

The UMECO Plc Pension & Life Assurance Plan

Chair's Statement

I am pleased to present the Trustee's statement of governance, covering the period 1 April 2022 to 31 March 2023. This statement has been prepared by ndapt ltd ("the Trustee") and describes how the Trustee seeks to ensure that the UMECO Plc Pension and Life Assurance Plan (the 'Plan') is well-managed and delivers excellent services to members. The statement covers the money purchase arrangements in the Plan and examines five key areas of the Trustee's governance, namely:

- ✓ The investment strategy relating to the Plan's default arrangement;
- ✓ The processing of core financial transactions;
- ✓ Net returns on investments;
- ✓ Member borne charges and transaction costs within the Plan including the pounds and pence illustration of the compounding effect of charges; and
- ✓ The Trustee's compliance with the statutory knowledge and understanding requirements.

In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

In addition, this statement also covers the governance aspects in relation to the Plan's Additional Voluntary Contribution ('AVC') arrangements with Legal & General Investment Management Limited ('LGIM').

1. Default Investment arrangement

The Trustee's Statement of Investment Principles ('SIP') dated December 2021 is attached. This has been prepared in line with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. In line with the Trustee's requirements, this is available on a publicly available website and is also available to members on request. This covers the aims and objectives in relation to the default investment arrangement as well as Trustee's policies in relation to matters such as risk and diversification. Additionally, it states why we believe the default investment arrangement to be the most appropriate for the membership of the Plan.

The current default is a lifestyle option that is designed for members wishing to take their maximum tax-free cash at retirement and use the remainder of their savings to purchase a fixed income annuity.

The default invests in the LGIM Multi-Asset Fund up to 10 years before retirement before switching gradually into the LGIM Over 15 Year Gilts Index Fund with the LGIM Cash Fund introduced in the last 3 years. At retirement the default invests in 25% LGIM Cash Fund and 75% in the LGIM Over 15 Year Gilts Index Fund.

The last full review of the default investment strategy was undertaken in October 2022. As part of this review, the Trustee also reviewed the performance of the funds used in the default against targets/benchmarks and against inflation.

At the time of writing this Chair Statement, the conclusions of the strategy review are still being discussed by the Trustee. As a result, all decisions and changes that may be implemented will be reported in the Chair's Statement to 31 March 2024.

AVC arrangements

The Trustee does not operate default investment arrangements within the meaning of the Pensions Act 2008 in relation to the AVC policies; all members with AVCs in these policies have, therefore, selected how these funds are invested from the fund range that is made available. For this reason, the Trustee believes that the disclosures required with regard to default investment arrangements are not applicable to AVCs. For the same reason, the Trustee's Statement of Investment Principles does not contain wording relating to AVC default investment arrangements.

2. Core Financial Transactions

The Trustee must ensure that core financial transactions are processed promptly and accurately. Core financial transactions are (broadly):

- Transfers into and out of the Plan of assets relating to members;
- Switches of members' investments between different funds within the Plan; and
- Payments from the Plan to or in respect of members (e.g. payment of death benefits and on retirement).

Payment and investment of contributions are also considered core financial transactions; however, as there are no active members these are not applicable to the Plan.

The Trustee recognises that delay and error can cause significant losses for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future retirement outcomes. We therefore operate measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) are processed promptly and accurately. In practice, the Trustee has delegated this responsibility to the Plan administrator. However, the Trustee has established an Administration and Governance Committee responsible for overseeing administration items related to the Plan to ensure that the Plan administrator is carrying out these duties to an appropriate standard.

During the Plan year the Plan administration was initially delivered by Premier Pensions Management Limited ('Premier'). During the year, Premier was acquired by Isio Group Limited ('Isio') and as such, Plan administration passed to Isio. References to Isio below therefore relate to a combination of Premier and Isio depending on the period.

Processes in place to ensure timeliness and accuracy during the year to 31 March 2023 include:

- Having in place Service Level Agreements (SLAs) with the administrator, Isio, which cover all core administration processes. The current SLAs relating to core financial transactions are shown in the table below:

Transaction	SLA
Investing contributions	2 days from fully validated monthly data
Processing disinvestments	2 days from request
Processing retirements	Within 5 days of receiving required member documentation
Processing investment switches	3 days from request
Processing transfers-out	5 working days from receipt of fully completed transfer documentation
Issuing Annual Benefit Statements	Within 6 weeks of statement data/resolution of data queries

- 98.9% of work items were delivered within the service level agreement (SLA) over the 12-month period to 31 March 2023.
- Isio provides quarterly stewardship reports, and these are reviewed by the Administration and Governance Committee. During the year, Isio's reports included details on transfers in/out of the Plan, service performance, membership statistics such as forthcoming retirements and members past normal retirement age amongst other administration items for which they are responsible. Any mistakes or delays are investigated thoroughly, and action is taken to put things right as quickly as possible.
- The Plan auditor, Grant Thornton LLP, independently tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.
- The Plan maintains a risk register where the Trustee identifies, evaluates, manages and monitors the key risks associated with the Plan.

Based on the above, the Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

AVC arrangements

The following controls are in place for the AVC arrangements:

- Isio keep records of and process the settlement of AVC benefits for the Final Salary Plan's AVC policies. Members who have paid AVCs have a flag on their Plan member record to indicate which provider their AVCs are held with and also their individual policy number.
- For payments out of the AVCs, Isio would agree the transactions on the reports provided by the AVC providers to the amounts received through the bank. They then provide these to the auditor for their evidence. The Trustee monitor prompt payment of the AVCs with the AVC provider.

3. Net returns on Investments

The aforementioned regulations introduce new requirements for trustees of ‘relevant’ occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 1 and 5-year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

Lifestyles

Lifestyle strategies – Default Lifestyle	Annualised returns to 31 March 2023 (%)	
Age of member		
25	-4.7	3.8
45	-4.7	3.8
55	-5.3	-0.1

Source: LGIM and Mercer estimates as at 31 March 2023.

Performance shown net of all charges and transaction costs.

Self-Select Funds

Self-select funds	Annualised returns to 31 March 2023 (%)		
	1 year	5 years	10 years
LGIM Multi-Asset Fund (formerly the Consensus Fund)	-4.7	3.8	5.4
LGIM Over 15 Year Gilts Index Fund	-29.8	-6.5	0.5
LGIM Cash Fund	2.1	0.6	0.4

Source: LGIM as at 31 March 2023.

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page.

AVC arrangements

AVC assets are either invested in the LGIM Self-Select funds of the DC section of the Plan, or invested with Aviva. The performance relating to the AVC arrangements with LGIM during the year was identical to the above table.

At the time of writing, the cost and charges information for the Aviva AVC assets was not available. The Trustee’s investment advisors are continuing to work with the Aviva to establish this information as part of the review and for disclosure in next year’s statement.

4. Costs and Charges borne by members

The Trustee is required to explain the charges and transaction costs, which are paid by members during the Plan year. We are comfortable that the information provided below is a complete picture of the charges and transaction costs paid by members during the Plan year. In addition, all charges for the Plan's default investment arrangement are significantly below the charge cap of 0.75% per annum.

The level of charges applicable to the different funds used in the Plan's default strategy during the last Plan year were:

Fund	Total Expense Ratio (TER) (% p.a.)	Transaction costs (% p.a.)
LGIM Multi-Asset Fund (formerly the Consensus Fund)	0.261	0.044
LGIM Over 15 Year Gilts Index Fund	0.100	0.189
LGIM Cash Fund	0.125	0.042

Source: LGIM as at 31 March 2023.

Transaction costs shown are for the period 1 April 2022 to 31 March 2023

The same three funds above are available as self-select options. No other funds are currently offered to members.

The charges and costs relating to the AVC arrangements with Legal & General during the year were identical to the above table.

Illustration of the compounding effect of transaction costs and charges on members' benefits.

The Trustee has prepared the following illustrative examples of the cumulative effect of costs and charges on members' investments over time. In doing so the Trustee has had regard to guidance produced by the Department for Work and Pensions.

The Trustee has included two illustrations; the first is based on the age of the youngest member (age 30) and second is based on the median age of membership (52). Please note that this is not a personal illustration, it is based on the assumptions detailed later in this document (under the tables that follow). The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

Projected Pension Pot (in today's money)

Table 1: For a member aged 30 (35 years from retirement)

Years	Age	Current default investment option		Most Expensive Fund: LGIM Multi - Asset Fund		Least Expensive Fund: LGIM Cash Fund	
		Before Charges & Costs (£)	After Charges & Costs	Before Charges & Costs (£)	After Charges & Costs	Before Charges & Costs (£)	After Charges & Costs
0	30	£13,850	£13,850	£13,850	£13,850	£13,850	£13,850
5	35	£15,647	£15,422	£15,647	£15,422	£14,209	£14,111
10	40	£17,676	£17,173	£17,676	£17,173	£14,578	£14,378
15	45	£19,969	£19,122	£19,969	£19,122	£14,956	£14,649
20	50	£22,559	£21,292	£22,559	£21,292	£15,344	£14,926
25	55	£25,438	£23,668	£25,485	£23,709	£15,742	£15,207

30	60	£27,680	£25,453	£28,791	£26,401	£16,150	£15,494
35	65	£28,776	£26,237	£32,526	£29,397	£16,569	£15,787

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted. Transaction costs are based on the period 1 April 2018 to 31 March 2023. Where transaction costs are negative, they are assumed to be 0% for the illustrations above.

Table 2: For a member aged 52 (13 years from retirement)

Years	Age	Current default investment option		Most Expensive Fund: LGIM Multi - Asset Fund		Least Expensive Fund: LGIM Cash Fund	
		Before Charges & Costs (£)	After Charges & Costs	Before Charges & Costs (£)	After Charges & Costs	Before Charges & Costs (£)	After Charges & Costs
0	52	£23,060	£23,060	£23,060	£23,060	£23,060	£23,060
1	53	£23,629	£23,561	£23,629	£23,561	£23,178	£23,146
2	54	£24,212	£24,073	£24,212	£24,073	£23,297	£23,233
3	55	£24,764	£24,553	£24,810	£24,596	£23,417	£23,320
8	60	£26,946	£26,404	£28,027	£27,386	£24,025	£23,760
13	65	£28,012	£27,217	£31,661	£30,494	£24,648	£24,209

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted. Transaction costs are based on the period 1 April 2018 to 31 March 2023. Where transaction costs are negative, they are assumed to be 0% for the illustrations above.

The Trustee has made some assumptions in the producing these illustrations:

1. The two sets of illustrations above start at age 30 (the age of the youngest member of the Plan) and 52 (the age of the median member of the Plan), and continue for a period of 35 and 13 years respectively until age 65 (normal retirement age);
2. The starting pot size is assumed to be £23,060 and £13,850 for the typical and youngest member, respectively. For the typical member this value is the median pot size for the entire membership. The youngest member pot size derives from the median of the youngest 10% of members.
3. No future contributions have been assumed as there are no active members in the Plan.
4. Inflation is assumed to be 2.5% p.a.
5. The projected growth rates before charges and costs are as follows:
 - A. Current default investment option: from 0.55% to 2.47% per year above inflation (depending on the Lifestyle phase), with charges between 0.11% and 0.26% a year and transaction costs varying between 0.03% and 0.05% per year.
 - B. Multi-Asset fund: 2.47% above inflation, with charges of 0.26% a year and costs of 0.03% p.a.
 - C. Cash Fund: 0.51% above inflation, with charges of 0.13% a year and costs of 0.01% p.a.

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online and will notify members about this in their annual benefit statements.

Value for members

The Trustee monitors value for members on an ongoing basis and have a good understanding of the membership demographics of the Plan and what good member outcomes should look like for the Plan's members in aggregate. The Trustee understand that value for members does not necessarily mean selecting the cheapest fund and in our ongoing reviews of value for members, we consider many factors including quality of customer service, member communications and support, the efficiency of

administration services, the robustness of scheme governance, fund management and performance of the funds.

All of the funds used by the Plan are approved by our investment advisors as having good prospects of achieving their objectives, and the performance of funds is reviewed and discussed at least quarterly. The Trustee also takes into account forward looking considerations such as market outlook and the advisor's expectations of manager performance. The same applies with the efficiency of administration services, which are also discussed quarterly. The Trustee is required to assess the extent to which the Plan delivers value for members across three key areas:

Assessment area	Type of Assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interests.

The Trustee has carried out a value for members assessment as at 31 March 2023. The conclusions of this assessment are set out in the table below:

Assessment area	Conclusion
Costs and charges	The Trustee has assessed the Plan as offering good value from a costs and charges perspective. It was concluded that charges are competitive relative to the three comparator schemes.
Net investment performance	<p>The Trustee has assessed the Plan as offering reasonable value from a net investment performance perspective. However, the default arrangement has tended to underperform the three comparator schemes over the longer term. Some of this relative underperformance can be attributed to the strategy's lower overall risk profile. The lower overall risk profile has been demonstrated over the last 12 months where, when markets have struggled and negative performance has been seen, the default arrangement has tended to outperform the three comparator schemes. The Trustee has reviewed this and agreed in principle to implement a revised growth phase which will target a higher long term investment return with a commensurate increase in volatility.</p> <p>Performance has further been impacted negatively by the de-risking vehicle in place for members approaching retirement, which is designed to provide stability vs annuity prices but has seen a material negative returns as a result of substantial increase in gilt yields. The Trustee has agreed in principle to revise the de-risking phase of the Scheme's Default option.</p> <p>Performance of the self-select fund range has been mixed compared with those of the three comparator schemes. It should be noted that due to the nature of the funds available in the three comparator schemes, the comparator funds are not 'like-for-like' in respect of objectives and underlying assets.</p>

Governance and administration	The Trustee has assessed the Plan as offering good value from a governance and administration perspective. The Plan's governance and administration arrangements have been assessed as adequate to ensure the well-running of the Plan.
	Overall, considering all three areas set out above, the Trustee has assessed the Plan as offering reasonable value for members. The Trustee believes the current Plan offers better value for members than winding up the Plan and transferring members' assets to a larger occupational scheme. Implementation of those strategy changes agreed in principle is expected to lead to an improvement in performance measures over the long term.

5. Trustee Knowledge and Understanding

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

The authorised representatives of the Trustee are also required to explain how their combined knowledge and understanding, together with the advice available to them, enables them properly to exercise their functions as the Trustee of the Plan. Examples of the arrangements put in place under the Plan to ensure this are as follows:

- ✓ Any new Trustee is expected to gain the necessary skills and knowledge to carry out their duties within six months of their date of appointment. They are expected to complete the relevant sections of the Pension Regulator's Trustee Toolkit within 6 months of their appointment. Any additional training required by a new Trustee is also provided as and when required.
- ✓ The Trustee have an annual meeting with the Chair of the Board to discuss training requirements for the forthcoming year.
- ✓ All Trustee are aware of the requirement to complete the Pension Regulator's online Trustee Toolkit and have successfully completed this.
- ✓ Technical and legislative pension update papers are tabled as a standing agenda item at each Trustee meeting. These papers are reviewed by the Trustee and any recent legislative/regulatory developments noted and discussed. These papers are provided by Isio Pensions and the Plan's legal advisors and cover both Defined Benefit and Defined Contribution subjects.
- ✓ The Trustee maintain a training register to keep a log of all training undertaken.
- ✓ The Trustee takes regular investment advice from their investment advisor on matters relating to the Plan's investments.
- ✓ The Trustee secretariat function is outsourced to professional advisors who prepare the Trustee's meeting agendas with a view to ensuring compliance and best practice.
- ✓ The Trustee also receive advice from professional advisors and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. Advisors regularly attend committee meetings.

During the Plan year, these arrangements were met and the Trustee undertook various training sessions, including:

- Achieving better outcomes at retirement;
- Trustee diversity, the future of trusteeship and what does good governance look like;
- GMP equalisation;
- End game planning;
- Impacts on member options from very high inflation;
- Investment Strategies including overview of Liability Driven Investments; and

- Environmental, Social and Governance & TCFD related investing and regulation overview.

The Trustee are conversant with, and have demonstrated a working knowledge of the Plan's documents during the Plan year, including the Trust Deed and Rules and the powers that they provide to them, the Statement of Investment Principles and documents setting out the Trustee's compliance.

Based on these actions, taken individually and as a Trustee body, and the professional advice available to them, the Trustee considers that they have sufficient skills and resources to properly exercise their function as a Trustee and have demonstrated this during the Plan year.

Chair's declaration

I confirm that the above statement has been produced by the Trustee of the Plan.

Signature: A MacKenzie

On behalf of ndapt ltd, Trustee of the UMECO Plc Pension and Life Assurance Plan

Date: 21 September 2023

APPENDIX – Statement of Investment Principles dated - December 2021