

Urenco UK Pension Scheme

Chair's statement regarding the governance of defined contribution arrangements

Scheme year - 6 April 2021 to 5 April 2022

1. Introduction

- 1.1. This statement has been prepared by Urenco UK Pension Trustee Company Limited ("the Trustee"), the Trustee of the Urenco UK Pension Scheme ("the Scheme"), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the scheme year 6 April 2021 to 5 April 2022.

2. The Scheme's DC arrangements

- 2.1. The Scheme's DC arrangements comprise:
 - 2.1.1. The Defined Contribution Section ("the DC Section"), ignoring additional voluntary contributions (AVCs). The DC Section is administered by Aegon and is open to further contributions.
 - 2.1.2. The AVCs and Shift Pay Plan arrangements related to the Defined Benefit ("DB") section of the Scheme.

3. Default investment arrangements

- 3.1. For members who are automatically enrolled into the Scheme's DC Section and do not make an alternative selection, contributions are invested in the Urenco Drawdown Path ("the Default").
- 3.2. The key features of the Default are:
 - 3.2.1. The default uses a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching retirement age.
 - 3.2.2. Up until 7 years before a member's retirement age, the Default allocates 50% the Urenco PS Diversified Growth fund and 50% to the Urenco PS Passive Global Equity fund.
 - 3.2.3. Over the 7 years to a member's retirement age, the default automatically and gradually switches some of the investments held in the Urenco PS Diversified Growth fund and the Urenco PS Passive Global Equity fund into the Aegon Standard Life Corporate Bonds fund and the Aegon BlackRock Cash fund.
 - 3.2.4. At retirement, a member invested in the default would have a fund split of approximately 40% Urenco PS Diversified Growth, 15% Urenco PS Passive Equity, 20% Aegon Standard Life Corporate Bonds and 25% Aegon BlackRock Cash

Review of the default

- 3.3. No formal review of the default was undertaken in the scheme year. The strategy and performance of the default were last formally reviewed during 2019 and 2020.
- 3.4. The Trustee monitors the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Scheme and do not constitute a formal review of the default, which ordinarily follows a three year cycle.

Further information on the default

3.5. Details of the default are set out in the attached 'statement of investment principles'. This covers the investment policy in relation to the entire Scheme.

4. Core financial transactions

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
 - 4.2.1. investment of contributions
 - 4.2.2. transfers into and out of the Scheme
 - 4.2.3. investment switches within the Scheme
 - 4.2.4. payments out of the Scheme
- 4.3. Core financial transactions require liaising with the providers and investment managers.
- 4.4. The Trustee has delegated the day-to-day investment management of the DC Section to the underlying provider Aegon.
- 4.5. Core financial transactions for the AVC arrangement are undertaken by Prudential and Clerical Medical.
- 4.6. Core financial transactions for the Shift Plan arrangement are undertaken by Prudential.

Controls and monitoring arrangements

- 4.7. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:
 - 4.7.1. The Trustee has a Service Level Agreement (SLA) in place with the administrator. The SLA sets out the timeline standards expected for each step of the Scheme's main administration tasks, including core financial transactions. The Trustee monitors these SLAs on a regular basis, with the provider being asked to account for shortfalls in performance. We provide the core financial transaction SLAs for the DC Section below.
 - 4.7.2. Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer. The Trustee has sight of Aegon's Business Continuity Statement, and is compiled alongside other scheme documents.
 - 4.7.3. Maintaining and monitoring a Risk Register, which outlines the risks to members and the Scheme, including those in relation to financial transactions, and consider the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed on a regular basis.
 - 4.7.4. Appointing a professional firm to undertake an annual audit to confirm that contributions and benefit payments have been made in a timely manner and in line with the required timescales.

SLA	Target	SLA	Target
AE Contribution refund	95% in 5 days	Contribution refund	95% in 5 days
Change Member Group	95% in 3 days	Retirement	90% in 5 days
Change payment details	95% in 3 days	Contribution Schedule in - auto	100% in 1 day
Change salary details	95% in 3 days	Contribution Schedule in – part auto	95% in 3 days
Change target retirement age	95% in 3 days	Single contribution	95% in 4 days

Death claim	95% in 5 days	Switch Request	100% in 1 day
Bacs Payment In	100% in 2 days	Transfer out claim	90% in 1 day
Possible claim identified	90% in 1 day	Transfer out	95% in 5 days
Transaction Reversal	98% in 6 days	Transfer in	95% in 5 days
Trustee instructed claim	95% in 2 days		

- 4.7.5. The Trustee monitors these SLAs on a regular basis, with the provider being asked to account for shortfalls in performance.
- 4.7.6. The Trustee received administration reports produced by Aegon, which are reviewed by the Trustee regularly, enabling them to assess if the requirements for the processing of financial transactions are being met, Aegon is also invited to attend Trustee’s meetings and reports are provided to support their attendance.
- 4.7.7. The SLAs with Aegon set out the approach (including timescales) to processing core financial transactions. The Trustees will schedule a high-level review of the SLAs on a periodic basis (with insight from Barnett Waddingham) to ensure they remain appropriate and meet legislative requirements.
- 4.7.8. The Trustee appoints an independent auditor to carry out an annual audit of the Scheme, including the material financial transactions that have taken place during the Scheme year. The auditors carry out spot checks to ensure that contributions to the Scheme or payments made by the Scheme are paid in accordance with the Scheme’s rules.
- 4.7.9. The Scheme’s Risk Register details the key risks to Scheme members and is monitored and reviewed on at least an annual basis. The risk register sets out controls to mitigate the effects of these risks.

Performance during the scheme year

- 4.8. The Trustee believes that performance against SLAs for work due between the periods of this statement was a lower than expected, averaging 89% over the year. The Trustee held conversations with Aegon’s senior management with regards to the shortfall in performance. Aegon outlined their plan to remedy the issues which the Trustee was comfortable with. The Trustee continues to monitor Aegon against the implementation of their plan to ensure service levels revert to their expected levels.
- 4.9. Aegon is aware of the statutory deadlines, and has confirmed that all core financial transactions over the year for the Scheme were invested on time and within the statutory deadlines. The Trustee will continue to monitor processes.
- 4.10. Neither the administrator’s quarterly reports nor the audit of the annual report and accounts identified material issues with the accuracy of core financial transactions.

Assessment

- 4.11. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the scheme year, the Trustee believes that core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the DC Section

5.2. The following table provides details of the charges and transaction costs for each of the investment options provided through the DC Section over the scheme year (data sourced from Aegon):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Urenco Drawdown Path (default arrangement) *	0.50% - 0.55%	-0.02% - 0.03%***
Urenco Annuity Path *	0.27% - 0.54%	-0.02% - 0.01%***
Urenco Cash Path *	0.18% - 0.59%	-0.02% - 0.02%***
Urenco PS Diversified Growth	0.82%	0.00%
Urenco PS Passive Global Equity**	0.24%	-0.03%***
Aegon BlackRock UK Equity Optimum (BLK)	0.65%	0.14%
Aegon BlackRock Emerging Markets Equity Index (BLK)	0.34%	-0.03%***
Aegon BlackRock Pacific Rim Equity Index (BLK)	0.19%	0.02%
Aegon BlackRock US Equity Index (BLK)	0.19%	0.04%
Aegon BlackRock Japanese Equity Index (BLK)	0.19%	0.00%
Aegon BlackRock European Equity Index (BLK)	0.20%	0.00%
Aegon Standard Life Corporate Bond (BLK)	0.47%	0.03%
Aegon BlackRock UK Equity Index (BLK)	0.19%	0.08%
Aegon AM Ethical Equity (BLK)	0.93%	0.16%

Aegon LGIM Pre-Retirement (BLK)	0.30%	0.00%
Aegon BlackRock MSCI Currency Hedged World Index (BLK)	0.21%	-0.03%***
Aegon MFS Global Equity (BLK)	0.83%	0.04%
Aegon BlackRock Long Gilt (BLK)	0.18%	-0.04%***
Aegon BlackRock Index-Linked Gilt (BLK)	0.18%	0.00%
Aegon Property (BLK)	0.78%	0.11%
Aegon BlackRock Cash (BLK)	0.18%	0.02%

* The quoted charges and transaction costs for each lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also charges will vary depending upon each member's term to retirement age.

** This fund is only available in Urenco Paths and is not available as a self-select fund

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

Charges in relation to AVCs

5.3. The following table provides details of the charges and transaction costs for each of the investment options provided through the AVC arrangement over the scheme year (data sourced from Prudential as at 31 December 2021, Clerical Medical as at 31 March 2022):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Clerical Medical UK Growth Fund	0.495%	0.27%
Clerical Medical UK Equity Income (Acc)	0.495%	0.22%
Clerical Medical European	0.495%	0.17%
Clerical Medical Far Eastern Fund	0.495%	0.46%
Clerical Medical UK Property Fund	0.495%	0.00%
Prudential Global Equity	0.75%	0.03%
Prudential Dynamic Global Equity Passive	0.64%	0.09%
Prudential S3 Discretionary Pen	0.75%	0.05%
Prudential UK Equity	0.75%	0.06%
Prudential Cash	0.55%	0.00%

Prudential Index-Linked	0.75%	-0.09%
Prudential S3 Long-Term Gilt Passive Pen	0.65%	0.00%
Prudential International Equity	0.75%	-0.04%
Prudential Positive Impact	0.75%	0.08%
Prudential With-Profits Cash Accumulation Fund	*	0.06%
Prudential Fixed Interest	0.75%	0.08%
Baillie Gifford Diversified Growth	1.25%	0.34%
Prudential All Stocks Corporate Bond	0.75%	0.02%
BlackRock Aquila World ex-UK Equity Index	0.75%	0.00%
Prudential Dynamic Growth II	0.72%	0.05%
Prudential Dynamic Growth IV	0.72%	0.04%
LGIM Ethical Global Equity Index	0.75%	0.00%

Impact of costs and charges

5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the appendix.

5 Net investment returns

5.5 This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Scheme year. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

The Lifestyle Strategies

5.6 For the arrangements where the investment returns vary with age, such as for the default strategies and for the alternative lifestyle strategies, the investment returns are shown over various periods to the end of the Scheme year for a member aged 25, 45 and 55 at the start of the period the returns are shown over.

5.7 The strategies were launched on 30 September 2020 and as such, there is only 1.5yrs of performance figures available. As such, we have shown the 1 year and since inception figure for completeness.

The Default – the Drawdown Lifestyle Strategy

Age at start of investment period	Annualised returns to 31 March 2022	
	1yr net return	1.5yr (since inception) net return (p.a.)
25	6.1%	12.5%

45	6.1%	12.5%
55	6.1%	12.5%

The Annuity Lifestyle Strategy

Age at start of investment period	Annualised returns to 31 March 2022	
	1yr net return	1.5yr (since inception) net return (p.a.)
25	6.1%	12.5%
45	6.1%	12.5%
55	6.1%	12.5%

The Cash Lifestyle Strategy

Age at start of investment period	Annualised returns to 31 March 2022	
	1yr net return	1.5yr (since inception) net return (p.a.)
25	6.1%	12.5%
45	6.1%	12.5%
55	6.1%	12.5%

Self-Select funds

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Aegon AM Ethical Equity (BLK) Class P	-2.36	6.11	3.67
Aegon BlackRock Cash (BLK) Class H	-0.03	0.20	0.27
Aegon BlackRock Diversified Growth (BLK) Class T	0.21	4.45	4.13
Aegon BlackRock Emerging Markets Equity Index (BLK) Class I5	-7.82	5.00	-
Aegon BlackRock European Equity Index (BLK) Class K	5.97	9.45	6.88
Aegon BlackRock Index-Linked Gilt (BLK) Class I5	4.60	-	-
Aegon BlackRock Japanese Equity Index (BLK) Class K	-2.49	6.34	5.04
Aegon BlackRock Long Gilt (BLK) Class I5	-7.35	-	-
Aegon BlackRock MSCI Currency Hedged World Index (BLK) Class I4	11.64	-	-
Aegon BlackRock Pacific Rim Equity Index (BLK) Class K	2.01	8.13	5.81
Aegon BlackRock UK Equity Index (BLK) Class K	12.16	4.91	4.44

Aegon BlackRock UK Equity Optimum (BLK) Class T	7.64	6.20	5.77
Aegon BlackRock US Equity Index (BLK) Class K	18.59	18.03	14.46
Aegon LGIM Pre-Retirement (BLK) Class G	-6.82	0.26	1.24
Aegon MFS Global Equity (BLK) Class I5	9.76	-	-
Aegon Property (BLK) Class I6	21.51	-	-
Aegon Standard Life Corporate Bond (BLK) Class J	-5.80	1.00	1.57
Aegon Standard Life Global Absolute Return Strategies (BLK) Class T	-6.02	0.64	0.34
Urenco PS Diversified Growth Class P	3.56	-	-
Urenco PS Passive Global Equity Class P	8.55	-	-

Performance is for the period to 31 March 2022. Source: Aegon

N.B. Where a value has not been included in the table, the net investment returns are not available for these funds as they have not been in existence for the reported periods.

5.8 In view of the reported net investment returns as well as the more frequent reviews of investment performance against their set benchmarks and objectives which occurred throughout the period, the Trustees are comfortable with the performance of the funds generally, albeit a few of the self-select options have underperformed their benchmark. These will continue to be carefully monitored by the Trustees on an ongoing basis.

Net investment returns in relation to AVCs

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Baillie Gifford Diversified Growth	8.0%	7.5%	4.6%
BlackRock Aquila World ex-UK Equity Index	20.2%	19.2%	12.4%
LGIM Ethical Global Equity Index	24.2%	19.2%	12.7%
Prudential Dynamic Global Equity Passive	12.6%	-	-
Prudential Dynamic Growth II	2.7%	7.3%	5.3%
Prudential Dynamic Growth IV	7.0%	9.1%	6.3%
Prudential Positive Impact	13.4%	-	-
Prudential S3 All Stocks Corporate Bond	-4.0%	5.3%	3.8%

Prudential S3 Cash	-0.5%	-0.1%	-0.2%
Prudential S3 Discretionary	11.7%	9.1%	6.4%
Prudential S3 Fixed Interest	-5.2%	3.1%	2.4%
Prudential S3 Global Equity	15.0%	9.7%	6.2%
Prudential S3 Index Linked	5.1%	7.9%	5.1%
Prudential S3 International Equity	14.1%	11.6%	7.7%
Prudential S3 Long Term Gilt Passive	7.6%	5.2%	3.9%
Prudential S3 UK Equity	15.5%	8.3%	5.2%
With Profits Cash Accumulation Fund	1.0%	1.2%	1.2%

Performance is for the period to 31 December 2021. Source: Prudential

Value for members

- 5.5. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 5.6. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated August 2022. The Trustee considered the report and confirmed its value for members assessment at a meeting on 17 August 2022.
- 5.7. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.
- 5.8. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.
- 5.9. Other services paid for by Urenco Limited ("the Company") were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the trustee board, with a duty to act in the best interest of members.

DC Section

- 5.10. In relation to the DC Section, the member-borne charges and transaction costs relate to investment, administration and communication services.
- 5.11. In relation to the DC Section, the member-borne charges and transaction costs relate to:
 - 5.11.1. investment services
 - 5.11.2. administration services
 - 5.11.3. communication services

- 5.12. The assessment considered:
- 5.12.1. in relation to investment services:
 - 5.12.1.1. the investment strategy, e.g. the design of the default and range of alternative options
 - 5.12.1.2. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
 - 5.12.1.3. the investment governance arrangements
 - 5.12.2. in relation to administration services:
 - 5.12.2.1. the general administration arrangements
 - 5.12.2.2. arrangements in relation to financial transactions
 - 5.12.2.3. data and record keeping
 - 5.12.3. in relation to communication services:
 - 5.12.3.1. communication strategy
 - 5.12.3.2. pre-retirement communications
 - 5.12.3.3. at/post retirement communications
- 5.13. The Trustee concluded that the DC Section offers **good** value in relation to the charges and transaction costs borne by members.
- 5.14. In reaching this conclusion, the Trustee recognised:
- 5.14.1. Members have access to three lifestyle arrangements (including the default investment option), which provide appropriate investment protections for each of the retirement benefit options available. The design of the current default took into account member analytics and feedback, and is formally reviewed on a triennial basis.
 - 5.14.2. Members have access to an investment guide and Target Plan, Aegon's online member site, which provides access to fund factsheets, investment market oversight and charting and modelling tools.
 - 5.14.3. The charges paid by members are greater than the average of comparable scheme, however this is due to expense of the active Ureco PS Diversified Growth Fund which should better manage members volatility exposure.
 - 5.14.4. The Trustee has in place a governance structure that allows them to monitor the performance of Aegon against their SLA's, they recognise that there has been a dip in performance however this has been raised with Aegon and a robust plan has been put in place to address the issues. The Trustees have also agreed that Aegon will attend one governance meeting a year to report back on progress and ensure continued visibility.
 - 5.14.5. The upcoming investment strategy review will have a great focus on ensuring that there is a suitable range of self-select funds and offers a broader range of special interest / ESG funds. This will better align the Trustees beliefs on ESG with the investment strategy and was limited by the availability of the funds on Aegon's platform at the time of the prior review.

AVCs

- 5.15. In relation to AVCs, the member-borne charges and transaction costs relate to:
- 5.15.1. investment services
 - 5.15.2. administration services

5.15.3. communication services

- 5.16. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.
- 5.17. The Trustee concluded that the AVC arrangement offers **reasonable** value in relation to the charges and transaction costs borne by members.
- 5.18. In reaching this conclusion, the Trustee recognised:
- 5.18.1. the range of investment options is limited and does not provide automatic protection over the years approaching retirement age via a lifestyle strategy
 - 5.18.2. Prudential and Clerical Medical provides basic administration services
 - 5.18.3. communication services are basic and there is no online member access
 - 5.18.4. the costs are broadly in line with AVC arrangements of a similar size and closed nature and there is likely to be limited opportunity for the Trustee to change the service provider

6. Trustee knowledge and understanding

The Trustee Board

- 6.1. The Trustee Board comprises nine trustee directors, two of whom are nominated by the members and three of whom are appointed by the Company.
- 6.2. One of the Company appointed trustee directors, Michael Roberts, is the chair and is a professional trustee.

Trustee knowledge and understanding requirements

- 6.3. Trustees are required to be conversant with a scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

Approach

- 6.4. The trustee directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the statement of investment principles, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the scheme year and access to professional advice.
- 6.5. If there is any ambiguities over the interpretation of the Trust Deed and Rules, the Trustee seeks legal advice from the Scheme's legal advisor.
- 6.6. The trustee directors aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional trustee as a trustee director and chair. The Trustee has sufficient knowledge of investments to be able to challenge their advisors.
- 6.7. There is a structured training programme in place that includes annual self-assessment by the trustee directors to identify knowledge gaps and training needs in relation to emerging legislation, Scheme changes and upcoming matters in the Scheme's business plan. The training programme also includes completion of the Pensions Regulator's trustee toolkit. A training log is maintained in relation to training undertaken and is reviewed at each trustee meeting.
- 6.8. The structured training programme is supplemented with training activities such as attending seminars and conferences, and reading pensions-related articles.

- 6.9. An induction process is in place for newly appointed trustee directors. Upon appointment, a Trustee Director is required to undertake completion of the Pensions Regulator's online training program. The Trustee toolkit is expected to be completed within six months of appointment.
- 6.10. The trustee directors consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the trustee directors on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and often in the delivery of training at these meetings.

Activities over the scheme year

- 6.11. The trustee directors reviewed the following Scheme documents:
 - 6.11.1. the risk register
 - 6.11.2. the internal disputes resolution procedure
 - 6.11.3. the payment schedule
 - 6.11.4. annual report and accounts
- 6.12. The structured training programme was followed during the scheme year with annual self-assessments completed by all trustee directors, and the training programme itself was also reviewed. The training log was reviewed and updated.
- 6.13. The trustee directors received training at trustee meetings over the scheme year on the following topics:
 - 6.13.1. disclosure of costs, charges and investments
 - 6.13.2. auto-enrolment minimum contribution uplifts
 - 6.13.3. consideration of Environmental, Social and Governance (ESG) risks in relation to investment strategy
- 6.14. Two trustee directors attended Barnett Waddingham's full-day DC conference, including sessions on ESG investment risks and developments in the at-retirement market.
- 6.15. There were two new Trustees appointed during the scheme year. These were Peter Bradley (Member Nominated Trustee) and John Renouf (Pensioner Trustee) and they have both completed the induction process.
- 6.16. Michael Roberts maintained accreditation for the professional trustee standards, including fitness and propriety, governance skills, ongoing professional development, managing conflicts of interest and the additional standards for professional trustees who act as chair.
- 6.17. During the scheme year, the trustee directors took professional advice on:
 - 6.17.1. reviewing the structured training programme
 - 6.17.2. assessing the Scheme's DC arrangements against the Pensions Regulator's Code of Practice 13 ("DC Code")
 - 6.17.3. undertaking the annual value for members assessment
 - 6.17.4. disclosure of costs, charges and investments

Assessment

6.18. The trustee directors consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

- 6.18.1. The trustee directors are able to challenge and question advisers, service providers and other parties effectively
- 6.18.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties
- 6.18.3. The trustee directors' decisions are not compromised by such things as conflicts or hospitality arrangements

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Michael Roberts, Chair of the Trustee

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Date

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the DC Section and the investment options offered were analysed in determining the parameters to be used.

A1.3. Pot size: pot sizes of £20,000, £57,500 and £108,500 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £500) of DC Section members.

A1.4. Illustrations have been provided assuming total regular contributions of 27%.

A1.5. Pensionable salary: a starting pensionable salary of £54,000 has been used as this represents the median (rounded to the nearest £1,000) of active DC Section members. Pensionable salary is assumed to grow at 3.5% per year.

A1.6. Timeframe: the illustrations are shown over a 45-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

A1.7. Investment options: the investment options selected for the illustrations include the most popular by number of members (the Default), the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Urenco Drawdown Path	Default strategy	-1.30% - 2.92%	0.50% - 0.55%	-0.01% - 0.10%
Aegon AM Ethical Equity	Highest Charges	2.94%	0.93%	0.22%
Aegon BlackRock US Equity Index	Highest assumed investment return	3.00%	0.19%	0.02%
Aegon BlackRock Index-Linked Gilt	Lowest charges	-1.00%	0.18%	0.00%
Aegon BlackRock Cash	Lowest assumed investment return	-1.30%	0.18%	0.01%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the FCA Illustrations.

** The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As data is only available for the last four years only, the figures are four year averages.

Guidance to the illustrations

A1.8. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.0% per year.

A1.10. Values shown are estimates and not guaranteed.

A1.11. The starting date for the illustrations is 6 April 2022.

A1.12. The illustrations are presented in two different ways:

A1.12.1. For the default, a lifestyle strategy, the illustrations should be read assuming your current age is 17 and retirement age is 65.

A1.12.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Illustrations for a starting fund value of £20,000

A1.13. Note on how to read this table: If an active member aged 17 had £20,000 invested in the Urenco Drawdown Path, in 40 years, the savings pot could grow to £1,162,622.57 if no charges are applied but to £1,052,661.60 with charges applied.

Years	URENCO Drawdown Path		Aegon AM Ethical Equity (BLK)		Aegon BlackRock US Equity Index (BLK)		Aegon BlackRock Index-Linked Gilt (BLK)		Aegon BlackRock Cash (BLK)	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	34935.39	34770.04	20560.00	20324.91	35255.16	35195.19	34169.88	34120.25	34086.25	34034.01
3	66256.18	65491.21	67629.47	66081.67	67762.38	67475.72	62720.93	62497.65	62345.05	62111.15
5	99600.49	97860.04	102772.23	99173.99	103084.01	102412.11	91569.86	91074.84	90737.23	90220.95
10	192573.74	186603.37	203843.55	190859.66	204993.24	202520.47	165125.88	163529.92	162446.98	160799.51
15	300870.30	287799.80	326381.00	296551.20	329079.13	323287.37	240986.72	237699.98	235480.52	232120.81
20	426721.91	403238.15	474055.23	417901.88	479242.82	468129.06	319486.94	313931.86	310198.15	304573.29
25	572682.49	534956.42	651117.63	556739.82	660022.27	640982.74	400978.58	392586.20	386971.03	378550.80
30	741674.95	685276.04	862489.19	715085.53	876692.91	846383.18	485832.88	474039.19	466182.91	454454.80
35	937044.96	856840.91	1113862.62	895170.92	1135384.05	1089550.25	574442.12	558684.36	548232.23	532696.49
40	1162622.57	1052661.60	1411819.92	1099460.25	1443213.36	1376489.33	667221.53	646934.67	633534.01	613699.07
45	1392484.11	1240092.06	1763967.58	1330672.99	1808442.17	1714105.93	764611.33	739224.44	722522.06	697899.97

Illustrations for a starting fund value of £57,500

A1.14. Note on how to read this table: If an active member aged 17 had £57,500 invested in the Urenco Drawdown Path, in 40 years, the savings pot could grow to £1,243,995.26 if no charges are applied but to £1,121,363.37 with charges applied.

Years	URENCO Drawdown Path		Aegon AM Ethical Equity (BLK)		Aegon BlackRock US Equity Index (BLK)		Aegon BlackRock Index-Linked Gilt (BLK)		Aegon BlackRock Cash (BLK)	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	73091.64	72703.51	73777.38	73009.81	73842.66	73701.74	71294.88	71178.49	71098.75	70976.25
3	105772.21	104329.60	108368.49	105439.11	108620.40	108077.15	99107.14	98687.91	98401.48	97962.64
5	140542.17	137656.16	145824.58	139820.56	146346.16	145222.38	127231.99	126417.45	125862.29	125013.89
10	237391.76	229043.08	253270.34	234916.83	254902.95	251392.99	199040.21	196839.25	195347.50	193080.81
15	350061.03	333277.16	383126.05	344305.14	386657.84	379080.59	273238.91	269093.01	266297.39	262071.78
20	480852.46	452200.15	539202.10	469662.79	545668.93	531823.01	350158.45	343518.83	339063.34	332362.15
25	632401.09	587910.18	725910.32	612843.92	736655.23	713696.22	430146.88	420471.02	414008.12	404333.64
30	807722.84	742796.91	948355.87	775897.24	965101.10	929393.42	513571.64	500319.78	491507.70	478376.42
35	1010270.09	919581.78	1212442.95	961085.26	1237376.82	1184315.35	600821.41	583453.02	571953.15	554891.25
40	1243995.26	1121363.37	1524996.32	1170905.37	1560878.07	1484673.86	692307.97	670278.37	655752.64	634291.62
45	1480442.79	1312387.39	1893901.17	1408112.96	1944186.94	1837610.17	788468.29	761225.17	743333.55	717005.99

Illustrations for a starting fund value of £108,500

A1.15. Note on how to read this table: If an active member aged 17 had 108,500 invested in the Urenco Drawdown Path, in 40 years, the savings pot could grow to £1,354,662.13 if no charges are applied but to £1,214,797.77 with charges applied.

Years	URENCO Drawdown Path		Aegon AM Ethical Equity (BLK)		Aegon BlackRock US Equity Index (BLK)		Aegon BlackRock Index-Linked Gilt (BLK)		Aegon BlackRock Cash (BLK)	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	124984.14	124293.03	126205.38	124838.32	126321.66	126070.65	121784.88	121577.69	121435.75	121217.70
3	159514.00	157149.82	163773.56	158965.23	164187.32	163295.09	148592.39	147906.65	147438.22	146720.67
5	196222.85	191778.89	204375.77	195099.90	205182.69	203444.35	175732.48	174483.39	173632.37	172332.29
10	298344.27	286761.07	320490.77	294834.58	322780.15	317859.62	245163.70	242139.93	240092.21	236983.38
15	416960.43	395126.36	460299.32	409250.51	464964.88	454959.38	317101.88	311787.52	308208.33	302805.10
20	554470.01	518788.48	627801.84	540057.63	636008.42	618446.79	391871.70	383757.11	378319.99	370155.00
25	713618.38	659927.29	827628.37	689145.49	840876.07	812586.56	469815.77	458394.38	450778.58	439398.29
30	897547.97	821025.30	1065134.57	858601.17	1085336.24	1042287.34	551296.36	536061.38	525949.42	510909.82
35	1109856.26	1004909.36	1346512.20	1050728.76	1376086.99	1313195.88	636697.24	617138.39	604213.61	585076.12
40	1354662.13	1214797.77	1678916.21	1268070.72	1720902.09	1631804.81	726425.53	702025.81	685969.99	662297.50
45	1600066.60	1410709.03	2070610.85	1513431.33	2128799.84	2005575.94	820913.75	791146.16	771637.17	742990.17