# LV= Employee Pension Scheme

# DC Governance statement, covering the period from 1 April 2021 to 31 March 2022

## 1. Introduction

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

- The Trustee regularly monitors the Scheme's fund range and is satisfied that the defaults and other investment options remain suitable for the membership;
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the period 1 April 2021 to 31 March 2022 (the "Scheme year"). The Trustee is satisfied with the administrator's performance over this period;
- Fees can have a material impact on the value of your pension savings. That impact increases over time because money used to pay fees is not then available to earn future investment returns;
- Fees for the Scheme's investment options are set out in this Statement. The Trustee remains comfortable that these fees are reasonable, given the circumstances of the Scheme, and represent good value for the benefits members obtain; and
- Net returns of the Scheme's investment options are also set out in this Statement. The Trustee is comfortable that returns have been in line with expectations over the periods shown.

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

## 2. Default arrangements

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes.

The Trustee offers a range of investment options in the Scheme for members. Members who join the Scheme and who do not choose an investment option are placed into the default investment arrangement. For the period covered by this Statement, this is the Universal Lifetime Strategy (the "Default Lifetime"). It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meet the Trustee's views of the needs and circumstances of the majority of the membership.

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

The Scheme's My Cash Fund also satisfies the criteria that define a default option. This is because the Trustee decided to redirect contributions originally intended for investment in the My Property Fund into the My Cash Fund while the My Property Fund was suspended from March 2020 until September 2020. This situation arose because it was not possible to source reliable property valuations during the Covid 19 pandemic. Because the members' contributions were redirected without their involvement and some remain invested, the My Cash Fund also has to be treated as an additional default for the Scheme for the purpose of fulfilling legislative requirements.

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

Details of the Trustee's objectives and policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The elements of that SIP that cover these defaults are attached as an appendix to this document. Three times a year the Trustee's DC Sub-committee checks that the risk and return of the defaults, and their underlying funds, are as expected, using performance monitoring reports produced by its advisers. There is a formal review of the performance and the strategy at least every three years and following any significant change in investment policy or the Scheme's member profile.

The Trustee reviewed the Default Lifetime strategy outside of the period covered by this Statement on 4 March 2021, with the help of the Scheme's investment adviser. This process included a review of the demographics of the Scheme's membership (using their projected pot sizes to understand how members are likely to access their benefits) and a review of the performance. The Trustee concluded that performance had been broadly in line with the stated aims and objectives as expected and that the design of the Default Lifetime remains appropriate, given the Scheme's risk profiles and membership.

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

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

The My Cash Fund became a default and the fund was confirmed as suitable for contributions to be diverted into it in April 2020. The Trustee was also comfortable that the design of the My Cash Fund was appropriate, given the Scheme's risk profiles and membership. The next review is scheduled to take place before April 2023.

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

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

## 3. Requirements for processing core financial transactions

Aviva administers the Scheme's DC pension arrangements for the Trustee and is responsible for processing core financial transactions, such as the investment of contributions, processing transfers in and out of the Scheme, transferring assets between different investments within the Scheme, and payments to members and beneficiaries.

The Trustee recognises that administrative delays and errors can cause significant issues for members, which in turn might cause members to lose faith in the Scheme thus reducing their propensity to save and impairing future retirement outcomes. Aviva has provided the Trustee with its AAF 01/06 report and this report satisfied the Trustee that Aviva has adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA") in place with Aviva that defines the standard of accuracy and timeliness of all core financial transactions agreed with the Trustee.

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

The key processes undertaken by Aviva are:

- Contributions and Single Payments
- Transfers In
- Fund Switches
- Customer Amendments
- New Entrants / Joiners
- Transfer Out Process
- Leaver Process

- Retirement Quotes
- Quotes
- Retirement Payments
- Death Claim Process
- General Administration
- Withdrawals/Payments Out

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

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

Aviva employs the following measures to meet the SLA:

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

    Aviva aims to identify non-value demands so that it and the Trustee can understand how Aviva can improve the service to members.

The Trustee has monitored Aviva's performance by:

- reviewing Aviva's quarterly governance reports; and
- instructing the Pensions Team to monitor Aviva's performance and to report any concerns to the Trustee. The Team does this by having regular calls with Aviva and making changes, as required.

Any issues identified as part of these review processes are raised with Aviva immediately and steps are taken to resolve them.

Aviva reported service levels of 97% for the year to 31 March 2022, exceeding its agreed target of 95%. This reflects an improvement on last years' service level performance of 94%.

In addition, on average, Aviva took 2.6 days to complete tasks and 91.8% of member cases were completed within 5 days.

In its role as the Scheme's administrator and platform provider, Aviva implemented changes to the default and self-select range on 9 July 2019. In doing so, it made some errors in the process. These errors affected a small number of Scheme members.

With one exception, the errors were rectified in November 2021 and members who were had been adversely affected were fully compensated. The Trustee continues to liaise with Aviva to get the final remaining issue resolved and Aviva has confirmed that it has reviewed and updated its processes to avoid such errors in future. The Trustee had these updated processes audited by an external party during the Scheme year and concluded that it is satisfied with the process improvements that Aviva made and that members had been appropriately compensated.

**Additional Voluntary Contributions ("AVCs")**

Standard Life

Standard Life has confirmed that all core financial transactions were dealt with promptly and accurately over the period covered by this Statement. There is a standard Service Level Agreement ("SLA") covering the accuracy and timeliness of all core transactions that targets 10 working days for core financial transactions and has an internal controls statement that outlines information about processing of these core financial transactions.

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

- Automated systems are designed to ensure consistent, timely and accurate receipt and allocation to the correct funds for regular and single payments;
- Regular monitoring of process and people performance, including control self-assessment reviews;
- Reconciliations are carried out between Finance and Customer Operations to ensure contributions are accurately recorded;
- Documented business procedures are in place for contributions processed. These procedures form the basis for their staff training programmes and are regularly reviewed;
- Compliance with processes is supported by an automated workflow system that ensures work is enabled, tracked and managed;
- A dedicated control team actively manages manual payments (including automation failures) and the reporting of missed contributions to the Pensions Regulator;
- An automated quotes system, which ensures the consistent application of calculations;
- Scheme rules and policy provisions are coded within automated systems that have been built and tested to establish project management practices; and
- A quality assurance framework is in place to ensure that payments are processed in line with the defined processes and service levels.
- Standard Life has confirmed that it aims to complete 90% of all requests within 10 working days. It confirmed that 75% of requests (6 out of 8), that included providing Scheme/members' information, were completed within this timeframe over the Scheme year. This means that the service standards have been below the service standards agreed with the Trustee.
- However, as the number of cases in question were low, if one case falls outside of SLA measurements, this leads to significant a higher proportional reduction in the overall average percentage. Taking this into account, the Trustee remains broadly comfortable with Standard Life's performance against its SLA target but will continue to work with Standard Life to improve these levels going forward.

Utmost

Utmost was only able to provide information relating to core financial transactions for the period from 1 January 2021 to 31 December 2021 (so, only part of this Scheme year). Utmost has confirmed that 96% of payments, 84% of illustrations and 90% of general servicing were completed within their stated service level targets over the year to 31 December 2021.

The Trustee will continue to follow-up with Utmost to obtain this information for the full Scheme year. The Trustee does not have an individual SLA in place with Utmost as they do not provide specific SLAs. However, Utmost has confirmed that it has its own, internal service level standards which cover the accuracy and timeliness of all core transactions. Utmost has confirmed SLAs were measured as follows for the period from 1 January 2021 to 31 December 2021:

- 95% of payments out made within 5 days;
- 95% of benefit illustrations within 10 days; and

- 90% of all general servicing within 10 days.

In addition, Utmost has produced a detailed statement that confirms that it has a system of internal controls for ensuring its effectiveness. Although the system is designed to manage (rather than eliminate) the risk of failure, it provides reasonable assurance to the Trustee against material loss or misstatement.

The key processes adopted by Utmost to help it meet its internal service standards are as follows:

- Utmost has internal standards that ensure that staff are properly trained, qualified, supervised and monitored;

- Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate;

- Administration procedure manuals are regularly reviewed and updated;

- Both automated and manual processes and work are subject to checking and/or regular quality sampling;

- Utmost conducts a data review exercise on an annual basis. It also updates its data when it receives new information from the Trustee.

The Trustee receives the members' annual benefit statements and reporting on the Scheme information, including details of the members, any transactions and fund values. These reports from Utmost include annual updates of upcoming retirements during the Scheme year. All transaction correspondence, such as retirement quotations and transfer quotations are sent by Utmost to the Trustee to send on to members. This allows the Trustee to monitor the accuracy of the transactions and check they were completed within the agreed target turnaround performance standards for different activities specified under Utmost's internal service level standards.

**Overall**

The Trustee is satisfied that over the period covered by this Statement:

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

## 4. Member-borne charges and transaction costs

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

The TERs are shown as a per annum (p.a.) figure and includes any costs such as administration and investment borne by the members other than the transaction costs.

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

The charges and transaction costs have been supplied by Aviva, the Scheme's platform provider, as well as Standard Life and Utmost for the AVCs.

When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance. The method for calculating transaction costs can sometimes produce a negative cost, where market movements are favourable between the time a trade is placed and it is executed. The Trustee has shown any negative figures in the tables for the Scheme year as provided, but for the costs and charges illustrations it has used zero, where a transaction cost is negative, as this is not an appropriate guide to what the members are likely to experience in future (i.e. we would not expect transaction costs to be negative over the long term).

**Default arrangements**

As explained above, the default for the Scheme is the Default Lifetime and there is also an additional default arrangement called the My Cash Fund.

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

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

Universal Lifetime Strategy (also known as the Default Lifetime) - charges and transaction costs

| Years to target retirement date | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| 15 years to retirement | 0.34 | 0.00 |
| 10 years to retirement | 0.45 | 0.06 |
| 5 years to retirement | 0.56 | 0.12 |
| At retirement | 0.58 | 0.16 |

The My Cash Fund is also considered to be a default for the Scheme year: the charges and transaction costs for this fund are outlined in the table on the next page.

**Alternative Lifetime Strategies**

In addition to the Default Lifetime, members also have the option to invest in three other lifetime strategies, targeting drawdown, annuity purchase and cash withdrawal. The annual charges for these strategies during the period covered by this Statement are set out in the tables below.

Annuity Focused Lifetime Strategy - charges and transaction costs

| Years to target retirement date | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| 15 years to retirement | 0.34 | 0.00 |
| 10 years to retirement | 0.45 | 0.06 |
| 5 years to retirement | 0.56 | 0.12 |
| At retirement | 0.29 | 0.02 |

Drawdown Focused Lifetime Strategy - charges and transaction costs

| Years to target retirement date | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| 15 years to retirement | 0.34 | 0.00 |
| 10 years to retirement | 0.45 | 0.06 |
| 5 years to retirement | 0.56 | 0.12 |
| At retirement | 0.49 | 0.10 |

Cash Focused Lifetime Strategy - charges and transaction costs

| Years to target retirement date | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| 15 years to retirement | 0.34 | 0.00 |
| 10 years to retirement | 0.45 | 0.06 |
| 5 years to retirement | 0.56 | 0.12 |
| At retirement | 0.44 | 0.06 |

### Self-select funds

Members can also choose between a number of self-select investment options. The charges for these funds and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Defaults are shown in **bold,** as is the My Cash Fund (which is also a default fund).

Owing to some errors, a small cohort of members are invested in the blended funds used in the Lifetime strategies. As such, the funds marked with * were not offered on a self-select basis other than in exceptional cases that were specifically agreed.

Self-select fund charges and transaction costs

| Fund name | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| **My Global Shares Fund** | **0.34** | **0.00** |
| **My Balanced Growth Fund** * | **0.56** | **0.12** |
| **My Approaching Retirement Fund** * | **0.58** | **0.16** |
| My Lump Sum Targeting Fund * | 0.44 | 0.06 |

| Fund name | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| My Pre-Retirement (Annuity Focused) Fund | 0.30 | 0.03 |
| **My Cash Fund** | **0.26** | **0.02** |
| My Diversified Growth Fund | 0.47 | 0.00 |
| My Diversified Growth (Active) Fund | 0.54 | 0.44 |
| My Property Fund | 0.91 | 0.37 |
| My UK Shares Fund | 0.26 | 0.18 |
| My Ethical Global Equity Fund | 0.51 | 0.00 |
| My Emerging Markets Equity Fund | 0.60 | 0.00 |
| My Islamic Global Equity Fund | 0.66 | 0.00 |

**AVC assets**

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

| Fund name | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| Standard Life Pension Millennium With Profits Fund | 1.15 | 0.15 |
| Standard Life Pension With Profits Fund | 1.75 | 0.11 |

The charges for each Utmost AVC fund in which members are invested over the period covered by this Statement are set out in the following table.

**Utmost Life & Pensions**

| Fund name | TER (% pa) | Transaction costs (% pa) |
|---|---|---|
| Managed Pension Fund | 0.75 | 0.08 |
| UK Equity Fund | 0.75 | 0.26 |
| UK FTSE All Share Tracker Fund | 0.50 | 0.06 |
| US Equity Fund | 0.75 | 0.07 |
| Global Equity Fund | 0.75 | 0.10 |
| Multi-Asset Moderate | 0.75 | 0.18 |
| Multi-Asset Cautious | 0.75 | 0.13 |

**Illustration of charges and transaction costs**

The table below illustrates the impact of charges and transaction costs on the projection of an example DC Section member's pension savings. In preparing this illustration, the Trustee had regard to the relevant statutory guidance. In order to provide this example, the Trustee has to make a number of assumptions, which are explained below:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past four years (where available), subject to a floor of zero (so the projection does not assume a negative cost over the long term). The Trustee has used the average annualised transaction costs over the past four years for the My Cash Fund, the My Property Fund and the My Pre-retirement Fund as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the latest Scheme year.
- For the My Universal Lifetime Strategy, the Trustee has used three-year transaction costs figures as this is the longest period over which figures were available due to when the fund was added to the Scheme.
- The illustration is shown for:
    - the Default Lifetime, since this is the arrangement in which most members are invested, as well as three funds from the Scheme's self-select fund range. The three self-select funds shown in the illustration are:
        - the My Cash Fund, because it is considered a default arrangement for legislative purposes (as explained above.)
        - the My Property Fund, because it is the self-select fund with highest annual member-borne costs.
        - the My Cash Fund has the lowest member-borne charges. However, as this fund is already being shown in this illustration, the My Pre-retirement Fund has been included as this fund has the second lowest member-borne charges, after the My Cash Fund.

**Projected pension pot in today's money**

| | Universal Lifetime Strategy | | My Cash Fund | | My Property Fund | | My Pre-retirement Fund | |
|---|---|---|---|---|---|---|---|---|
| Years invested | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs |
| 1 | £16,700 | £16,600 | £15,900 | £15,900 | £16,500 | £16,300 | £16,000 | £15,900 |
| 3 | £22,200 | £22,000 | £19,700 | £19,600 | £21,500 | £21,000 | £19,900 | £19,700 |
| 5 | £28,100 | £27,600 | £23,400 | £23,100 | £26,800 | £25,700 | £23,600 | £23,300 |
| 10 | £44,200 | £43,000 | £31,800 | £31,200 | £40,500 | £37,600 | £32,400 | £31,700 |
| 15 | £62,700 | £60,200 | £39,500 | £38,500 | £55,300 | £49,900 | £40,400 | £39,200 |
| 20 | £83,800 | £79,500 | £46,400 | £44,900 | £71,300 | £62,300 | £47,700 | £46,100 |
| 25 | £108,100 | £101,200 | £52,600 | £50,700 | £88,500 | £75,100 | £54,500 | £52,200 |
| 30 | £133,900 | £123,300 | £58,300 | £55,800 | £107,000 | £88,200 | £60,600 | £57,700 |
| 35 | £159,300 | £143,000 | £63,400 | £60,300 | £126,900 | £101,500 | £66,300 | £62,700 |
| 40 | £176,300 | £153,800 | £68,000 | £64,400 | £148,400 | £115,200 | £71,500 | £67,200 |

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.

- The starting pot size used is £14,000. This is the approximate average (median) pot size for active members aged below or equal to the active median age of 38 years (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The starting salary is assumed to be £25,000. This is the approximate median salary for active members aged below or equal to the active median age of 38 years.

- Total contributions (employee plus employer) are assumed to be 9.0% of salary per year.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The projection is for 40 years, being the approximate duration that the youngest Scheme member has until they reach the Scheme's Normal Pension Age.
- The projected annual returns[1] used are as follows:
    - Default option: 2.75% above inflation for the initial years, gradually reducing to a return of 0.00% at the ending point of the lifetime.
    - My Cash Fund: 2.00% below inflation (also a default for regulatory purposes).
    - My Property Fund: 1.50% above inflation.
    - My Pre-retirement Fund: 1.75% below inflation.

## 5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options that members can select or could select during the Scheme year, and in which assets relating to members were invested during the Scheme year. When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance.

For the arrangements where returns vary with age, such as for the Default Lifetime, returns are shown over the Scheme Year for a member aged 25, 45 and 55 at the start of the period the returns are shown over[2].

Universal lifetime strategy net returns over the Scheme year

| Age of member at the start of the period | 1 year (%) |
|---|---|
| 25 | 11.3 |
| 45 | 11.3 |
| 55 | 8.8 |

Drawdown lifetime strategy net returns over the Scheme year

| Age of member at the start of the period | 1 year (%) |
|---|---|
| 25 | 11.3 |
| 45 | 11.3 |
| 55 | 8.8 |

[1] No allowance for active management outperformance has been made.
[2] The returns are shown over one year as the inception date of the strategies is June 2019 and so performance over five years is not available.

Annuity lifetime strategy net returns over the Scheme year

| Age of member at the start of the period | 1 year (%) |
|---|---|
| 25 | 11.3 |
| 45 | 11.3 |
| 55 | 8.8 |

Cash lifetime strategy net returns over the Scheme year

| Age of member at the start of the period | 1 year (%) |
|---|---|
| 25 | 11.3 |
| 45 | 11.3 |
| 55 | 8.8 |

Self-select fund net returns over the Scheme year

| Fund name | 1 year (%) |
|---|---|
| **My Global Shares Fund** | 11.3 |
| **My Balanced Growth Fund** | 6.2 |
| **My Approaching Retirement Fund** | 0.9 |
| My Lump Sum Targeting Fund | -0.9 |
| My Pre-Retirement (Annuity Focused) Fund | -7.1 |
| **My Cash Fund** | -0.1 |
| My Diversified Growth Fund | 5.9 |
| My Diversified Growth (Active) Fund | 0.8 |
| My Property Fund | 23.8 |
| My UK Shares Fund | 12.8 |
| My Ethical Global Equity Fund | 18.1 |
| My Emerging Markets Equity Fund | -7.3 |
| My Islamic Global Equity Fund | 20.1 |

Standard Life net returns over the Scheme year

| Fund name | 1 year (%) |
|---|---|
| Standard Life Pension Millennium With Profits Fund | 8.5 |
| Standard Life Pension With Profits Fund | -1.1 |

Utmost Life & Pensions net returns over the Scheme year

| Fund name | 1 year (%) |
|---|---|
| Managed Pension Fund | 8.5 |
| UK Equity Fund | 12.4 |
| UK FTSE All Share Fund | 12.5 |
| US Equity Fund | 23.6 |
| Global Equity Fund | 17.0 |
| Multi-Asset Moderate | 5.6 |
| Multi-Asset Cautious | 0.4 |

### 6. Value for members assessment

The Trustee has worked closely with its advisers, Lane Clark & Peacock LLP, to conduct a detailed assessment of the extent to which all key elements of the Scheme represent value for money over the Scheme Year ending 31 March 2022.

The Trustee reviews all member-borne charges (including transaction costs where available) annually; with the aim of ensuring that members are obtaining value for money, given the circumstances of the Scheme. The date of the last review which covered the Scheme Year was 26 July 2022. For the prior Scheme Year, the value for members assessment was undertaken on 7 July 2021.

There is no legal definition of 'good value', which means that determining this is subjective. The Trustee notes that value for money does not necessarily mean the lowest fee: and also considers the overall quality of the service received. The Trustee has rated the Scheme against eight criteria. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

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

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

2. **Administration** – Fair – Overall, Aviva achieved its SLA target over the year. The Trustee, working with its investment advisers and Aviva, successfully resolved the vast majority of errors that occurred when implementing the July 2019 investment strategy changes. Aviva has since updated its processes to prevent issues of this type happening again and has compensated all members who were detrimentally impacted as a result. The Trustee undertook an audit of Aviva's updated processes with an external party during the Scheme year and concluded that it is comfortable with the improvements that Aviva has made and that members who were detrimentally impacted due to the errors were compensated accurately. The Trustee continues to work with its investment advisers and Aviva to resolve the final outstanding issue.

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

4. **Communications** – Very good – communications are clear, tailored and informative. Improvements were made to the Scheme website and member Annual Benefit Statements during the Scheme year.

5. **Default investment arrangement** – Very good – the Scheme's 'Universal' default investment strategy (implemented in July 2019), was reviewed during the prior Scheme year and remains appropriate for the majority of members by targeting all three retirement outcomes, although this is currently under review. One fund change was agreed to the underlying equity allocation within the 'My Global Shares' and 'My Balanced Growth' funds during the previous review, the implementation of which is being considered by the Trustee.

6. **Self-select investment range** – Very good – the Scheme offers three alternative lifetime strategies which target the three main retirement choices. The self-select fund range is concise, offers good value and covers all major asset classes. All of the alternative lifetime strategies and the self-select range were reviewed over the previous Scheme year and the Trustee agreed to make a change to replace the underlying fund used in the My Ethical Global Equity Fund as well as the same fund change agreed for the Default Lifetime would also be made to the alternative lifetime strategies. The implementation of these changes is being considered by the Trustee.

7. **At - retirement services** – Good – members have access to the full range of investment options, paid-for advice in respect of annuity options and support when making decisions. The Trustee has agreed to review the Scheme's current post-retirement investment offering, should there be sufficient member demand.

8. **Scheme design** – Very good – the Company's and Trustee's commitment to the Scheme is strong and demonstrated by the design and contributions.

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

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

### 7. Trustee knowledge and understanding

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

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. There are at least two dedicated training sessions each year. The Trustee's advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee and DC Sub-committee ("DCSC") meetings if they are material.

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

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

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

- Overview of the Scheme;
- Introduction to Trustee role;
- Overview of a DC scheme;
- Pension scheme funding training;
- Pension scheme investment training;
- UK General Data Protection Regulation training; and

Completion of the trustee toolkit (which is an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).

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

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

There is a Training and Development Framework in place. This was last reviewed and updated in March 2019. It documents how gaps in the Trustee Directors' knowledge will be identified using self-assessment questionnaires. The questionnaires are completed each year and are reviewed at least every two years or more frequently if there is a significant change to the Pensions Regulator's expectations of trustees. Any gaps are discussed individually with the Chair of the Trustee Board to agree individual training and development activities.

A training log is maintained and updated on a quarterly basis in line with best practice. Progress against the agreed plan will be discussed at the following year's review sessions.

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

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

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

- DC Developments (Net pay resolution, removal of performance based fees from DC charge cap, Simplified Annual Benefit Statements, Stronger nudge rules, Pension Dashboard, Long term asset funds, and DC flat fee charges);

- Environmental, Social and Governance developments;
- Climate change related duties and risks;
- Managing conflicts of interest;
- Pension scams;
- Master Trusts;
- Task Force on Climate-Related Financial Disclosures requirements;
- TPR's Single code of practice consultation; and
- Pension Schemes Act 2021 – changes to TPR powers.

The knowledge and experience of the Trustee Board includes:

- The Trustee Board is conversant with the Scheme's Trust Deed and Rules, SIP and other key administrative documents, and has appropriate knowledge of pensions and trust law and matters relating to scheme funding and investment.
- The Chair of the Trustee Board and the Chair of the DCSC are professional trustees with many years' experience acting as pension scheme trustees for a number of different schemes.
- The Trustee Board's specialist legal, actuarial and DC advisers attend DCSC and Trustee meetings as appropriate to advise on specific matters on the agenda.
- The combined experience of the Trustee Board includes expertise on a broad range of business disciplines and commercial expertise.

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

Huw Evans

**Signed by the Chair of the Trustee Board of the LV= Pension Scheme Trustee**

29/10/2022

Date

# Appendix to Chair's Statement: Statement of Investment Principles – Extracts covering DC default fund

## B. Defined Contribution Section – "DC Section"

### Investment Objectives

The Trustee's primary objective for the DC section of the Scheme is to provide members with access to;

- an appropriate range of investment options, reflecting the membership profile and which will enable members to accumulate a fund to provide suitable benefits at retirement.
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

### Investment Policy

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

### Risks

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

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

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

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

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

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

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

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

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

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

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

**Suitability**

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

**Liquidity**

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

**Investment arrangements**

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

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

**Charges, transaction costs and value for money**

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

The charges for all four lifetime strategies are below the charge cap (0.75%).

**Default investment strategy**

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

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

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

One of the self-select options the Trustee offers members is the 'My Property Fund'. Following a decision to temporarily close the 'My Property Fund' from March to September 2020 (due to the suspension of trading by the underlying manager Threadneedle) contributions were redirected into the 'My Cash Fund' until such time as the Property Fund could reopen. As members' contributions were directed into the 'My Cash Fund' without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements and will be captured as a default in the Scheme's Chair's Statement. Due to the nature of property fund investments, the My Property Fund could suspend again in difficult market conditions. As such, the Trustee may again use the My Cash Fund to redirect member contributions should this occur.

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

**Monitoring**

The manner in which the Trustee monitors the investment managers in the DB section of the SIP also apply to the DC Section. However, in relation to DC, assets are predominantly held in pooled funds and they recognise that managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy.

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

The Trustee is not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. The Trustee's investment adviser provides regular advice on the suitability of the fund range and default strategy as well as monitoring how material changes to the legislation or the membership may impact this. The investment advisor will also advise the Trustee on selection and review of investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and ESG considerations).

A set of objectives have been provided by the underlying fund manager and are consistent with their benchmark and investment approach (these are, of course, simply objectives and the rate of return can obviously not be guaranteed).

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

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

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

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

## C. Responsible Investment

These considerations apply to both the DB and DC Sections of the Scheme.

**Environmental, Social and Governance Factors**

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

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

The Trustee is currently working towards integrating climate-related risks and opportunities within the Scheme's risk management process. These include ensuring compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 based upon disclosures in line with the current recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

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

## Governance and Responsibilities

The processes for identifying, assessing and managing climate-related risks are in line with the Scheme's wider Risk Management Framework. The ultimate responsibility for identifying, assessing, and monitoring climate-related risks and opportunities sits with the Trustee; however, the Trustee has delegated the day-to-day responsibilities to the Funding and Investment Sub Committee ("FISC") for the DB Section and to the Defined Contribution Sub Committee ("DCSC") for the DC Section.

In order to effectively carry out this responsibility, the FISC and DCSC (and separately the Trustee) receive sufficient training, from the relevant advisors, on an ongoing basis in respect of climate-related risks and opportunities. The FISC and DCSC monitor ESG reporting provided to them on an annual basis by their DB Investment Advisor, Redington, and annually by their DC Investment Advisor, LCP. Both the FISC and DCSC are also working to obtain relevant climate metrics as set out under DWP's adoption of the recommendations of the TCFD (the results of which will be disclosed in the Scheme's annual TCFD report). As part of this ongoing monitoring the FISC and DCSC will consider whether to retain or replace any targets set in relation to these metrics.

The FISC and DCSC also rely on the manager research and internal modelling capabilities of their Investment Advisors to effectively assess climate-related risks and opportunities, this includes, for example, carrying out climate change scenario analysis. This analysis is performed in relation to the Scheme's assets, liabilities, and covenant by the Trustee's advisors. Specifically:

- the DC asset analysis is performed by LCP, the DC Investment Advisor;
- the DB asset and liability analysis is performed by Hymans, the Scheme actuary;
- and the covenant analysis by EY Parthenon, the Scheme's Covenant advisor.

This analysis will be performed triennially; interim updates may be performed, for example if there are material changes to the Scheme's strategy, member demographics or if there are significant changes to the methodology and industry practice relating to the analysis. To this end, the Trustee will consider annually whether a refresh of the analysis is required. The results of these climate scenarios are aligned where possible to ensure a consistent approach is taken across the Scheme's entire funding strategy.

The FISC meet four times during the year. Its role includes consideration and advice to the Trustee Board on investment strategy and risks associated with the DB Section of the Scheme, this includes risks associated with climate change. The FISC also monitors investment performance, along with the Trustee Board, and is responsible for reviewing investment items on the Scheme risk register and reporting its findings to the Board. The DCSC meet three times during the year. Its purpose is to consider and advise the Board on all DC-related matters, including that effective governance processes are in place for the DC Section. The DCSC also monitors DC investment performance, ensure that the DC Section is being operated in line with the Scheme's rules and guidance and in line with required regulation. The DCSC will report compliance to the Trustee Board as appropriate.

Finally, active engagement with companies in which the Scheme is invested, specifically relating to climate-related risks and opportunities, is delegated to the Scheme's investment managers. To monitor this the FISC meet with each of their investment managers at least once every 18 months to receive an update of their climate-related reporting and to discuss any areas for improvement. The FISC and DCSC delegate the monitoring of climate related risks and opportunities in the first instance to their investment advisors, who provide at least an annual update on how each manager incorporates climate change considerations into their investment process. In the interim the Scheme's Investment Advisors raise points to note as appropriate and any key takeaways from this day-to-day monitoring are reported back to the Trustee. Meetings between the Trustee, FISC, and its DB Investment Advisor take place quarterly. Meetings between the DCSC and its Investment Advisors take place tri-annually. At the Trustee Board meetings, the relevant work the FISC and DCSC has undertaken over the period since the last meeting is relayed back to the Trustee.

## Stewardship

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

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

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

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

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

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

**Monitoring climate-related risks and opportunities**

The Trustee believes that climate change is likely to be a financial risk affecting the Scheme’s investments to some degree. The Trustee will monitor appropriate climate risk metrics related to the Scheme and considers these when making investment decisions.

The Trustee believes that climate-related factors may create investment opportunities that the Scheme should do its best to take advantage of, where it is appropriate as part of the wider strategic objectives and/or its fiduciary responsibilities.

The Trustee believes that although markets are likely to partially price in climate related risks, it cannot rely solely on markets to react quickly or accurately enough. The risks arising from climate change should therefore be actively managed where this is possible, appropriate and consistent with the Scheme’s wider investment strategy.

The Trustee believes that climate-change risk needs to be considered alongside and balanced against the other relevant investment risks and considerations when evaluating investments. The Trustee therefore acknowledges that it may not always be able to minimise climate-related risk if doing so would be to the detriment of wider strategic objectives and/or its fiduciary responsibilities.

**Engagement**

The Trustee believes that engagement (including the exercise of voting rights) is a potential means of helping to manage the Scheme’s climate-related risks. However, its efficacy can be limited, and other actions should be considered alongside engagement. Engagement with underlying companies (as well as other relevant organisations) is carried out primarily by investment managers on behalf of the Trustee.

The Trustee may look to disinvest from investments or asset managers which are inadequately managing their climate-related risks if attempts to engage with these parties to address this are not successful, subject to legal advice on any Trustee divestment decision or framework.

The FISC will work collaboratively with managers and relevant industry stakeholders to set Scheme-wide objectives for the engagement activities that are carried out on the Trustee’s behalf. This will be disclosed in the annual TCFD report.

**Appendix A - Defined Contribution Section**

The primary default option is a lifetime strategy, the Universal Lifetime Focused strategy. In addition, the My Cash Fund is also classified as a default for the purpose of fulfilling legislative requirements due to the My Property Fund being temporarily suspended from March to September 2020.

Details of the funds underlying the Universal Lifetime Focused strategy and the My Cash Fund, a standalone default fund, are set out below. Members are provided with clear information on the investment options and their characteristics that will allow them to make an informed choice.

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

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

The default "Universal Lifetime Focused" strategy, the way in which the investments change over time until members reach their selected retirement age is set out on the pages that follow.

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