

## Annual Governance Statement regarding defined contribution benefits held in The Oracle UK Pension Plan

### 1. Introduction

- 1.1. This Annual Governance Statement ("Statement") has been prepared by Dalriada Trustees Limited ("the Trustee"), the Trustee of The Oracle UK Pension Plan ("the Plan"). It reports on compliance with the governance standards that apply to defined contribution (DC) arrangements which are designed to help members achieve good outcomes from their pension savings.
- 1.2. The Plan was closed to future accrual on 31 December 2010. Prior to 1 June 2004 members DC benefits were subject to a defined benefit (DB) underpin. Further details relating to the DB underpin are provided in section 2 of this Statement.
- 1.3. This Statement covers the Plan year 1 June 2019 to 31 May 2020 ("the Plan year").
- 1.4. Under the governance standards, which are set out in the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Regulations"), the Trustee will publish this Statement on a publicly accessible website. The web address for the website is: <https://myoraclepension.com/index.html>

### 2. The Plan's DC arrangements

- 2.1. Over the Plan year, the Plan's DC arrangements were held across two separate Sections, as follows:
  - 2.1.1. **Section 1:** this Section consists of two different types of funds held by members; Core Funds and Non-Core Funds.
    - 2.1.1.1. **Core Funds:** these funds are subject to a DB underpin whereby if the value of an individual's benefits are less than the DB underpin at retirement, the individual will receive a guaranteed pension in respect of their Section 1 Core funds. If the Section 1 Core funds are greater than the DB underpin, these benefits are treated as DC benefits.
    - 2.1.1.2. **Non-Core Funds:** these funds are treated as pure DC benefits.
  - 2.1.2. **Section 2:** all funds held through Section 2 of the Plan are treated as pure DC benefits.

### 3. The DC Section's default investment arrangement

- 3.1. Over the Plan year, the Plan had three default investment arrangements for the purposes of the Regulations. The default investment arrangement that applies varies between Section 1 and Section 2 of the Plan and the type and value of benefits held.
- 3.2. When designing the default investment arrangements, the Trustee took into consideration the potential needs of Plan members as well as the Trustee's own investment beliefs. These default investment strategies were first implemented in 2016 following advice from the Trustee's investment adviser.
- 3.3. The default investment strategies, as well as the range of self-select options offered through the Plan, are subject to review at least every three years and the Trustee completed its last strategic review on 10 May 2018. As a result of this review, the Trustee elected to make a number of changes to the Plan's investment options and these were described in last years' Statement. The Trustee implemented these changes over the Plan year and they are therefore referred to below.

#### Default investment arrangements design, aims, objectives and changes over the Plan year

- 3.4. **Section 1 Core Funds:** the default investment arrangement for individuals that hold Core Funds through Section 1 of the Plan is the Oracle Diversified Growth Fund.
- 3.4.1. The Oracle Diversified Growth Fund invests 80% in the Phoenix BlackRock Diversified Growth Fund and 20% in the Phoenix BlackRock Aquila MSCI Fund.
- 3.4.2. It is designed to provide long-term investment growth whilst limiting the degree to which it will fluctuate in value, to ensure that the value of benefits promised to members at their Normal Retirement Age (NRA) can be provided.
- 3.4.3. No changes were made to this default investment arrangement over the Plan year.
- 3.5. **Section 1 Non-Core Funds and Section 2:** for these benefits, the Trustee has implemented two different default investment arrangements; the Drawdown Lifestyle Option and the Cash Lifestyle Option. These Lifestyle Options have been designed to be appropriate for the typical member and the Lifestyle Option into which members' benefits were invested was dependent upon the size of their fund. The key features of the Drawdown Lifestyle Option and the Cash Lifestyle Option are as follows:
- 3.5.1. Both Lifestyle Options invest across a portfolio of underlying investment funds depending upon each member's term to their Normal Retirement Age (NRA). Each underlying fund is designed to provide exposure to different degrees of investment risk and will hold different asset classes in different proportions. The NRA of the Plan is set at age 65, however members can amend this should they wish.
- 3.5.2. When a member is more than 5 years from NRA, the Lifestyle Options aim to grow the value of each member's benefits whilst providing less exposure to investment volatility (but a potentially lower return) than investing solely in a portfolio of global equities. The value of these funds can go down as well as up. In July 2019, the Trustee introduced a new fund throughout this phase of investment called the Phoenix Oracle Lifestyle Growth Fund and this replaced the previous investment portfolio of 20% in the Phoenix Oracle Global Equity Fund, 40% in the Phoenix Newton Real Return Fund and 40% in the Phoenix BlackRock Diversified Growth Fund.
- 3.5.3. The Phoenix Oracle Lifestyle Growth Fund invests 20% in the Phoenix BlackRock Absolute Return Bond Fund, 25% in the Phoenix BlackRock Diversified Growth Fund, 25% in the Phoenix Invesco Perpetual Global Targeted Return Fund and 30% in the Phoenix BlackRock Aquila Life MSCI World Index Fund.
- 3.5.4. From 5 years to NRA, the Lifestyle Options will automatically and gradually switch into a portfolio of funds that have been designed to be suitable for taking benefits either as cash or using drawdown, as follows:
- 3.5.4.1. **Drawdown Lifestyle Option:** this option has been designed to limit the extent to which members' benefits are exposed to large fluctuations in value in the approach to NRA, but to also provide the potential for future growth. As part of the changes implemented in July 2019, at NRA the Drawdown Lifestyle Option now targets 60% in the Phoenix Oracle Lifestyle Growth Fund, 15% in the Phoenix Oracle Index Linked Fund and 25% in the Phoenix Oracle Cash Fund.

3.5.4.2. **Cash Lifestyle Option:** this option has been designed to protect the value of members' benefits at NRA. As part of the changes implemented in July 2019, at NRA this Lifestyle Option now targets 50% in the Phoenix Oracle Cash Fund and 50% in the Phoenix Oracle Active Bond Fund.

#### Alternative investment options

3.6. Alongside the default investment arrangements described above, the Trustee has made available a number of additional investment options from which members are able to self-select. These are as follows:

3.6.1. An Annuity Lifestyle Option which invests in the same funds as the Drawdown and Cash Lifestyle Options up to 5 years before NRA and was therefore subject to the same change described in 3.5.2 above. At NRA this Lifestyle Option targets a portfolio of funds that is deemed to be suitable for those members who wish to purchase an annuity with their benefits.

3.6.2. A core range of 15 individual investment funds which hold different asset classes and have different investment objectives. Over the Plan year, and alongside the changes to the default investment arrangements described above, the Trustee made the following changes to the core range of investment options:

3.6.2.1. The Phoenix LGIM Property Fund was removed from the Plan's fund range and all assets and members investing in this fund were transferred to the Phoenix Threadneedle Pension Property Fund. This process was completed in November 2019.

3.6.2.2. The BNY Mellon Real Return Fund (previously the Newton Real Return Fund) was removed from the range of available investment options through the Plan, but existing investors assets remain invested in this fund.

#### Trustee's review of investment transitions over the Plan year

3.7. As part of the changes to the Plan's investment options described above, the Trustee was required to move money between different investment managers. When moving assets between different investment managers and/or funds, this will often give rise to implicit costs which are commonly referred to as "Transition Costs". These Transition Costs arise where assets are sold and purchased and will vary depending on the type of asset involved, the movement of markets and the inflows and outflows of money on any given day.

3.7.1. The changes to the Lifestyle investment options were processed as cash trades and the Trustee worked with its professional advisers and service providers to mitigate (as far as possible) the risks faced by members (for example, out of market risks). As a result this work, all assets were transitioned smoothly and no issues were encountered. This transaction resulted in Transition Costs of £27,007 being applied which accounted for 0.05% of the assets affected.

3.7.2. The timing of the switch from the Phoenix LGIM Property Fund to the Phoenix Threadneedle Pension Property Fund was carefully managed by the Trustee and its professional advisers to ensure that Transition Costs were minimised. This involved carefully considering the timing of the switch and monitoring inflows and outflows into each fund. As result of the work undertaken, the switch of assets went smoothly and all potential Transition Costs were negated.

3.8. On completion of both transitions, the Trustee asked its professional advisers to report on the process and methodology utilised and the Transition Costs incurred. The Trustee reviewed and discussed these reports at subsequent Trustee meetings and concluded that:

3.8.1. All core financial transactions arising from the change were processed promptly and correctly with the minimum impact on members.

3.8.2. The Transition costs were mitigated as far as reasonably possible. Such costs are an integral part of the investment process and the changes implemented are expected to provide improvements to the Plan's range of investment options.

#### Monitoring and review of the default investment arrangement and alternative options

3.9. The Trustee, together with its professional advisers, monitors the investment options offered through the Plan on a quarterly basis. This monitoring looks at the performance of the default investment strategies as well as all of the alternative investment options offered through the Plan to ensure that they are consistent with their stated aims and objectives. It also considers any developments or changes with the fund manager.

3.10. The Trustee reviews the default investment arrangements at least annually and completes a strategic review at least every three years. As noted above, the last review was completed in May 2018 and the next strategic review of the default investment arrangements, as well as the wider range of investment options, is due to be completed in 2021.

#### Further information on investments

3.11. Further information on the range of investment options provided through the Plan are set out in the Statement of Investment Principles dated September 2020. This was reviewed over the Plan year to take account of the changes to the Plan's investment options, the Trustee's stewardship policies and its arrangements with the Plan's asset managers.

3.12. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP sets out further details around the Trustee's investment objectives, and covers the following key matters in relation to the default investment strategies, including:

3.12.1. The Trustee's aims and objectives in relation to the investments held in the default investment arrangements.

3.12.2. The Trustee's policies on issues such as the kinds of investments to be held, the balance between different kinds of investment, investment risks (including how such risks are measured and managed), the expected return on investments, the realisation of investments.

3.12.3. An explanation of how these aims, objectives and policies are intended to ensure that assets are invested in the best interests of members.

3.13. A copy of the latest DC SIP is appended to this Statement as Appendix 1.

## 4. Core financial transactions

4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately. Core financial transactions comprise the following:

4.1.1. The investment of contributions.

4.1.2. Transfers into and out of the Plan.

4.1.3. Investment switches.

4.1.4. Payments out of the Plan.

#### DC Section administration

4.2. Over the Plan year, the administration functions of the Plan were outsourced to, and completed by, Barnett Waddingham LLP. The scope of these administration functions are formally recorded in a service agreement between the Trustee and Barnett Waddingham which was agreed at outset. This service agreement is reviewed periodically to ensure that the range and type of services provided remain suitable.

4.3. To ensure the accuracy and timeliness of processing of all Plan core financial transactions, the Trustee has established robust reporting and monitoring processes which include the following:

4.3.1. The day-to-day monitoring of administration standards is undertaken by Oracle's in-house pensions team who scrutinise the performance of Barnett Waddingham. The in-house pensions team has regular contact with representatives of Barnett Waddingham to ensure any errors identified are rectified without member detriment.

4.3.2. Service Level Agreements (SLAs) have been agreed between the Trustee and Barnett Waddingham. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Barnett Waddingham in respect of the Plan. The agreed SLAs for the core financial transactions identified in 4.1 above are as follows:

Core financial transaction	SLA
Investment of contributions/investment switches	95% within 5 days
Transfers into the Plan	95% within 5 days
Transfers out of the Plan	95% within 3 days
Payments out of the Plan	95% within 5 days

4.3.3. Barnett Waddingham also has SLAs in place for other services it provides including; assisting with member enquiries, amending member records and issuing information.

4.3.4. Barnett Waddingham provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. The Trustee considers these reports in detail as a regular item at its quarterly meetings.

4.3.5. Over the Plan year, the SLAs achieved for each of the core financial transactions outlined above were as follows:

Core financial transaction	Q1	Q2	Q3	Q4
Investment of contributions/ Investment switches	100%	95%*	90%*	100%
Transfers into the Plan	N/A	N/A	N/A	N/A
Transfers out of the Plan	100%	100%	96%	100%
Payments out of the Plan	99%	99%	100%	99%

Note: N/A denotes that no activity of this kind occurred over the quarter.

\* All tasks were completed within 3 days of the stated SLA.

- 4.3.6. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham's internal controls are audited annually and this is evidenced to the independent auditor. The Trustee has received a demonstration of the cash handling systems to show how transactions are reconciled and approved.
- 4.3.7. The administrator's processes are subject to internal controls procedures and adhere to AAF standards. Information about Barnett Waddingham's administration procedures and controls can be found in its AAF report which is published online: [www.barnett-waddingham.co.uk/aaf-0106-report/](http://www.barnett-waddingham.co.uk/aaf-0106-report/).
- 4.3.8. Administration is captured as part of the Plan's risk register which clearly documents the administrative risks associated with the operation of the Plan. This also includes details of the controls established by the Trustee to mitigate such risks. The risk registered is considered as part of the quarterly Trustee meeting process with a detailed review at least annually, the last detailed review was carried out at the Trustee meeting on 22 April 2020.
- 4.3.9. Monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data.

#### Trustee view of core financial transactions

- 4.4. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the Plan year, the Trustee is satisfied that the core financial transactions have been processed promptly and accurately.

## 5. Charges and transaction costs

- 5.1. Members of the Plan pay the costs and charges levied by the investment managers for the funds in which they are invested. These differ between the investment funds available and consist of both explicit and implicit costs:
- 5.1.1. **Explicit costs:** these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. These are referred to as Total Expense Ratio (TER) and are calculated as the Annual Management Charges plus any Additional Expenses.
- 5.1.2. **Implicit costs:** these relate to the charges and transaction costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges. These implicit charges impact on the investment returns achieved by the investment fund and vary day-to-day according to each fund's investment approach and prevailing market conditions. These are referred to as transaction costs.
- 5.2. All administration, communication and governance costs in respect of the Plan's benefits are met by the Oracle as the sponsoring employer.
- 5.3. The following tables provide details of the explicit and implicit costs applied to each of the investment options offered through the Plan over the Plan year. This data has been sourced from Phoenix whose platform is used to access the Plan's investment funds and covers the year to 31 March 2019.

- 5.4. The Trustee requested cost and charge data for all funds offered through the Plan from Phoenix for the period to 31 May 2020, however Phoenix can only currently provide this data quarterly due to an absence of the required information from each of the underlying fund managers. The Trustee, in conjunction with its professional advisers, will continue to work with Phoenix provide the information required.

#### The Lifestyle Options

- 5.5. The following table provides details of the combined TER's and transaction costs for the Lifestyle Options provided through the Plan. As the investments held by the Lifestyle Options will change in the approach to NRA this is reflected in the range of charges provided.

Investment option	TER	Transaction costs [1]
Drawdown Lifestyle Option	0.1962% - 0.2511%	0.1675% - 0.2511% [2]
Cash Lifestyle Option	0.2511% - 0.4198%	0.2511% - 0.4198% [2]
Annuity Lifestyle Option	0.0432% - 0.2511%	0.0355% - 0.2511% [2]

#### The individual fund options

The following table provides details of the TER's and transaction costs for the self-select options provided through the Plan.

Investment option	TER	Transaction costs [1]
<b>Active</b>		
Phoenix CIS Oracle Diversified Growth Fund	0.50%	0.2734%
Phoenix CIS Oracle Lifestyle Growth Fund	0.46%	0.2511% [2]
Phoenix CIS Oracle Active Bond Fund	0.48%	0.8260% [2]
Phoenix CIS BNY Mellon Real Return	0.70%	0.4796%
Phoenix CIS BlackRock Diversified Growth Fund	0.61%	0.3460%
Phoenix CIS MFS Meridian Global Equity Institutional Fund	0.71%	0.0276%
Phoenix CIS Oracle Active UK Equity Fund	0.71%	0.1726%
Phoenix CIS Threadneedle Pensions Property Fund	0.80%	-0.6105%
Phoenix CIS Oracle Cash Fund	0.20%	0.0116%
<b>Passive</b>		
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%	0.0210%
Phoenix CIS Oracle Global Equity Fund	0.10%	-0.0172%
Phoenix CIS LGIM UK Equity Fund	0.10%	0.0219%



Investment option	TER	Transaction costs [1]
Phoenix CIS LGIM Over 15 Year Gilts Index Fund	0.10%	0.0470%
Phoenix CIS Oracle Index Linked Gilt Fund	0.10%	0.0748%
Phoenix CIS LGIM Corporate Bond All Stocks Index Fund	0.18%	-0.0676%
Phoenix CIS LGIM Ethical UK Equity Index Fund	0.25%	0.0650%

[1] In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

[2] The Trustee introduced the Oracle Active Bond Fund and Oracle Lifestyle Growth Fund as underlying components of the Lifestyle Options (to different degrees) as well as self-select investment options in July 2019. As these funds were only in place for part of the Plan year, transaction cost data for a full year is not available. Data for a full Plan year will be included in subsequent Statements.

## 6. Demonstrating the impact of costs and charges

- 6.1. To demonstrate the impact of the costs and charges applied through the Plan, the Trustee has produced illustrations in line with statutory guidance and the September 2018 guidance from the Department for Work & Pensions entitled "Cost and charge reporting: guidance for trustees and managers of occupational schemes". These illustrations are set out below and are designed to cater for representative cross-sections of the membership of the Plan.
- 6.2. To determine the parameters used in these illustrations, the Trustee has analysed the members invested in the Plan over the Plan year and has taken into consideration the range of investment options offered to members. As a result of this analysis the Trustee has elected to base these illustrations on the following variables:
  - 6.2.1. Pot size: pot sizes of £5,000, £15,000, £40,000 and £75,000 have been used as the Trustee considers these to be broadly representative of the pot sizes of members invested across Section 1 and Section 2 of the Plan.
  - 6.2.2. Future contributions: as all members of the Plan are now no longer actively making pension contributions, the Trustee has decided to produce illustrations that assume no future contributions will be paid.
  - 6.2.3. Investment funds: the investment options selected for these illustrations include the most popular by number of members for Section 1 and Section 2 of the Plan, the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.
  - 6.2.4. Timeframe: the illustrations are shown over a 35 year time frame as this covers the approximate duration that the youngest member would take to reach NRA.



- 6.3. For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund. The TER applied is in line with the table set out in section 5.5 this Statement and the Transaction Costs are the average of those experienced in each fund over the previous 2 years (where available).
- 6.4. The Trustee is aware that the Regulations require the transaction costs data used to produce the illustrations be based on an average of the past 5 years, however Phoenix was not able to provide transaction cost data covering this timeframe for this Statement. The Trustee, in conjunction with its professional advisers, will continue to remind Phoenix of its legal duty to provide such information.
- 6.5. The illustrations are presented in two different ways:
- 6.5.1. For the Lifestyle Options, the illustrations have been calculated based on the number of years until the member reaches their chosen retirement date. This is because the underlying asset allocation and therefore the costs and charges of the Default change over time and this needs to be reflected in the illustrations.
- 6.5.2. For the Oracle Diversified Fund and the other self-select funds, the illustrations have been calculated based upon the number of years (from 31 May 2020) that a member expects to be invested in those funds.

#### Guidance to the illustrations

1. Projected pot sizes are shown in today's terms and consequently do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations at 2.5%.
2. Each illustration assumes up to 35 years of membership leading up to the Plan's normal retirement age of 65.
3. Values shown are estimates and not guaranteed.
4. The starting date for the illustrations is 31 May 2020.
5. The projected growth rates, gross of costs and charges, for each fund or arrangement have been provided by Barnett Waddingham LLP and are in line with the 2020 Statutory Money Purchase Illustrations (SMPI). They are calculated with reference to the Financial Report Council's Actuarial Standards TM1 and are set out in the table below, alongside the TER and Transaction costs used to produce the illustrations.

Fund/strategy name	Nominal return	Real return	TER	Transaction cost
Drawdown Lifestyle [1]	2.30% - 3.50%	-0.20% - 1.00%	0.35% - 0.46%	0.1675% - 0.2511% [2]
Cash Lifestyle [1]	0.30% - 3.50%	-2.20% - 1.00%	0.15% - 0.46%	0.2511% - 0.4198% [2]
Oracle Diversified Growth Fund	3.90%	1.40%	0.50%	0.2548%
LGIM Over 15 Year Gilts Index Fund	0.30%	-2.20%	0.10%	0.0197%
Oracle Active Bond Fund	1.30%	-1.20%	0.48%	0.8260% [2]
Oracle Global Equity Fund	4.30%	1.80%	0.10%	0.0071%

[1] These figures have been calculated as a weighted average of the underlying funds and the range provided reflects the change to asset allocation from 5 years to NRA.

[2] The transaction costs for the Oracle Lifestyle Growth Fund and Oracle Active Bond Fund which make up part of the Lifestyle Strategies are only available for part year as the funds were only recently introduced to the Plan. For other components of the Lifestyle Options a 2 year average has been used.

**Important note: each of the illustrations allow for the future impact of inflation which, for certain funds, is higher than the assumed rate of growth. This is why the real terms value of the savings pot decreases over time.**

### Phoenix CIS Oracle Diversified Growth Fund

An illustration has been included for the Oracle Diversified Growth Fund as it is the default investment arrangement for Core benefits held through Section 1 of the Plan and a popular self-select investment option.

Years of investment from 31 May 2020	Starting pot size £5,000		Starting pot size £15,000		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000	£5,000	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£5,068	£5,031	£15,205	£15,094	£40,546	£40,252	£76,024	£75,472
5	£5,351	£5,159	£16,053	£15,478	£42,807	£41,275	£80,264	£77,390
10	£5,726	£5,324	£17,179	£15,971	£45,812	£42,590	£85,897	£79,857
15	£6,128	£5,493	£18,385	£16,480	£49,027	£43,948	£91,926	£82,402
20	£6,558	£5,669	£19,675	£17,006	£52,468	£45,348	£98,377	£85,028
25	£7,019	£5,849	£21,056	£17,548	£56,150	£46,794	£105,282	£87,738
30	£7,511	£6,036	£22,534	£18,107	£60,091	£48,285	£112,671	£90,535
35	£8,039	£6,228	£24,116	£18,684	£64,309	£49,824	£120,579	£93,420

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2020, when they came to retire in 10 years' time the savings pot could be £17,179 if no charges are applied but £15,971 with charges applied.

## Drawdown Lifestyle Option

An illustration has been included for the Drawdown Lifestyle Option as it is one of the default investment arrangements for Section 2 of the Plan and for Non-core benefits held through Section 1 of the Plan. It is also the most popular investment option for members invested in Section 2.

Years from taking benefits	Starting pot size £5,000		Starting pot size £15,000		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000	£5,000	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£5,002	£4,975	£15,006	£14,924	£40,016	£39,799	£75,029	£74,622
5	£5,128	£4,972	£15,384	£14,917	£41,024	£39,778	£76,920	£74,584
10	£5,383	£5,043	£16,149	£15,128	£43,064	£40,342	£80,746	£75,641
15	£5,651	£5,114	£16,952	£15,343	£45,207	£40,913	£84,762	£76,713
20	£5,932	£5,187	£17,796	£15,560	£47,455	£41,493	£88,979	£77,800
25	£6,227	£5,260	£18,681	£15,780	£49,816	£42,081	£93,404	£78,902
30	£6,537	£5,335	£19,610	£16,004	£52,294	£42,678	£98,051	£80,021
35	£6,862	£5,410	£20,586	£16,231	£54,895	£43,283	£102,928	£81,155

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2020, when they came to retire in 10 years' time the savings pot could grow to £16,149 if no charges are applied but to £15,128 with charges applied.

## Cash Lifestyle Option

An illustration has been included for the Cash Lifestyle Option as it is one of the default investment arrangements for Section 2 of the Plan and for Non-core benefits held through Section 1 of the Plan.

Years from taking benefits	Starting pot size £5,000		Starting pot size £15,000		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000	£5,000	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£4,943	£4,907	£14,830	£14,720	£39,547	£39,255	£74,151	£73,602
5	£4,980	£4,805	£14,939	£14,414	£39,839	£38,438	£74,697	£72,070
10	£5,228	£4,873	£15,683	£14,618	£41,820	£38,982	£78,413	£73,092
15	£5,488	£4,942	£16,463	£14,826	£43,900	£39,535	£82,313	£74,128
20	£5,761	£5,012	£17,282	£15,036	£46,084	£40,095	£86,408	£75,178
25	£6,047	£5,083	£18,141	£15,249	£48,376	£40,663	£90,706	£76,244
30	£6,348	£5,155	£19,044	£15,465	£50,783	£41,240	£95,218	£77,324
35	£6,664	£5,228	£19,991	£15,684	£53,309	£41,824	£99,954	£78,420

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2020, when they came to retire in 10 years' time the savings pot could be £15,683 if no charges are applied but £14,826 with charges applied.

## Phoenix CIS Oracle Global Equity Fund

An illustration has been included for this fund as it is one of the funds offered through the Plan with the highest assumed investment return and the lowest overall charges over the Plan year.

Years of investment from 31 May 2020	Starting pot size £5,000		Starting pot size £15,000		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000	£5,000	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£5,088	£5,083	£15,263	£15,248	£40,702	£40,661	£76,317	£76,239
5	£5,455	£5,427	£16,364	£16,280	£43,638	£43,414	£81,821	£81,402
10	£5,951	£5,890	£17,852	£17,670	£47,606	£47,120	£89,262	£88,350
15	£6,492	£6,393	£19,476	£19,178	£51,936	£51,142	£97,380	£95,891
20	£7,082	£6,938	£21,247	£20,815	£56,659	£55,507	£106,236	£104,075
25	£7,726	£7,531	£23,179	£22,592	£61,812	£60,245	£115,897	£112,959
30	£8,429	£8,173	£25,287	£24,520	£67,433	£65,387	£126,437	£122,600
35	£9,196	£8,871	£27,587	£26,613	£73,566	£70,968	£137,936	£133,065

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2020, when they came to retire in 10 years, the savings pot could grow to £17,852 if no charges are applied but to £17,670 with charges applied.

## Phoenix CIS LGIM Over 15 Year Gilts Index Fund

An illustration has been included for this fund as it is a self-select investment option with the lowest assumed investment return.

Years of investment from 31 May 2020	Starting pot size £5,000		Starting pot size £15,000		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000	£5,000	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£4,893	£4,887	£14,678	£14,661	£39,141	£39,095	£73,390	£73,303
5	£4,486	£4,459	£13,458	£13,378	£35,888	£35,674	£67,289	£66,889
10	£4,025	£3,977	£12,074	£11,931	£32,198	£31,816	£60,371	£59,655
15	£3,611	£3,547	£10,833	£10,641	£28,888	£28,375	£54,165	£53,203
20	£3,240	£3,163	£9,719	£9,490	£25,918	£25,306	£48,596	£47,449
25	£2,907	£2,821	£8,720	£8,463	£23,253	£22,569	£43,600	£42,317
30	£2,608	£2,516	£7,824	£7,548	£20,863	£20,128	£39,118	£37,741
35	£2,340	£2,244	£7,019	£6,732	£18,718	£17,952	£35,096	£33,659

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2020, when they came to retire in 10 years, the savings pot could be £12,704 if no charges are applied but to £11,931 with charges applied.

## Phoenix CIS Oracle Active Bond Fund

An illustration has been included for this fund as it is the investment option with the highest overall charge.

Years of investment from 31 May 2020	Starting pot size £5,000		Starting pot size £15,000		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000	£5,000	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£4,941	£4,878	£14,824	£14,633	£39,532	£39,022	£74,122	£73,166
5	£4,714	£4,418	£14,142	£13,254	£37,713	£35,344	£70,711	£66,269
10	£4,445	£3,904	£13,334	£11,711	£35,556	£31,229	£66,668	£58,555
15	£4,190	£3,449	£12,571	£10,348	£33,523	£27,594	£62,856	£51,738
20	£3,951	£3,048	£11,852	£9,143	£31,606	£24,381	£59,262	£45,715
25	£3,725	£2,693	£11,175	£8,079	£29,799	£21,543	£55,873	£40,393
30	£3,512	£2,379	£10,536	£7,138	£28,095	£19,035	£52,678	£35,691
35	£3,311	£2,102	£9,933	£6,307	£26,488	£16,819	£49,666	£31,536

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2020, when they came to retire in 10 years, the savings pot could be £13,334 if no charges are applied but £11,711 with charges applied.

## 7. Value for members

- 7.1. In addition to the requirement to assess the charges paid by members, the Trustee is required to consider the extent to which those charges and costs represent good value for money for members ("Value for Members"). The Regulations do not prescribe how trustees are to go about assessing Value for Members; it is left to the respective trustee body to develop their own assessment framework.
- 7.2. The Trustee has established an assessment framework in order to determine whether the charges and transaction costs paid by members represent Value for Members. The Trustee has identified the following areas where they believe there is a benefit derived by members; these benefits can be financial or non-financial in nature:
  - 7.2.1. Costs
  - 7.2.2. Member communications and engagement
  - 7.2.3. Investment choices
  - 7.2.4. Sound administration
  - 7.2.5. The time spent by the Trustee in making sure that the Plan is run in the interests of its members overall (referred to as 'governance')
- 7.3. The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes in respect of the five core benefit categories identified above. The assessment for this Plan year was completed on 30<sup>th</sup> October 2020.
  - 7.3.1. Costs
    - 7.3.1.1. Based on the profile of the Plan arrangements, the Trustee believes that the costs (as measured by Total Expense Ratios) are competitive when compared to current market rates.

### 7.3.2. Member communications and engagement

7.3.2.1. The Plan provides effective communications that are accurate, clear, informative and timely.

7.3.2.2. Use is made of a variety of communication media.

7.3.2.3. There are also online tools and access to information via the Plan's member website.

### 7.3.3. Investment choices

7.3.3.1. The Plan offers a variety of lifestyle and standalone investment options covering a range of member risk profiles and asset classes. The investment choices available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind.

### 7.3.4. Sound administration

7.3.4.1. The Trustee has appointed Barnett Waddingham to provide administration services to the Plan and is satisfied that Barnett Waddingham has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that, if administrative errors do occur, members are not disadvantaged as a result.

7.3.5. The time spent by the Trustee in making sure that the Plan is run in compliance with the law and regulation including taking account of the interests of its members (known as governance)

7.3.5.1. The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet legal requirements and industry best practice.

7.4. Overall, the Trustee believes that the costs incurred by Plan members offer Value for Money in this context. Additionally, the charges paid by members for the default investment arrangements are compliant with the statutory Charge Cap.

7.5. In addition, it should be noted that the Trustee believes that transaction costs provide value for members, as the ability for the investment managers to transact forms an integral part of the investment process, and gives potential for greater investment returns net of charges over time. The Trustee will however monitor trends in the levels of transaction costs.

## 8. Trustee knowledge and understanding

8.1. Dalriada Trustees Limited ("Dalriada") has been a Trustee of the Plan since 10 December 2013 and the sole independent professional trustee since 1 August 2017. Throughout its appointment, Dalriada has been represented by Adrian Kennett and Greig McGuinness. There has been no changes to the Trustee over the Plan year.

### Knowledge and expertise of the Trustee

8.2. As an independent professional Trustee, Dalriada brings a high degree of pension experience, knowledge and expertise to the management of the Plan and have the requisite knowledge and skills to undertake a trustee role effectively.

- 8.3. Both Dalriada representatives are familiar with the Plan governing documentation having overseen a consolidation review of the Plan's Trust Deed & Rules. They have also been instrumental in the development and implementation of other existing Plan governance documents and policies.
- 8.4. As an independent professional trustee, representatives of Dalriada are subject to external audit with regards to the maintenance of knowledge and understanding that is both relevant and appropriate to their ongoing appointments. This includes the need to complete the Pensions Regulator's trustee toolkit which ensures a good level of knowledge around the law relating to pensions and trusts and the procedures and the principles of investment and funding.
- 8.5. Mr Kennett is a Fellow member, and Mr McGuinness an Associate member, of the Pensions Management Institute and both also hold membership of the Association of Professional Pension Trustees and both are Accredited Members of the Association of Professional Pensions Trustees. As such, both are required to comply with the Continuous Professional Development (CPD) requirements of these professional organisations. This ensures that the Dalriada representatives maintain their knowledge of the regulatory framework and are able to put this into practice when managing the Plan. This includes compliance with regulatory duties, overseeing service providers, taking and challenging advice from the Plans professional advisers and managing the Plan for the benefit of members.
- 8.6. Training on aspects of investments, scheme management and regulation (both of a general nature and in relation to the Plan) is provided at Trustee meetings by the Trustee's professional advisers and Trustee training is a standing item agenda. Such training is complemented by attendance at pensions focussed conferences, seminars and courses as well as the wider CPD activities described above.
- 8.7. Over the Plan year, representatives of Dalriada have undertaken training and attended seminars which include, but are not limited to:
- 8.7.1. The new costs and charges disclosure duties and the impact upon the Plan
  - 8.7.2. DC governance and future regulatory change and how these developments will need to be accommodated through the Plan
  - 8.7.3. Developing regulations regarding the incorporation of Environmental, Social and Governance (ESG) factors and how such factors are integrated by the Plans investment managers.
  - 8.7.4. Updated Statement of Investment Principles requirements and the need to report on their adherence in a Compliance and Implementation Statement.
  - 8.7.5. Regulatory updates on the role of the Trustee during Covid 19
  - 8.7.6. Pensions Legal update
  - 8.7.7. Various external seminars, conferences, webinars and other virtual events.
- 8.8. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the Plan and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.



#### Access to professional advice

- 8.9. The Trustee has appointed recognised and suitably qualified legal advisers and investment consultants, who provide advice on the operation of the Plan in accordance with the Plan's Trust Deed and Rules and in compliance with legislation. The appointment and an assessment of the Trustee's advisers is reviewed on an annual basis.
- 8.10. The Trustee consults with its professional advisers as and when required, for example, on investments, governance and legal matters. Its professional advisers alert the Trustee on relevant changes to pensions legislation.
- 8.11. Over the Plan year, the Trustee received advice and consulted with its professional advisers on the following:
  - 8.11.1. The implementation of the changes to the Plan's Lifestyle Options.
  - 8.11.2. The timing of the transfer away from the Phoenix LGIM Property Fund in favour of the Phoenix Threadneedle Pension Property Fund.
  - 8.11.3. The updates to the Plan's Statement of Investment Principles (SIP), to include the Trustee's stewardship policies and the arrangements with asset managers.

#### Trustee's knowledge of the Scheme's governing documentation

- 8.12. The Trustee is conversant with the Plan's Trust Deed and Rules as well as all other relevant Plan documentation, both through their overall experience in managing the Plan as well as its review of such documentation. Over the Plan year, the Trustee has reviewed the following Plan documentation:
  - 8.12.1. The Trustee reviewed the Plan's SIP to incorporate information on the Trustee's stewardship policies and its arrangements with the Plan's asset managers.
  - 8.12.2. The risk register is reviewed at least annually (the last review was completed in April 2020) to ensure that all relevant risks have been identified.
  - 8.12.3. The member communication materials are updated each tax year and reviewed by the Trustee. Over the Plan year this included:
    - 8.12.3.1. A review of the Investment Guide in July 2019 to capture the revisions to the Lifestyle Options and the self-select fund range
    - 8.12.3.2. The launch of a new website which included the Annual Governance Statement and the SIP. This was further enhanced over the next Plan year to include more general information about the Plan.

## Assessment

- 8.13. The Trustee considers that the combined knowledge of the Trustee Board, skills and understanding together with the advice which is available to the Trustee from its professional advisers, enables the Trustee to properly exercise its Trustee functions.

## 9. Covid-19

- 9.1. At the time of preparing this statement, the Trustees continue to work closely with their advisers and service providers to assess the impact of Covid-19 on the Plan. This work has included:
- Engaging with Barnett Waddingham to ensure that core financial transactions are processed promptly
  - Considering the immediate impact on the investment funds and what actions may be required in the short and longer term
  - Communicating with members regarding the impacts of Covid-19, how their pension has been impacted and what they need to do, in-particular encouraging them to 'stop and think' before making any investment decisions during periods of market volatility.

.....  
Adrian Kennett, for and on behalf of Dalriada Trustees Limited  
Chair of the Trustee

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Date

## Appendix 1 Statement of Investment Principles

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