retirement Fund %
0	0.00	25.00	75.00
3	0.00	25.00	75.00
6	0.00	25.00	75.00
9	0.00	25.00	75.00
12	0.00	25.00	75.00
15	6.00	23.50	70.50
18	12.00	22.00	66.00
21	18.00	20.50	61.50
24	24.00	19.00	57.00
27	30.00	17.50	52.50
30	36.00	16.00	48.00
33	42.00	14.50	43.50
36	48.00	13.00	39.00
39	54.00	11.50	34.50
42	60.00	10.00	30.00
45	66.00	8.50	25.50
48	72.00	7.00	21.00
51	78.00	5.50	16.50
54	84.00	4.00	12.00
57	90.00	2.50	7.50
60	96.00	1.00	3.00
63	97.00	0.75	2.25
66	98.00	0.50	1.50
69	99.00	0.25	0.75
72	100.00	0.00	0.00





- 5.13 During the pre-retirement period ongoing contributions will be invested according to the Strategy unless a member has elected to invest higher than the minimum proportion in the DC Pre-Retirement Fund and/or higher than the target proportion in the Sterling Liquidity Fund. In these cases the member's wishes shall take precedence, subject to the minimum investment holding in the DC Pre-Retirement Fund being maintained.
- 5.14 The Strategy will be reviewed by the Trustees on a periodic basis, taking into account factors such as flexible benefit options.
- 5.15 The company will cover the costs of the switches set out in the table above for both active and deferred members.
- 5.16 After assessing
- the potentially enhanced return from active management in relation to the additional risks assumed compared to passive management; and
  - the costs involved in employing an active investment manager,
- the Trustees have decided to adopt a policy of implementing the above Strategy with a mix of active and passive managers. To this end, consulting with Aon in 2018, the Trustees have decided to appoint the fund managers listed in the table of 5.1, to manage the assets of the Scheme.
- 5.17 The Trustees continue to regularly review the performance of the funds and their overall investment strategy.



## 6. DEFAULT ARRANGEMENT

- 6.1 The Scheme was closed to new entrants in 2004 and therefore does not require a default arrangement for the purposes of auto enrolment.
- 6.2 The majority of the membership choose to hold most or all of their investments in the BNY Mellon Global Balanced Fund and this is where the majority of total Scheme assets continue to be held. Where members have not chosen to opt out of the Strategy, during the 6 year pre-retirement period, investments are automatically switched from the BNY Mellon Global Balanced Fund holdings into the DC Pre Retirement Fund and the Sterling Liquidity Fund. As members have to opt out of the Strategy, this together with the BNY Mellon Global Balanced Fund is therefore considered to be the Default Arrangement.
- 6.3 As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, further details in respect of the default arrangement are set out below or covered elsewhere within this Statement.
- 6.4 The Trustees believe that for the majority of members, their investment needs change as they progress towards retirement age, particularly those who are targeting annuity purchase at retirement:
- Members furthest away from retirement have a greater need for real growth to make sure their investment accounts keep pace with inflation and, if possible, salary escalation. These members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back in line from any temporary low.
  - As members get closer to retirement, however, their need for real growth and tolerance for volatility of returns will decrease. In particular, those members with 6 or less years to retirement will require a greater level of protection from volatility as their ability to replace capital through increased contributions diminishes.
- 6.5 The aim of the Default Arrangement is to provide members with the potential for a higher level of growth during the accumulation of their retirement savings through exposure to a Balanced Fund comprising mainly equities, and then to gradually transition into a portfolio that matches changes in annuity prices for that part of the assets likely to be used for annuity purchase and match cash for that part of the assets likely to be taken in cash.
- 6.6 The Trustees' policy is to enable members to achieve their objectives by providing a range of funds which together offer a suitable mixture of real and monetary assets. They recognise that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile.



6.7 The Trustees conducted a review of the appropriateness of the Default Arrangement, in particular following changes in pension regulations (introduced in April 2015) which allow DC members greater flexibility in how to access their savings at retirement. The Trustee concluded that as a vehicle to target annuity purchase the Default Arrangement remained fit for purpose, but that there was sufficient evidence to suggest that members are choosing alternatives to annuity purchase at retirement. The Trustee then instigated the changes outlined in 5.1.



## 7. OTHER MATTERS

### 7.1 Introduction

- 7.1.1 This **Section** deals with all the other matters stipulated in Section 35 of The Pensions Act 1995.

### 7.2 Choosing Investments – Section 36

- 7.2.1 The Trustees recognise that it is appropriate to have diversified investments in the equity-based funds.
- 7.2.2 The Trustees recognise that diversification by type of asset is less critical for the DC Pre-Retirement Fund or the Sterling Liquidity Fund.
- 7.2.3 The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. Members may select from the range of funds detailed under Section 5 above as the investment funds for the AVCs. (They will be separately earmarked as AVCs within each member's personal accounts.)
- 7.2.4 These arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.
- 7.2.5 Unallocated assets continue to be invested in the same proportion as the main scheme asset distribution invested by the members. These proportions will be reviewed triennially after each valuation and at intervening periods as appropriate.

### 7.3 Kinds of Investments

- 7.3.1 The funds provided are exempt pooled pension funds: members' assets are, therefore, invested in the units of a unit trust or managed fund.
- 7.3.2 The underlying securities owned by these pooled funds include but are not limited to the following classes:
- UK Equities
  - North American Equities
  - European Equities
  - Japanese Equities
  - Pacific-ex Japan Equities
  - Emerging Markets Equities
  - UK Fixed Interest
  - Overseas Bonds
  - Cash
  - Property



#### **7.4 Balance Between Different Types of Investments**

7.4.1 This question has already been dealt with in sections 5 and 6.

#### **7.5 The Expected Return on Investments**

7.5.1 This question has already been dealt with in section 3.3 and sections 5 and 6.

#### **7.6 The Realisation of Investments**

7.6.1 As members will own units in a pooled fund which invests in readily marketable securities, the Trustees are satisfied that assets can be realised when required. Units can be cancelled to provide for benefits on any working day.

#### **7.7 Buying and Selling Investments**

7.7.1 As the investment exposure is achieved through pooled funds, the responsibility for buying and selling units, in the main rests with the administrator and the Trustees. As already mentioned, the day to day activities within the pooled funds, are governed by the legal contract between us, which is reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

#### **7.8 Written Advice**

7.8.1 The Trustees received and considered written advice from a representative of Jardine Lloyd Thompson Benefit Solutions Ltd in 2012 and subsequently by Aon from 2016.

#### **7.9 Consultation with Employer**

7.9.1 The Trustees confirm that they have consulted the employer.

#### **7.10 Responsible Investing and Voting Rights**

7.10.1 Pursuant to the 1999 Amendment Regulations to the Pension Act 1995, the following sets out the Trustees' policy in relation to Responsible Investment and Voting Rights etc.

7.10.2 In endeavouring to invest in best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds and cannot therefore directly influence the social, environmental and governance policies and practices of the companies in which the pooled funds invest.

7.10.3 The Trustees acknowledge that an understanding of financially material considerations, including ESG factors (such as climate change) and risks related to these factors, is necessary to allow them to discharge their fiduciary duties in a prudent manner. As part of their review of managers' policies and approaches, the Trustees will seek to satisfy themselves that the corporate governance policies of the investment managers reflect the key principles of responsible investment.

The Trustees will review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of their policies to those of the Plan's asset managers and





ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with, where relevant and appropriate, engaging with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

- 7.10.4 The fund managers, having a clear policy of voting on all important issues on behalf of its investors' best financial interests, are expected to provide the Trustees with a statement dealing with policies and practices for transparency, including voting actions and rationale for those votes, where relevant to the Plan; in particular, where votes were cast against management, where votes against management generally were significant (more than 20%), or where votes were abstained.

This will form part of the Trustees' review process. The Trustees are aware that, should they wish to do so, they can instruct the fund manager to vote a proportion of the UK share held by the pooled funds (equivalent of the number of units held by the Trustees as a proportion of the total) in order that their views on a particular issue are registered.

- 7.10.5 From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an asset manager. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.
- 7.10.6 The Trustees will engage with their investment managers as necessary for more information to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be commented on in the annual Implementation Statement.

## 7.11 Compliance with this Statement

- 7.11.1 We, the Trustees of the AG Solutions Pension Plan, the investment managers and our consultants Aon (all of whom have been appointed by the Trustees), each have duties to perform to ensure compliance with this Statement. These are:

- The Trustees will review this Statement periodically on the advice of Aon, in particular keeping in mind the changes in pensions regulation which provide members greater flexibility in how they choose to take their benefits at retirement.
- Aon acting as our consultants will provide appropriate advice to allow us to review and update this statement annually (or more frequently if required).
- A copy of this Statement is provided to the investment managers to ensure they are adhering to the principles laid out in this statement.



Signed \_\_\_\_\_

Name (in full) \_\_\_\_\_

Date \_\_\_\_\_

**For and on behalf of the Trustees of AG Solutions Pension Plan.**



## Appendix - Investment risk measurement methods and management processes

### **Manager risk:**

- is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy
- is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' process for tracking indices.

### **Political risk:**

- is primarily considered by the fund managers, and measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

### **Corporate governance risk:**

- is measured by the level of concentration in individual stocks leading to the risk of an adverse impact of investment values arising from corporate failure
- is managed by reviews of stock concentration and reports from the investment managers

### **Sponsor risk:**

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme.

