Chair’s Annual Statement Regarding DC Governance for the year ending 31 March 2021

CHAIR'S WELCOME

Welcome to the annual governance statement for the year ending 31 March 2021. Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the Consumers' Association Pension and Employee Benefits Scheme (the "Scheme") are required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as AVC funds).
- the requirements for processing financial transactions.
- the charges and transaction costs borne by members.
- an illustration of the cumulative effect of these costs and charges.
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 1 April 2020 to 31 March 2021.

The Trustee Board's aim is to ensure that the Scheme is run in the best interests of the members and helps deliver better outcomes for members at retirement.

As a Trustee Board, we recognise that good scheme governance is central to achieving this. This statement focuses on a number of specific areas of scheme governance required by the Regulations, however, further information about the Scheme and the governance standards we adopt in other areas of scheme management, can be found on the Scheme website: - www.which.co.uk/pensionscheme.

On behalf of the Trustee Board and based on a review of the systems and controls in place, I believe that the Scheme met the requirements on governance standards during the year and helps to deliver better outcomes for members at retirement.

Alison Bostock
Chair, Consumers' Association Pension and Employee Benefit Scheme

28th September 2021

GOVERNANCE

Structure of the Scheme

The Consumers' Association Pension and Employee Benefit Scheme is a multi-employer pension scheme that provides pension benefits for current and past employees of the participating employers and their dependants. At 31 March 2021 the participating employers were:

- Consumers' Association (also the Principal Employer)
- Which? Ltd
- Which? Financial Services Ltd
- Research Institute for Consumer Affairs (known as the Research Institute for Disabled Consumers RiDC)

The Research Institute for Consumer Affairs withdrew from the Scheme for future service on 31 March 2019.

The Scheme started in 1974 and there have been changes over the years. It is an occupational pension scheme, governed by a Trust Deed and Rules, effective 29 March 2004, which amended and replaced the existing Deeds and Rules. The Scheme is a Registered Pension Scheme under the Finance Act 2004. It was not contracted out of the State Second Pension (S2P).

The Scheme has two sections:

Hybrid Section	Defined Contribution Section
This Section provides a pension which, in broad terms, is derived from the better of a defined benefit based on a member's pensionable service and salary near to retirement, and a notional pension value that can be provided by an account notionally allocated to a member based in part on the employer and employee contributions. The member accounts are invested separately for the benefit of named individuals rather than held in a common fund of assets which relate to the defined benefits. The Hybrid Section was closed to new entrants on 1 April 2004, but existing members continued to accrue benefits until 31 March 2019 when the Council of the Consumers' Association made the decision to close it. All affected Hybrid members joined the Defined Contribution Section from 1 April 2019. The Hybrid Section retains accrued rights of former active members of that Section and those members will, on retirement, become entitled to their benefits under this Section in accordance with the Scheme rules. The Section's assets continue to be invested in accordance with Scheme policy and the relevant employers continue to make contributions to address the Section's funding deficit, both in order to achieve the Section's funding objectives.	This Section opened on the 1 April 2004. This section is open to new employees and is used as a Qualifying Scheme for auto enrolment by the employers. Members of this Section accrue benefits on a money purchase basis. Each member has a Pension Account which records the value of their contributions and those made by the Employer on their behalf. Those contributions are invested in accordance with Scheme policy and, where relevant, member selections, and the performance of those investments is attributed to the member's Pension Account. On retirement, the Pension Account is applied in accordance with the Scheme rules and, where relevant, at the direction of the member, outside of the Scheme to provide the member with pension benefits.

Active members can make additional voluntary contributions 'AVCs' to the Defined Contribution Section to increase their retirement benefits. Prior to the closure of the Hybrid Section on 31 March 2019, active members of that Section were able to make AVC contributions to that Section.

The Trustee Board

The Trustee Board governs the Scheme in accordance with the Rules and relevant legislation. The Principal Employer determines the number of Trustees on the Trustee Board, which is currently six.

The Trustee Board consists of four Trustees appointed by the Principal Employer and two appointed following a nomination process among all the Scheme members and a selection panel appointed by the Trustees. This is to ensure that members and the employers can make their views on matters relating to the Fund known to the Trustees.

TRUSTEE KNOWLEDGE AND UNDERSTANDING

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.

The Trustees take these requirements very seriously.

When first appointed, the Secretary to the Trustees provides an induction to pensions and the Scheme. There were no new Trustees during the year. The induction programme, as well as the ongoing training provided to the Trustees, covers:

- the law relating to pensions and trusts,
- the provisions of the Scheme's governing documents, including the trust deed and rules, statement of investment principles, statement of funding principles and all other documents in relation to the administration of the Scheme,
- roles and responsibilities of the individuals and bodies involved in funding, governing and administering the Scheme,
- the principles of funding,
- the principles of investment,
- actuarial valuation of the Hybrid Section of the Scheme,
- the principles of contributions and investment for the Hybrid Section and the Defined Contribution Section of the Scheme,
- the Scheme's benefit structure,
- the Scheme's administration arrangements,
- retirement options available to members,
- leaving service benefits,
- death benefits and
- the Trustees' current investment strategies for each section.

The Trustees also attend external courses from time to time.

After initial training, Trustees receive training at their meetings which are specific to the matters that they are dealing with and the decisions that they are required to make, including in relation to the matters listed above. Training at these meetings is provided by the Scheme's advisers.

The Trustees' training records during the year are set out below.

Trustee	**Training**	**Date**	**delivered by**
Alison Bostock	Achieved professional trustee accreditation from 1 July 2020, and this requires 25 hours per year of Continuing Professional Development.	01/07/2020	various
All Trustees	Trustee Toolkit - Pension Scams Module	During January and February 2021	Pensions Regulator
Julian Edwards	Preventing fraud	10/01/2021	Pensions Regulator
Julian Edwards	ESG Issues	26/11/2020	XPS
Alastair Reed	Trustee Toolkit Completed	05/10/2020	Pensions Regulator
Ron Lam	Member consultations	01/10/2020	XPS
Ron Lam	Scheme Benefit Changes	01/09/2020	XPS
All Trustees	Master Trusts	16/08/2020	Karen MacKenzie
Alison Bostock	GDPR Training	14/08/2020	Which?
Ron Lam	Actuarial Valuations	28/07/2020	Karen MacKenzie
Julian Edwards	Master Trusts	23/07/2020	Gowling
Ron Lam	Employer covenant assessment	01/07/2020	RPMI
Andrew Reading	Cyber Security	19/05/2020	Cybsafe

Attendance at training is recorded in the Trustees' training register. Trustees are required to complete the relevant modules of the Pensions Regulator's Trustee Toolkit or pass the Pensions Management's Institute's examination Award in Pension Trusteeship. All Trustees have either completed the Toolkit or passed the examination. In addition, Alison Bostock holds the Pensions Management Institute's Certificate in DC Governance.

In addition to receiving the training detailed above, the Trustees take personal responsibility for ensuring that they continue to have a working knowledge of the Scheme's documents for both the DC and Hybrid Sections, including

- the Trust Deed and Rules,
- the Statement of Funding Principles,
- the Statement of Investment Principles,
- the last actuarial valuation of the Scheme and any actuarial reports commissioned since,
- the audited Annual Report and Financial Statements,
- the Scheme's member booklets and
- the Trustees' policies for administering the Scheme.

The Trustees have online access to the Scheme's key documents and can access these when required to make decisions or exercise their discretion. Trustees request the input of their legal adviser where necessary.

The Trustees receive briefings from the Scheme's advisers, the Pensions Regulator and the Scheme Secretary, which they use to keep themselves up to date with relevant developments and identify their evolving responsibilities. The Trustees regularly receive advice from their professional advisors.

To identify gaps in their knowledge, the Trustees carry out an annual self-assessment using a questionnaire, which includes questions about their training needs. The Secretary and the Trustee Board review the self-assessment responses and arrange for training to be made available to individual Trustees or to the whole Trustee Board as appropriate.

The Trustee Board has an independent professional trustee who was a former Scheme Actuary to the Scheme and has a detailed understanding of the Scheme's documentation, and its operation from an actuarial and investment perspective.

The Trustees believe their combined knowledge and understanding and that of their advisers enables the Trustee Board to run the Scheme properly.

As Chair of Trustees, I engage with individual Trustees to ensure we are providing sufficient opportunities for their skills and knowledge to be kept up to date. Taking into account the experience, knowledge and understanding of individual Trustees, and the professional advice and other resource that is available to them, I am confident that the Trustee Board has the right mix of skills and competencies to ensure the Fund is well governed and properly managed.

ADMINISTRATION

Processing Core Financial Transactions

The Trustees have a duty to ensure that the core transactions have been processed promptly and accurately during the scheme year.

Core financial transactions include, but are not limited to:

- the investment of contributions to the Scheme.

- the transfer of pension scheme assets relating to members into and out of the Scheme.

- the transfer of assets relating to members between different defined contribution/money purchase investments.
  and
- payments from the Scheme to, or in respect of, members.

The Trustees recognise that these core financial transactions must be processed promptly and accurately to help deliver better outcomes for Scheme members.

The Trustees are confident that the processes and controls are robust, that corrective measures are taken where necessary and that the core financial transactions were processed promptly and accurately during the Scheme year.

The administration of the Scheme is delegated to Consumers' Association. The Trustees have a service level agreement in place with Consumers' Association which defines target times for processing the core financial transactions (as detailed below), individual case work and regular administration tasks. The Trustees monitor reports from the administrator provided at each Trustee Board meeting, held at least quarterly, which includes actual performance compared to expected performance. The Trustees annually review the internal controls of the administration and from time to time, the Consumers' Association carries out internal audits of the administration. An internal audit of the transfer process and payment of lump sums on retirement or death was in 2020. Internal audit reports are presented to the Trustees and actions to address any issues agreed.

To keep track of their compliance with the agreed targets, the administrators:

- keep a case log that monitors the progress of individual member case work and regular administration tasks.
- monitor and reconcile bank accounts on a weekly basis.
- monitor and reconcile employee and employer contributions coming into the Scheme on a monthly basis.
- reconcile the investment manager's reports of the Defined Contribution Section assets to the total assets recorded on the members' records at least monthly and more frequently than monthly depending on the number of transactions processed.
- reconcile the Hybrid Section money purchase investment manager's annual report for the Hybrid Section annually.

Financial instructions require a two-step process to peer review for accuracy, security and to prevent fraud, one administrator to set up the instruction and one to authorise the instruction when making a bank payment, investing contributions, divesting investments or switching investments.

As noted above, the Trustees review the administrators' reports of these items at each Trustee Board meeting.

Investment of contributions to the Scheme

The Principal Employer pays contributions directly to the investment manager on behalf of all the Participating Employers and the instruction on where to invest the money is sent using 'straight through processing', a method which improves the processing time by allowing the investment transactions to be processed without manual intervention. The target for investing the contributions is the month end following the date when contributions are deducted from members' salaries, which is the 15th of the month or nearest working day.

During the year the Principal Employer paid the contributions for the DC Section directly to the investment manager, prior to the statutory deadline of the 19th of the month following deduction from pay, as follows: -

Contribution Month	Investment Date
April 2020	05/05/2020
May 2020	29/05/2020
June 2020	01/07/2020
July 2020	12/08/2020
August 2020	14/09/2020
September 2020	05/10/2020
October 2020	03/11/2020
November 2020	10/12/2020
December 2020	04/01/2021
January 2021	02/02/2021
February 2021	02/03/2021
March 2021	30/03/2021

The Trustees are aware that although contributions were invested within the statutory deadline, this was later than their target time agreed with the administrator in 10 of the 12 months. The Trustees receive a regular update about the contribution investment date and noted that signatories to authorise investments were not always available during the work-from-home situation during the pandemic.

Each year the Scheme administrators carry out a check of the accuracy of the contributions received from the Defined Contribution Section. If errors are found, and the member is found to be worse off, the Employer will put the member into the position they would have been in had the contribution been correctly deducted and paid to the Scheme at the right time.

The 2019-20 transactions have been completed. In 2019-20, 21 transactions were corrected in the total of 10,073 checked and members were put into the position they would have been had contributions been correctly deducted and invested.

The 2020-21 transactions will be reported upon in the next Statement.

Transfer of pension scheme assets relating to members into and out of the Scheme

Current members of the Scheme can transfer pension benefits from other pension arrangements into the Scheme. The agreed service level for the transfer-in to be invested is three working days from the point where cleared funds are available in the Trustees' bank account, the member has been identified and the member's investment choice has been received.

During the year three out of nine transfers into the DC Section were invested later than the agreed service level. In all cases the Employer put the member into the position they would have been in, had it been met.

The agreed service level to pay a transfer out is within 10 days of the last piece of information required to process the transfer-out having been received.

During the year 32 members transferred out of the DC Section of the Scheme and eight were paid later than 10 days after receipt of the information required. All transfers paid were the full value of the member's divested fund. Three members transferred out of the Hybrid Section of the Scheme, and none were paid late.

The transfer of assets relating to members between different defined contribution investments

Members' Pension Accounts in the DC Section are invested in a lifestyle strategy, which gradually moves from higher risk funds to medium risk funds and then to lower risk funds as they approach their Selected Retirement Age, when they may wish to access their Pension Accounts. Members can change their Selected Retirement Age by giving one month's notice to the Scheme's administrator and so speed up or postpone the de-risking process.

Rebalancing is carried out quarterly, and the service level agreement is for the process to be completed in the months of March, June, September and December. Rebalancing cannot take place while monthly contributions investment is in progress. During the year the rebalancing was carried out as follows: -

Quarter ending	Completion Date
June 2020	11 June 2020
September 2020	9 September 2020
December 2020	22 December 2020
March 2021	26 March 2021

There is only rebalancing in the Hybrid Section members' AVC accounts where they are invested in the Scheme's lifestyle strategy.

Payments from the Scheme to, or in respect of, members

When a member requests payment of their pension benefits from the Scheme, the agreed service level is that the payment is made in the next available payroll run, following receipt of the last piece of information required.

During the year all members who accessed their pension benefits were paid within the service level.

The agreed service level for an annuity purchase is within 10 days of the receipt of the last piece of information required.

During the year, no annuities were purchased.

The agreed service level for payment of a lump sum following the death of a member is 5 days following receipt of the last piece of information required.

The agreed service level for payment of pension benefits to a member's dependant is for the payment to be made in the next available payroll run following receipt of the last piece of information required.

During the year all lump sums were paid and dependant's pensions set up within the agreed service level.

INVESTMENT

Statement of Investment Principles

The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement. Details of the objectives and the Trustees' policies regarding the default arrangement can be found in a document called the 'Statement of Investment Principles' ("SIP").

The Scheme's SIP covering the default arrangement is available on the Scheme's website at www.which.co.uk/pension-scheme.

The Defined Contribution Section's lifestyle funds, forming the lifestyle strategy, is the Scheme's default arrangement.

Defined Contribution Section - Aims and Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees regard their duty as creating a robust default fund focused on members' needs and outcomes.

The Trustees' overarching aims and objectives are therefore:

- To provide members with a robust default solution which makes available vehicles designed to focus on members' needs by aiming to:
    - Optimise the value of members' assets at retirement.
    - Maintain the purchasing power of members' savings; and
    - Protect the value of accumulated assets as members approach retirement.

- To avoid over-complexity in investment to keep administration costs and member understanding to a reasonable level.

The contributions for members of the DC section of the Scheme are invested in a single lifestyle strategy where the Trustees' aim and objective is to grow the members' Pension Accounts by more than the rate of inflation (measured by the Consumer Prices Index) as follows:

- By 4% pa more than inflation when a member is more than 20 years from their Selected Retirement Age (SRA). The investment fund used in this phase of the strategy is the Which? Mixed Investment Fund A.

- The Trustees then gradually reduce the risk taken in the investment strategy and aim to grow members' account by 3% pa more than inflation when the member is between 20 and 10 years from SRA. During the first 5 years of this phase, the member's Pension Account is gradually and automatically moved from Which? Mixed Investment Fund A to Which? Mixed Investment Fund B where it remains invested until the member reaches 10 years from their SRA.

- By 2% pa more than inflation when between 10 and 3 years from the SRA. During the first 5 years of this phase, the member's Pension Account is gradually and automatically moved from Which? Mixed Investment Fund B to Which? Mixed Investment Fund C where the focus is more on capital protection.

The investment target in the final three years before the SRA depends on the decision the member makes when three years away from their SRA, when they are offered the choice of the following three strategies: -

1. A strategy that targets a mix of 25% cash and 75% Which? Mixed Investment Fund C by SRA, or

2. a strategy which targets 25% cash/75% conventional gilts by SRA, or

3. a strategy which targets a 100% cash position. This is the default strategy should a member fail to make a choice when invited to do so three years prior to their SRA.

Defined Contribution Section – Investment Funds

The lifestyle funds, which form the lifestyle strategy of the Defined Contribution Section and is also the Section's default arrangement (for the avoidance of doubt, as the default arrangement is the sole arrangement for the Defined Contribution Section, references in this document to the Defined Contribution Section are addressing the default arrangement), invests in a range of funds managed by Legal & General Investment Management Limited.

The majority of funds are managed passively and expect to return within 0.1% of the relevant benchmark indices for each class of assets included.

By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus in the final ten years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustees consider this approach to be in the best interests of members and relevant beneficiaries and keep this approach under annual review.

Defined Contribution Section – Review of the Investment Funds

The principles described above, as well as the performance of the funds, were reviewed by the Trustees in June 2020 as part of the Trustees annual review of the DC Section investment strategy and performance against the Trustees' investment targets. The Trustees investment consultants:

1. reviewed the Trustees' strategy taking into account the length of time members had until their SRAs, the general size of pension accounts and how members had used their accounts at retirement. The Trustees considered the results and assessed that the investment strategy remained appropriate for the membership at the current time because:
    a. of the general size of the accumulated pension accounts – 77% of members' Pension Accounts were below £30,000 as at 31 December 2018
    b. of the age profile of the membership - the majority of members are 35 to 15 years from retirement and
    c. the actions members had taken at retirement – there is an insufficient number of members who have retired to indicate a clear trend

2. reviewed the Trustees' investment targets compared to the estimated long-term rates of return available in the markets for the asset classes included in the Mixed Investment Funds. The Trustees concluded that their investment return targets remained appropriate at present, balancing the potential risk and return for members when the time horizon to retirement is relatively long, and providing some protection from losses as members progress towards retirement.

Therefore no changes were made to the principles outlined above as a result of the review.

The June 2020 review addressed the closure of the LGIM Defensive Equity Fund, a global quality equity fund for which there was no 'like-for-like replacement' available from LGIM. The review took account of the volatility and uncertainty of markets at that time caused by Covid-19. The Trustees concluded that major changes to the underlying blends of funds that made up Mixed Investment Funds A, B and C were undesirable.

After taking professional advice, the Trustees decided to use the money invested in LGIM Defensive Equity Fund to increase the money in US equities, with a small increase to UK equities and Asia Pacific equities excluding Japan. At the same time the Trustees decided to reduce the allocation to emerging market equities. This brought the weighting to each country or region broadly in line with the size of each market.

The table overleaf shows these changes in detail, with the revised allocations shown in the column headed 'New (%)'.

Asset Class	Region	Fund Name	TER	Mixed Fund A		Mixed Fund B		Mixed Fund C	
				Current (%)	New (%)	Current (%)	New (%)	Current (%)	New (%)
Equity	UK	LGIM UK Equity	0.100%	1.9	2.7	1.3	1.8	0.8	1.1
		LGIM UK Smaller Companies	0.250%	-	-	-	-	-	-
	Global	LGIM Russell Global Large Cap Defensive Equity	0.300%	9.1	0.0	6.3	0.0	3.7	0.0
		LGIM Global Small Cap	0.250%	3.0	3.0	2.1	2.1	1.2	1.2
		LGIM Developed World ex-UK Equity Index	0.180%	7.7	7.7	5.4	5.4	3.1	3.1
		LGIM Developed World ex-UK Equity Index (GBP hedged)	0.203%	7.7	7.7	5.4	5.4	3.1	3.1
	Europe (ex-UK)	LGIM European Equity – Hedged	0.275%	5.2	5.2	3.6	3.6	2.1	2.1
		LGIM European Equity	0.250%	0.4	0.4	0.3	0.3	0.1	0.1
	North America	LGIM North American Equity	0.200%	1.3	10.8	0.9	7.5	0.5	4.3
		LGIM North American Equity – Hedged	0.225%	15.7	15.7	11.0	11.0	6.4	6.4
	Asia Pacific (ex-Japan)	LGIM Asia Pacific ex Japan Equity	0.275%	0.1	1.1	0.1	0.8	-	0.4
		LGIM Asia Pacific ex Japan Equity – Hedged	0.300%	1.7	1.7	1.2	1.2	0.7	0.7
	Japan	LGIM Japan Equity – Hedged	0.250%	3.2	3.2	2.2	2.2	1.3	1.3
	Emerging Market	LGIM World Emerging Market Equity	0.450%	8.0	5.8	5.6	4.0	3.2	2.4
	Total Equity		-	65.0	65.0	45.3	45.3	26.2	26.2
Bonds		LGIM Active Corporate Bond All Stocks	0.260%	-	-	12.5	12.5	12.5	12.5
		LGIM EM Passive Local Government Bond	0.350%	7.5	7.5	5.0	5.0	2.5	2.5
		LGIM EM Passive USD Government Bond – Hedged	0.275%	-	-	2.5	2.5	5.0	5.0
		LGIM High Income – Hedged	0.400%	10.0	10.0	10.0	10.0	10.0	10.0
	Total Bonds		-	17.5	17.5	30.0	30.0	30.0	30.0
Alternatives		LGIM Infrastructure Index	0.350%	-	-	-	-	-	-
		LGIM Private Equity Passive Index	0.550%	2.9	2.9	3.1	3.1	1.5	1.5
		LGIM Global Real Estate Investment Trust	0.350%	5.7	5.7	4.8	4.8	4.5	4.5
		LGIM Managed Property (UK)	0.720%	5.7	5.7	4.8	4.8	4.5	4.5
	Total Alternatives		-	14.3	14.3	12.7	12.7	10.5	10.5
Gilts		LGIM All Stocks Gilts	0.100%	-	-	-	-	-	-
		LGIM Index Linked Gilt All Stocks Fund	0.100%	-	-	-	-	12.5	12.5
		LGIM 5-15 Year Gilts	0.100%	3.2	3.2	9.6	9.6	15.8	15.8
	Total Gilts		-	3.2	3.2	9.6	9.6	28.3	28.3
Cash		LGIM Cash	0.125%	-	-	2.5	2.5	5.0	5.0
Total			-	100	100	100	100	100	100
		Total Expense Ratio (TER) :-		0.315%	0.304%	0.294%	0.288%	0.253%	0.249%

In the above table increases to allocations are noted in green, decreases in red.

The changes did not affect the Trustees' long term growth targets for the Funds and are kept under review. The Trustees sought professional advice and believe that the changes made were in the best interest of members. The changes were made in July 2020.

In November 2020 the Trustees moved the investments onto a more efficient trading platform at LGIM, further reducing the annual management charges paid by members, as reported in the costs and charges section of this statement.

The performance of the Funds during the year to 31 March 2021 measured against the Trustees' objectives was: -

DC Section Fund	Annualised return over 1 year
- **Fund A**	**34.6%**
- Trustees' Target	4.7%
- **Fund B**	**26.5%**
- Trustees' Target	3.7%
- **Fund C**	**17.1%**
- Trustees' Target	6.4%
- **Gilts**	**-10.4%**
- **Cash**	**0.1%**

The Trustees concluded that the actual performance remained consistent with their long-term objectives.

Hybrid Section - Aims and objectives

Prior to the end of 31 March 2019 (when the Hybrid Section closed to future accrual), active members of the Hybrid Section paid contributions of 4.8% of pensionable salary in total. Of the combined employer/member contribution, a contribution of 7% of pensionable salary is invested in a with-profits policy with Prudential. This policy provides a guaranteed annual return of 4.75% for those contributions made in the Scheme years prior to 1 April 1996, 2.5% for contributions made between 1 April 1996 and 31 March 2003, reducing to 0.01% for contributions made thereafter.

The manager's objective is providing a smoothed return with an expected return of 6.0% pa gross of fees over the long term.

When a member retires, the Scheme pays the higher of the pension that can be provided from their final salary pension, or the member account allocated to that member. Therefore, the key objective of the Prudential policy, in which member accounts are invested, is to act as an underpin to the value of a member's Hybrid Section pension.

Hybrid Section – Investment Fund

The Prudential with-profits fund is actively managed and invests in a wide range of assets, decided by the manager.

The Prudential must pay out 100% of asset values to policyholders over time and the annual regular bonus reflects a prudent proportion of future expected returns.

A final bonus known as the terminal bonus, which is not guaranteed, makes up the difference between guaranteed benefits and the overall smoothed claim value.

Hybrid Section – Review of the Investment Fund

The Trustees review the with-profits fund performance with their advisers annually when Prudential publish their returns. Due to the guarantees provided in the Prudential with-profits policy, the Trustees considered that this policy remained a suitable investment in respect of Hybrid Members' benefits during the year. The Trustees will keep the policy under review.

The performance of the underlying assets in the Prudential with-profits fund during the year against the manager's long-term objective of 6% per annum gross was 6.0%.

The regular bonus declared in 2021 meant that:

- members' investment accounts (or part thereof) that attract the 4.75% minimum regular bonus increased by 4.75% at the close of the scheme year ending 31 March 2021.
- members' investment accounts (or part thereof) that attract the 2.50% minimum regular bonus increased by 2.50% at the close of the scheme year ending 31 March 2021.
- the rest of the members' investment accounts increased by 1.25%.

The terminal bonuses declared are related to the year in which contributions were paid and are not guaranteed.

Additional Voluntary Contributions

During the year current members were able to make AVCs to:

- the Scheme's Defined Contribution funds, and
- Legal & General's Ethical UK Equity Index Fund.

Some deferred members of the Hybrid Section have AVCs in Utmost Life's Managed Fund and a range of funds offered by Clerical Medical:

- Balanced Managed Fund,
- UK Equity Tracker Fund,
- Ethical Fund and
- the Halifax Fund
- Retirement Protection Fund
- Lifestyle Balanced Fund
- Lifestyle Non-Equity Fund
- Lifestyle – UK Growth Fund

COSTS AND CHARGES

Defined Contribution Section – Costs and Charges

Charges paid by members

The Employer pays the day-to-day cost of administering the Scheme.

There are two 'charges' paid by the members:

- the investment manager's administration charges and
- transaction costs

These charges are deducted by the investment manager from the funds in which members' benefits are invested.

The charges differ between the investment funds that are available.

The total expense ratio for each fund is the investment manager administration charges and the transaction costs. The total expense ratios are shown on page 67 together with an illustrative example of the cumulative effect over time of the application of these charges on the value of a member's Pension Account.

The Trustees are required to calculate the charges and transaction costs paid by members during the assessment period and assess the extent to which these charges and transaction costs represent good value for members.

Transaction Costs
Transaction costs are a complicated issue as they are associated with different member, Trustees or manager actions. Transaction costs can be split into three areas:

1. **Transaction costs incurred as part of changes to the asset allocation following review of Mixed Funds A, B and C**

   In July 2020, the Trustees carried out a transition related to an asset allocation review of Mixed Funds A, B and C to provide risk management in light of market conditions.

   The transition incurred costs of £873.20. Trades were netted off by Legal & General Investment Management 'LGIM' where needed, for example:
   - cancelling out selling UK Equity from Mixed A with buying UK Equity in Mixed B, or
   - LGIM netting trades between their client base.

   The costs were covered by the Employer which was a benefit to members.

2. **Transaction costs incurred by members buying and selling funds as part of a lifestyle strategy**

   A member in the default lifestyle is required to buy and sell assets when automatically switching between funds within the lifestyle strategy. We estimate that over a member's life, the cost of switching between funds for each £1 of income invested in the lifestyle strategy is c. 0.78% (or 0.78p) in a worst-case scenario. This also applies to members with AVCs invested in the lifestyle strategy. This equates to an average of 0.02% per annum, as at 31 March 2021.

   Breakdown of switching between funds in the Lifestyle Strategy
   A breakdown of the cost estimate on a worst-case basis is provided in the table below. Our calculations do not take account of netting trades between the funds. It also assumes that a member pays a cost of "bid-mid" unit prices for any sale of assets and "mid-offer" unit prices for any purchase of assets (i.e., a worst-case scenario).

   Members will experience varying levels of cost depending on their position within the lifestyle strategy and their choice of investment strategy in the final 3 years before the reach their Selected Retirement Age. Actively contributing members would have experienced at least one source of transaction cost on the contributions they made over the year. Deferred members may or may not have experienced transaction costs of this nature, depending on if they switched between funds or not. These costs will continue in the future at a level expected to be similar to below.

Life-styling is carried out automatically for members who are invested in the lifestyle strategy. Market conditions are considered in the context of deciding on the composition of the funds in the lifestyle strategy, but not when automatically switching members between funds

The funds are priced on a "single swinging basis", meaning they may be priced at bid or offer on any day, depending on the net cashflow (from all investors in/out of the fund) that day. Therefore, in practice, the cost incurred is unlikely to be the full amount below and may even provide an uplift, should fund prices swing favourably. Members will also experience varying levels of costs depending on their position within the lifestyle strategy. Therefore, it is not practical to split out the actual costs incurred by each member.

The table below sets out the worst-case transaction costs for each Lifestyle fund covering the period 01/04/2020 to 31/03/2021.

	Lifestyle Strategy worst case cost		
Movement between funds	**Default**	**Secured Income**	**Invest into Retirement**
Buy Mixed Fund A	0.46%	0.46%	0.46%
Mixed Fund A -> Mixed Fund B	0.08%	0.08%	0.08%
Mixed Fund B -> Mixed Fund C	0.03%	0.03%	0.03%
Mixed Fund C -> Final Position	0.21%	0.21%	0.05%
Sell Final Position	0.00%	0.00%	0.16%
Total	**0.78%**	**0.78%**	**0.78%**
Total p.a.	**0.02%**	**0.02%**	**0.02%**

R&M Solutions (calculations, June 2021). LGIM (spreads data, as at 31 March 2021).

Assumption
(1) members join the scheme aged 25, and retire aged 65
(2) price swings are all unfavourable to member
(3) no investment return

Breakdown of actual costs incurred by LGIM

Scheme specific costs of dealing in units as provided by LGIM which includes netting of trades between LGIM clients over the period are estimated as 0.18% of the assets traded.

	Cost of scheme specific trading during the 2020/21 Scheme year (GBP)		
Movement between funds	**Total Transactions**	**Total Dealing costs**	**Average dealing costs**
Q2 2020	2,122,352	2,707	0.13%
Q3 2020	10,145,948	6,335	0.06%
Q4 2020	2,030,165	1,704	0.08%
Q1 2021	3,435,060	1,746	0.05%
Total	**17,733,525**	**12,492**	**0.07%**

Source: LGIM (data, as at 31 March 2021).

3. "Frictional costs" incurred by members due to funds internally buying and selling underlying assets (e.g. stocks or bonds)

As part of day-to-day trading activities, the funds may incur "frictional costs". Frictional costs are categorised as explicit costs and implicit costs. Explicit costs are directly observable, and, in most cases, managers are in position to report them. Examples of explicit costs include broker fees, transaction taxes and custody fees. Implicit costs cannot be observed in the same way but do have an impact on fund performance. Examples of implicit costs include bid-offer spreads and market impact.

These costs would be incurred every time a fund manager makes a trade within that fund and are intended to improve investment returns, reduce risk, or contribute to the smooth running of a fund

The table below sets out the total transaction costs for each fund within the lifestyle strategy covering the three-year period from 01/04/2019 to 31/03/2021.

	Fund	Total transaction cost
Default Lifestyle Funds	Mixed Fund A	0.039%
	Mixed Fund B	0.039%
	Mixed Fund C	0.035%
	Cash	0.003%

Source: LGIM (data, as at 31 March 2021) Underlying fund managers. R&M calculations as at June 2021.

Property Expense Ratio (PER) for the LGIM Managed Property fund

In addition to the Total Expense Ratio (TER) borne by members, the LGIM Managed Property Fund discloses a frictional cost called the Property Expense Ratio (PER). The PER covers all non-recoverable expenditure associated with the management and operation of the property portfolio, including the day-to-day property management and rent collection. The PER is borne by members. It is not counted within the TER, nor is it invoiced directly, but it is reflected in the fund price.

Items captured in the PER include:

- Service charge shortfalls and holding costs, such as empty rates and security
- Rent review and lease renewal costs
- Maintenance and repairs (not improvements)
- Property insurance costs / rebates
- Aborted transaction costs where appropriate

The PER varies from quarter to quarter. Annualised fees for the Scheme year to date are shown below: -

Quarterly Property Expense Ratio (annualised %)	
Q2 2020	0.49%
Q3 2020	0.49%
Q4 2020	0.50%
Q1 2021	0.53%
Average	0.50%

Source: LGIM (data, as at 31 March 2021)

Total Expense Ratios

The Total Expense Ratios 'TERs' applicable to the funds underlying the lifestyle strategy as at 31 March 2021 are set out in the table below:

	Fund	TER
Default Lifestyle Funds	Mixed Fund A	0.2634%
	Mixed Fund B	0.2554%
	Mixed Fund C	0.2226%
	Cash	0.1100%

Source LGIM (data, as at October 2020), R&M Calculations as at October 2020

Below is an illustrative example of the cumulative effect over time of the application of charges and costs on the value of a member's Pension Account. The example outlines the effects of fund charges (the TERs above) and transaction costs (also above) across the different sections of the Scheme. The example has been produced in accordance with DWP guidance.

Projected Pension Account, in today's terms						
Years	**Default Lifestyle (Which? Consumers Association)**		**Default Lifestyle (Which? Financial Services)**		**Default Lifestyle (Hybrid Switchers)**	
	Gross of all charges	Net of TER and life-styling costs	Gross of all charges	Net of TER and life-styling costs	Gross of all charges	Net of TER and life-styling costs
1	£2,700	£2,700	£2,700	£2,700	£6,900	£6,900
3	£11,800	£11,800	£10,500	£10,500	£21,900	£21,800
5	£21,200	£21,000	£18,600	£18,500	£31,900	£31,700
10	£47,600	£46,900	£41,300	£40,700	£60,300	£59,300
15	£78,800	£77,000	£68,200	£66,600	£93,800	£91,500
20	£115,700	£112,200	£99,900	£96,800	£133,500	£129,000
25	£155,800	£149,700	£134,400	£129,100	£176,300	£168,800
30	£197,700	£188,300	£170,400	£162,300	£220,800	£209,600
35	£239,200	£226,000	£206,100	£176,900	£264,700	£249,100
40	£278,700	£261,200	£240,000	£171,100	£306,100	£285,800

Notes:

- Values shown are estimates and are not guaranteed.
- Transaction costs are reflected as at 31 March 2021.
- Projected pension account values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Assumes inflation of 2.5% per annum.
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table above).
- Assumes a member is aged 25 years old now and stops contributing at age 65.
- Assumes an overall contribution rate of:
    - 9% of annual salary in the first year, and 14% thereafter for 'Which? Consumers Association' members
    - 9% of annual salary in the first year, and 12% thereafter for 'Which? Financial Services' members
    - 23% of annual salary until 31/03/2024, and 14% thereafter for 'Hybrid Switchers'

  the £ amount of which will increase in line with assumed salary inflation for each case above.
- Assumes a member salary of £29,767 in Year 0, increasing with inflation.
- The accumulation rates used, are set out below:

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Mixed Fund A	3.5%
	Mixed Fund B	2.5%
	Mixed Fund C	1.5%
	Cash	-2.7%

Source: XPS, R&M Calculations as at June 2021

The above illustration has been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in February 2018.

The Scheme makes no charge for members who purchase annuities at retirement with their Pension Account, transfer to an income drawdown provider or withdraw their Pension Account as a single lump sum.

The Scheme enables members to make one withdrawal from their Pension Account in a tax year. There is no charge for the first withdrawal, but in the second and subsequent years, there is an administration charge of £100 per withdrawal, deducted from the withdrawal before it is paid. No charge is made if there is no withdrawal.

In return for these charges, the benefits received by members of the Scheme include:

- High quality and highly engaged administration services.
- A sophisticated investment strategy which the Trustee Board monitor at each meeting and review with their advisers annually, or more frequently if circumstances change.
- High quality governance and oversight by the Trustee Board.

- Clear communications that reinforce important messages for members to achieve a good outcome at retirement.
- Communication when about to enter the next phase in the investment strategy, enabling members to speed up their move into lower risk assets, or postpone, according to their individual choice.
- Clear communications regarding options before, at and during retirement.
- A dedicated scheme website.
- Flexibility in how and when members use their Pension Account at and during retirement.

Hybrid Section – Costs and Charges

Prudential report that the administration charge that they assume will be paid by members when they set the bonuses on their with-profits fund is about 1% pa. This charge is not guaranteed. Prudential also report that the with-profits fund pays transaction costs of 0.05% per annum. The transaction costs are in addition to the administration charge paid by members.

The investment return is reduced by the management charges which are allowed for in the annual bonus declaration. There are no explicit charges made on investment of contributions.

Prudential pay two types of bonuses: a regular bonus, which they expect to pay every year during the term of a member's participation in the policy, which once added, cannot be removed, and a terminal bonus, which they expect to pay at the time a member retires at their normal retirement date, or on their earlier death. The terminal bonus is not guaranteed and may be reduced or removed by Prudential at their discretion.

If a member's money purchase fund is taken out at any time except on death or on the normal retirement date, Prudential may reduce the amount paid out to reflect the current market value of the underlying investments. This is known as the Market Value Reduction (MVR). No MVRs were applied to members' funds in the Scheme year-ending 31 March 2021.

Prudential provided the following information of the cumulative effect, over time, of the relevant costs and charges on the value of members' benefits: -

Prudential: Effects of charges and costs

About this Illustration
The aim of this illustration is to show you an example of how charges and costs can affect returns on investment funds. The figures in the table are examples and are not guaranteed – they are not minimum or maximum amounts that you might expect to get back with the level of investment shown. The figures have been calculated as at August 2020.

As the prices of everyday things go up, your money won't stretch as far as the same amount would now. This is called inflation. The figures have been adjusted to allow for inflation using an assumed inflation rate of 2.5% per year. Actual inflation could be more or less than this.

What you might get back depends on a number of factors including:
• how much is paid in
• how long investments are held for
• charges and costs
• performance of the investment

For this illustration we show the annual costs as an average of the expected costs which apply over the term of the investment. You will see both the costs and the growth figures clearly shown in the table. The charges and costs you pay may vary depending on your scheme conditions. We might change our charges in the future.

The value of investments can go down as well as up so you might get back less than you put in. For With-Profits funds the actual percentage charged depends on the performance of the With-Profits Fund and may vary over time. These charges cover the costs of any expenses, any profits, implicit costs and other adjustments.

<u>The basis for our calculations</u>

Pot size and assumptions
Projected pension pot values are in today's money which means they have been adjusted for inflation. We have used:

- A starting pot size of £7,000.
- No regular contributions.
- The term of the investment is from age 22 to age 64.

Charges and costs

Projected pension pot in today's money (£s)		
Years	With-Profits Cash Accumulation Fund Growth rate (after inflation): 3.29% Yearly Costs*: 1.37%	
	Before Charges	After Charges
1	7,220	7,120
3	7,690	7,390
5	8,190	7,670
10	9,600	8,410
15	11,200	9,220
20	13,100	10,100
25	15,400	11,000
30	18,000	12,100
35	21,100	13,300
40	24,700	14,600
42	26,300	14,800

*Growth rates for the funds have allowed for the effects of inflation.

Additional Voluntary Contributions – Costs and Charges

Members may also have AVCs invested in: -

- Prudential's with-profits fund,
- the Scheme's Defined Contribution lifestyle funds,
- Legal & General's Ethical UK Equity Index Fund,
- Utmost Life's Managed Fund
- Clerical Medical's:
    - Balanced Managed Fund,
    - UK Equity Tracker Fund,
    - Ethical Fund
    - the Halifax Fund
    - Retirement Protection Fund
    - Lifestyle Balanced Fund
    - Lifestyle Non-Equity Fund
    - Lifestyle – UK Growth Fund.

Costs and charges for Prudential with-profits fund are shown above, and the Scheme's Defined Contribution Funds are set out on previous pages.

Legal & General Ethical UK Equity Index Fund
The annual management charge for Legal & General's Ethical UK Equity Index Fund is 0.20% per annum.

Defined Contribution Members Prudential With Profits Fund
Defined Contribution members who invest their AVCs in the Prudential With Profits fund do so to a newer version With Profits policy. Prudential's information about costs and charges are shown on the previous page and the cumulative effect, over time, of the costs and charges on the value of members' benefits are shown on pages 69-70.

Utmost Life's Managed Fund
The annual management charge for Utmost Life's Managed Fund is 0.75% per annum, and the total charge including transaction costs is 0.84% per annum. These costs are reported as at 31 December 2020.

Utmost Life have provided the following information of the cumulative effect, over time, of the relevant costs and charges on the value of members' benefits: -

Term	MANAGED	
	Before Charges	After Costs and Charges Deducted
1	1,010	1,002
3	1,031	1,006
5	1,052	1,010
10	1,107	1,020
15	1,165	1,030
20	1,226	1,041
25	1,290	1,051
30	1,358	1,061
35	1,429	1,072
40	1,503	1,083

Notes:
1) Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2) The starting pot size is assumed to be £1000 for a Male aged 50
3) Inflation is assumed to be 2.5% p.a.
4) Values shown are estimates and are not guaranteed
5) The projected growth rate for the Managed Fund is 4.5% p.a.
6) Contributions are assumed to be paid up to age 75 and increase in line with assumed earnings inflation of 2.5% p.a.

Clerical Medical

Clerical Medical's management charge paid by members is 0.5% per annum. Clerical Medical have provided the following information about transaction costs in the year to 31 March 2021:

Fund Identifier	Fund Name	Transaction Costs (in bps)	Asset Coverage: Assets Reported (%)	Asset Coverage: Reason not Obtained (if > 10%)	Reporting Period: Start	Reporting Period: End	Notes
GB0005001242	Clerical Medical PP UK Equity Tracker Pension	0bps	100%		01/02/2020	31/01/2021	Transaction costs calculated using slippage methodology.
GB0002273604	Clerical Medical Ethical Pension	5bps	100%		01/03/2020	28/02/2021	Transaction costs calculated using slippage methodology.
GB0002042116	Clerical Medical UK Growth Pension	39bps	100%		01/02/2020	31/01/2021	Transaction costs calculated using slippage methodology.
GB0002039955	Clerical Medical Balanced Pension	44bps	100%		01/04/2020	31/03/2021	Transaction costs calculated using slippage methodology.
GB0002677531	Clerical Medical Halifax Pension	0bps	100%		01/04/2020	31/03/2021	This fund invests in bank deposits only so incurs no transaction costs.
GB0002109626	Clerical Medical Managed Retirement Protection Pension	8bps	100%		01/04/2020	31/03/2021	Transaction costs calculated using slippage methodology.
GB0008525916	Clerical Medical Non-Equity Pension	5bps	100%		01/04/2020	31/03/2021	Transaction costs calculated using slippage methodology.
GB0002024197	Clerical Medical Cautious Pension	24bps	100%		01/04/2020	31/03/2021	Transaction costs calculated using slippage methodology.

'bps': basis points where 100 bps = 1%

Definitions:

Fund Identifier	*Where possible the identifier used will be the ISIN.*
Fund Name	*The fund name held by SW.*
Transaction costs (in bps)	*This is the total transaction cost figure for the fund (i.e., for Buy & Sell transactions and Lending & Borrowing transactions). For lower-level detail we can provide the industry standard Defined Contributions Pensions Template (DCPT) on request.*
Assets Reported (%)	*The percentage of assets where transaction costs have been obtained.*
Reason not Obtained (if > 10%)	*Where the percentage of investments for which transaction costs has not been obtained exceeds 10% of the overall holdings, an explanation as to why the transaction costs have not been obtained will be provided.*
Reporting Period Start/End	*Date of the first and last day of the reporting period to which the data refers. Data for the most recent calculated reporting period is provided. This period will vary by fund.*
Notes	*Any relevant supporting information such as calculation methodology used or additional information on holdings.*

The transaction costs are in addition to the management charge paid by members.

Clerical Medical's approach to providing illustrations of the cumulative effect, over time, of the relevant costs and charges on the value of members' AVC benefits is that this is out of scope of the regulations. The Trustees are disappointed with this approach, have made a formal complaint to Clerical Medical and continue to press Clerical Medical for the illustrations.

Your Trustees have asked the investment managers to prepare the illustrations in accordance with the statutory guidance for this section of the Chair's Statement.

VALUE FOR MEMBERS' ASSESSMENT

Each year the Trustees carry out an assessment of the extent to which investment manager's administration charges and transaction costs borne by the Scheme's members, together with the services that members receive, represent good value. It is widely accepted that value for members is difficult to assess and while there is guidance on suggested items to cover there is no prescribed method for assessment.

To assist with this assessment the Trustees receive information from the Scheme's investment consultants about investment services that are paid for by members, and carry out their own assessment of administration, communications, governance and management factors, which are paid for by the Employer.

DC Section

On average, members in the Scheme's lifestyle investment strategy pay investment management administration charges and transaction costs of 0.25% per annum, on average, throughout their working lifetime (assuming the member joins the Scheme at age 25 and retires at age 65).

This is significantly lower than both the maximum allowed of 0.75%, and the estimated average charge for DC schemes across the UK, and the Trustees are satisfied that the Scheme is priced competitively, taking account of the current asset size and expected growth.

Within the fee of 0.25% for the lifestyle funds, members receive the following investment related benefits:

- Asset allocation within the default strategy aimed at controlling risk (specifically permanent loss of capital) whilst generating long term growth.
- Implementation primarily through passive funds via Legal and General Investment Management (LGIM), which has a strong and consistent record for tracking market indices effectively.
- Investment performance:
  - The default strategy performance tests against long term objectives have suffered over the assessment period because of adverse market conditions during Q1 2020, however, the funds have performed as members were led to believe (i.e., ahead of fund objectives over the longer term).
  - Members have received more in investment growth than paid in charges for most of the time period assessed; and
  - Investment options have managed risks effectively as shown through comparing fund performance against a market comparator.
- Risk management – the investment strategy takes account of membership needs, and controls risks as member pot sizes grow and the need for protection increases.
- Internal controls and operations of the investment manager – these cover business continuity plans, external audit of funds, consistent index-tracking abilities and transition management.
- Scheme members have an advantage over many UK DC schemes in that the Employer p

Scheme members also have an advantage over many UK DC schemes in that the Employer pays for administration, communication, governance and transaction costs when the assets in the lifestyle investment strategy are changed. This helps keep the overall charge paid by members well within the charge cap set by legislation of 0.75%. It also means Scheme charges compare favourably with "bundled" schemes where members pay for administration and communication services. The most recent survey of charges published by the Department for Work and Pensions (2021) places the average charge for schemes of comparable size to the Scheme within the range of 0.28% to 0.41% per annum. However, the survey does not differentiate between schemes with low-cost passive investment strategies and those with more sophisticated strategies like the Scheme's lifestyle strategy.

The Trustees carried out an assessment, with the help of their advisers, of whether the Trustees' investment strategy delivered value for members. The assessment used quantitative tests which asked the following questions: -

Default Lifestyle Strategy
1. Have members received more in investment growth than they paid in charges? Yes.

This was assessed by comparing average net returns against a cash index (used as a proxy for putting the money in the bank with no investment charges)

2. Have the investment options performed as members have been led to expect? Yes.

This was assessed by comparing average net returns against inflation related return targets

3. Have the investment options delivered the risk management promised and paid for by members? Yes.

This was assessed by comparing average risk-adjusted net returns versus market benchmark.

The above tests were based on the average of rolling periods ending during the 2020/21 Scheme Year, using month-end unit prices.

The Trustees concluded that having assessed the services covered by the fund charges paid by members, they viewed the overall charges as *below* average relative to the market for the type of investment strategy and the quality of the services provided to members as *above* average relative to the market.

The Trustees assessment is that during the year the members received value from the Scheme.

Hybrid Section

Members entitled to benefits from the Hybrid Section receive a pension that is better of a defined benefit based on a member's pensionable service and salary near to retirement, and the pension that can be provided by a money purchase account that builds up from part of the employer and employee contributions (and is invested in Prudential's with-profits fund). As such, members do not pay directly for the administration or investment services that are used to deliver the benefits. The value for money of this section has therefore been assessed proportionately in light of the benefit structure.

Within this context, the investment manager's administration charges and transaction costs levied by Prudential are expected to provide value for members as they benefit from potential retirement income upside from a higher level of annuity, but downside is limited to the value of their defined benefit arrangement. It is unlikely for a similar arrangement (or one that provides better value) to be negotiated with another provider at a lower fee level.

Prudential is differentiated amongst large life offices by its continued active support of with profits and the fund is highly rated by AKG, who are the leading independent assessor of with-profits funds.

Additional Voluntary Contributions

The Trustees assessment of value for members in the DC Section also applies to members with AVCs in the Scheme's lifestyle investment strategy. The Trustees assess Legal & General's Ethical UK Equity Index Fund as providing value for members for the same reasons.

Prudential
The Trustees consider that Prudential AVC options offer value for those members seeking the guarantees offered by the With-Profits plan for the reasons outlined above.

Utmost Life and Clerical Medical
The Trustees lost confidence in Equitable Life, now Utmost Life, following the difficulties Equitable Life faced when they closed to new business in December 2000.

The Trustees also lost confidence in Clerical Medical as investment managers following a period of poor performance and, as the stewards of members' money, they closed the Clerical Medical AVC options to future contributions with effect from 31st March 2007.

The Trustees do not consider that Utmost Life or Clerical Medical AVC options offer value for members.

The Trustee have written to each of the members concerned a number of times over the years and most recently in February 2020, to encourage members to review the suitability of their AVC investment selections, and to offer members the opportunity to transfer their assets, free of charge, into an alternative fund if they wish.