

# Chair's DC Governance Statement, covering 1 January 2022 to 31 December 2022

## 1. Introduction

The TRP UK Retirement Plan (the "Plan") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Plan and the AVC funds available for members are the same as those available for the DC investments and for the same cost.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee of the Plan, are required to produce a yearly statement (signed by the Chair of the Trustee Board) covering:

- the design and oversight of the default investment options (ie where contributions are invested for members that do not wish to choose their own investments);
  - processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
  - the charges and transaction costs borne by members for the default options and any other investment option members can select or have assets in, such as "legacy" funds;
  - an illustration of the cumulative effect of these costs and charges;
  - net returns of the investment options;
  - how the value members obtain from the Plan is assessed; and
  - Trustee knowledge and understanding.
- The Statement covers the period from 1 January 2022 to 31 December 2022 (the "**Plan year**").

The key points that we would like members reading this Statement to take away are as follows:

- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Plan year, and we remain comfortable with the administrator's performance. Administration standards have improved over the Plan year when compared to 2021.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns. Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain. A reduction in fees was agreed for the T. Rowe Price managed funds. This came into effect from 1 April 2022. This fee reduction was subsequently backdated for the period between 1 October 2021 and 31 March 2022, and paid in Q2 2023.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

## 2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members.

Members who join the Plan and who do not choose an investment option are placed into the TRP Drawdown Lifestyle Investment Programme, (the "Default"). We recognise that some members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy which targets income drawdown at retirement – this was implemented in February 2018. A lifestyle strategy means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

Another strategy is also classified as a Default for some members following past investment changes where members' funds have been transferred without the members expressing a choice. Following the Default review in 2017, some members closest to retirement were not automatically switched to the TRP Drawdown Lifestyle Investment Programme in Q1 2018, instead they remained in

the TRP Annuity Lifestyle Investment Programme. As members did not make a choice to invest in this strategy, this is a Default for the purpose of fulfilling legislative requirements. This strategy is designed to target annuity purchase at retirement.

One fund is also classified as a Default following previous investment changes where members' contributions were redirected without the members expressing a choice. This is the SW BlackRock Sterling Liquidity Fund. Following the suspension of the SW UK Property Fund in March 2020, a decision was taken to redirect contributions into the SW BlackRock Sterling Liquidity Fund until such time as the SW UK Property Fund could reopen. Prior to making this decision, we received advice from our investment adviser confirming this as the most appropriate option for members given the circumstances. As members' contributions were directed into this Fund without them making an active selection, this Fund was treated as a Default for the purpose of fulfilling legislative requirements over the Plan year.

As such, there are three default arrangements available to members and reference to the "Defaults" and "Default arrangements" in this Statement is applicable to all of these arrangements.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the default arrangements are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the Default arrangements is attached to this Statement as an Appendix.

### Strategic triennial review

We regularly monitor the performance of the Defaults and will formally review these arrangements and their strategies at least every three years. There was no formal review undertaken during the Plan year and the last review was carried out in 2020. The first stage of the analysis took place on 3 September 2020, with the second and final stage taking place on 4 December 2020. The next review is intended to take place during the next Plan year by September 2023 or immediately following any significant change in investment policy or the Plan's member profile.

The performance and strategy of the Defaults were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the Defaults as stated in the SIP, and to check

that they continue to be suitable and appropriate given the Plan's risk profiles and membership. This review included an analysis of member demographics and took into account expectations of how members will take their pension at retirement.

Over the year the Default lifestyle strategies have provided members with negative returns, given difficult market conditions, albeit whilst reducing risk for members approaching retirement. The SW BlackRock Sterling Liquidity Fund Default delivered positive returns over the Plan year. In monitoring the TRP Drawdown Lifestyle Investment Programme during the Plan year, we decided on the following changes to the T. Rowe Price Growth Blend (a white-labelled fund used in the lifestyle strategies) which were implemented in two phases in September 2022 and January 2023:

- Reducing the allocation of the SW Baillie Gifford International Fund from 20% to 15% (2.5% reduction in September and January).
- Increased the allocation to the SW BlackRock ACS World ex-UK Equity Index Fund from 41% to 46% (2.5% increase in September and January).

As a result of these changes, we are satisfied that the Default lifestyle strategy remains appropriate. However, during the next Plan year we will be conducting the next triennial strategy review and will review the Defaults in further detail.

### Self-select fund range

We provide members with access to a range of pooled, self-select funds across the main asset classes, reflecting the changing requirements of members as they progress towards retirement, which they believe are suitable for this purpose and enable appropriate diversification.

We have also made available an alternative lifestyle strategy, which is designed to provide members with access to a different retirement outcome other than annuity purchase and income drawdown, which is lump sum withdrawal. Details of these lifestyles and the extensive self-select fund range is set out in Appendices A and C of the SIP. We review the performance of these funds quarterly. We monitor the take up of the self-select fund range on a formal basis annually and conduct a review of the investment offering every three years. The last self-select fund range review started on 13 September 2022 and initial changes to the fund range were agreed in March 2023. We will consider further changes as part of the triennial investment strategy review. We recognise the importance of regularly reviewing the self-select offering given the proportion of

members invested in these funds is high in comparison to the broader DC pension scheme market.

During the Plan year, we added the SW HSBC Islamic Equity Index Fund on 14 January 2022.

In addition, we reminded members to review their investment holdings and check they are suitable for each individual's risk tolerances and retirement planning throughout the Plan year via member presentations, the annual member newsletter and members' annual benefit statements.

### Regular monitoring

In addition to triennial strategy reviews we also review the performance of the default arrangements against their objectives on a semi-annual basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Plan year concluded that the Defaults were performing broadly as expected given market conditions and consistently with the aims and objectives as stated in the SIP.

### 3. Requirements for processing core financial transactions

The processing of core financial transactions for the DC and AVC arrangements is carried out by the administrator of the Plan, Scottish Widows. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, switching between investments within the Plan, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Scottish Widows that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Plan has a Service Level Agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions which we monitor on a quarterly basis.

Scottish Widow's average SLA performance has improved this Plan year up to 93%, compared to an SLA of 84% for 2021.

The SLAs for the Plan have a specific timeframe in which to be addressed and completed and include (but are not limited to) the items in the following table:

Service Type	Service Level
Individual Transfer In	Act on instruction by the end of the following business day
Investment Switches	Act on instruction by the end of the following business day
Retirements, Transfers, Short Service Refunds and Death Claims unit sales	Act on instruction to sell units within two business days
Retirements, Transfers, Short Service Refunds and Death Claims payments	Payment to follow within a further three business days
Member enquiries	5 business days for simple enquiries and up to 10 business days for more complex enquiries
Fund values and illustrations received in writing	5 business days
Calculation of tax-free cash	5 business days

The key processes adopted by the administrator to help it meet the SLA are as follows:

- A task logging system is in place which is reviewed regularly for forthcoming workloads and tasks are allocated daily. PEGA is designed to serve staff with the highest priority work based on Time Critical Processes. Staff utilise the workflow system by clicking on 'Get Next Work' to be served the next most important task;
- A regular cash reconciliation is carried out by an SLA team and in respect of monitoring the bank accounts, balancing queries are dealt with according with movements that happen on a given day;
- Having a dedicated bereavement cases team; and
- All claims payments have to have a secondary approval to proceed, with payment approval thresholds in place.

To help us monitor whether service levels are being met, we receive quarterly reports about the administrator's performance and compliance with the SLA. We regularly monitor the administrators' performance in the Plan year, including the SLAs we have in place, as follows:

- The quarterly reporting provided by the administrator provides a summary of the Plan and its members, as well as information on retirements, contributions and assets. Furthermore, it provides a detailed breakdown of all core administrative procedures, the number of cases received over the period and the percentage of procedures that were completed within the agreed SLAs.
- Reports are initially evaluated by the HR/Payroll teams at T. Rowe Price and the Trustee's Administration and Communication sub-committee to verify that transactions are performed in line with the SLAs and to determine if there have been any administration errors or unreasonable delays.
- The Trustee's Administration and Communication sub-committee meets with Scottish Widows on a quarterly basis to discuss service levels and any current issues.

The Plan's relationship manager at Scottish Widows also attends regular Trustee meetings to discuss performance. To supplement this, we receive semi-annual updates from our advisers on Scottish Widows' wider service standards at a 'book level'.

In addition, we undertake an annual site visit at Scottish Widows' offices to assess the ongoing administration quality standards, risk control measures and financial transaction procedures in place. We attended the Scottish Widows offices in person on 24 November 2022 to carry out this annual site visit. We also review Scottish Widows' annual AAF01/06 report on internal controls and raise any issues as appropriate.

The Plan's account and internal administration processes are audited annually by the Plan's appointed auditors. This includes a review of the core payments into and out of the Plan and a reconciliation of member data provided by Scottish Widows.

Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

Based on our review processes, we are satisfied that over the Plan year:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

We reported in our last annual Statement that there had been some anomalies in previous Plan years with regard to the late payment of contributions by the payroll team at T. Rowe Price. These were rigorously investigated by us and were swiftly rectified by T. Rowe Price during 2022. We have and are carefully continuing to monitor the remedial steps which have been taken by T. Rowe Price (including moving the payroll process to London and making improvements to include less reliance on manual processes) to avoid further issues.

#### 4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the Plan year, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum ("pa") figure and include any administration charges, since members incur these costs.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. Transaction costs are borne by members.

The charges and transaction costs have been supplied by Scottish Widows who are the Plan's platform provider and are applicable for both the DC and AVC arrangements. All transaction costs information was available and has been included in this section. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used

zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

Following the value for members' assessment carried out in 2021, we negotiated a fee reduction with T. Rowe Price for the SW T.Rowe Price Emerging Markets Equity Fund which is used in the Default. In addition, fee reductions for all T. Rowe Price funds were also agreed. The fee reductions came into effect from 1 April 2022 and were backdated for the period between 1 October 2021 and 31 March 2022 and paid in Q2 2023.

## Default arrangements

As noted earlier, the TRP Drawdown Lifestyle Investment Programme and the TRP Annuity Lifestyle Investment Programme have been set up as lifestyle approaches, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the Plan year, annualised charges and transaction costs for these Default arrangements are set out in the following tables. The charges shown in brackets were the charges in place at the start of the Plan year before the changes to the Growth Blend noted in section 2 were made.

### TRP Drawdown Lifestyle Investment Programme charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.36 (0.39)	0.05
10 years to retirement	0.35 (0.37)	0.04
5 years to retirement	0.34 (0.35)	0.03
At retirement	0.31 (0.32)	0.02

### TRP Annuity Lifestyle Investment Programme charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.36 (0.39)	0.05
10 years to retirement	0.32 (0.34)	0.04
5 years to retirement	0.28 (0.29)	0.03

Years to target retirement date	TER (% pa)	Transaction costs (%)
At retirement	0.24 (0.24)	0.02

### SW BlackRock Sterling Liquidity Fund

Annualised charges and transaction costs over the Plan year for the SW BlackRock Sterling Liquidity Fund, which was treated as a Default for the purpose of fulfilling legislative requirements, is shown in the following table.

Fund	TER (% pa)	Transaction costs (%)
SW BlackRock Sterling Liquidity Fund	0.21	0.02

## Self-select options

In addition to the Default arrangements, members also have the option to invest in one other lifestyle strategy (the TRP Lump Sum Lifestyle Investment Programme), which targets cash withdrawal and several other self-select funds. The annual charges for this lifestyle during the Plan year are set out in the table below:

### TRP Lump Sum Lifestyle Investment Programme charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.36	0.05
10 years to retirement	0.38	0.03
5 years to retirement	0.33	0.02
At retirement	0.27	0.01

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the Plan year are set out in the following table. The underlying funds used within the Default are shown in **bold**.



### Other self-select fund charges and transaction costs

Fund name	TER (% pa)	Transaction costs (%)
<b>T. Rowe Price Lifestyle Growth Blend</b>	<b>0.36 (0.39)</b>	<b>0.05</b>
<b>T. Rowe Price Lifestyle Fixed Income</b>	<b>0.22</b>	<b>0.02</b>
<b>SW Legal &amp; General Diversified Fund</b>	<b>0.42</b>	<b>0.00</b>
<b>SW BlackRock Sterling Liquidity Fund</b>	<b>0.21</b>	<b>0.02</b>
SW Baillie Gifford International Fund	0.53	-0.02
SW Ardevora Global Long-only Equity Fund	1.07	0.75
SW T. Rowe Price Global Focused Growth Equity Fund	0.97	0.64
SW T. Rowe Price Global Growth Equity Fund	0.99	0.49
SW T. Rowe Price Frontier Markets Equity Fund	1.24	0.37
SW T. Rowe Price Emerging Markets Equity Fund	1.15	0.40
SW Artemis UK Special Situations Fund	1.03	0.30
SW Threadneedle UK Smaller Companies Fund	1.06	0.12
SW T. Rowe Price European Equity Fund	0.95	0.19
SW T. Rowe Price European Smaller Companies Equity Fund	1.05	0.05
SW T. Rowe Price US Large Value Cap Equity Fund	0.95	0.14
SW Threadneedle American Fund	0.73	0.32
SW T. Rowe Price US Smaller Companies Equity Fund	1.17	0.23
SW Stewart Investors Asia Pacific Leaders Fund	0.94	0.08

Fund name	TER (% pa)	Transaction costs (%)
SW T. Rowe Price Asian Ex-Japan Equity Fund	1.05	0.50
SW T. Rowe Price Global Aggregate Bond Fund	0.63	0.79
SW T. Rowe Price Global High Yield Bond Fund	0.84	0.12
SW M&G Total Return Credit Fund	0.67	0.06
SW T. Rowe Price Global Natural Resources Equity Fund	1.05	0.18
SW Baillie Gifford Managed Fund	0.51	0.16
SW BlackRock iShares Corporate Bond Index Fund	0.22	0.04
SW BlackRock iShares Index-Linked over 5 years Gilt Index Fund	0.21	0.03
SW BlackRock iShares Over 15 Years Gilts Index Fund	0.21	-0.01
SW BlackRock ACS European Equity Index Fund	0.22	0.01
SW BlackRock ACS Japan Equity Index Fund	0.22	-0.02
SW BlackRock Aquila Pacific Rim Equity Index Fund	0.22	0.00
SW BlackRock ACS UK Equity Index Fund	0.21	0.07
SW BlackRock ACS US Equity Index Fund	0.21	0.02
SW BlackRock ACS World ex-UK Equity Index Fund	0.22	0.00
SW BlackRock Aquila Emerging Markets Equity Index Fund	0.41	-0.03
SW HSBC Islamic Equity Index Fund <sup>1</sup>	0.48	-0.01
SW BlackRock ACS Climate Transition World Equity Fund	0.24	0.09

<sup>1</sup> This fund was added to the self-select fund range during the Plan year.

Years invested	TRP Drawdown Lifestyle Investment Programme		TRP Annuity Lifestyle Investment Programme		SW BlackRock Sterling Liquidity Fund		SW Ardevora Global Long-only Equity Fund		SW BlackRock ACS Japan Equity Tracker Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£15,000	£14,900	£15,000	£14,900	£14,500	£14,500	£15,000	£14,800	£15,000	£14,900
3	£34,600	£34,300	£34,600	£34,300	£32,200	£32,100	£34,600	£33,700	£34,600	£34,400
5	£55,200	£54,600	£55,200	£54,600	£49,400	£49,100	£55,200	£53,000	£55,200	£54,800
10	£111,400	£109,000	£111,400	£109,000	£90,100	£89,100	£111,400	£103,100	£111,400	£110,100
15	£175,000	£169,500	£175,000	£169,500	£127,900	£125,700	£175,000	£155,800	£175,000	£171,900
20	£246,900	£236,500	£246,900	£236,500	£162,900	£159,200	£246,900	£211,300	£246,900	£241,100
25	£328,400	£310,900	£328,400	£310,900	£195,300	£190,000	£328,400	£269,800	£328,400	£318,600
30	£411,800	£385,600	£408,900	£383,200	£225,400	£218,200	£420,500	£331,400	£420,500	£405,300
35	£486,700	£450,800	£474,600	£441,000	£253,300	£244,100	£524,700	£396,300	£524,700	£502,300
40	£543,500	£498,800	£516,700	£477,200	£279,200	£267,800	£642,600	£464,700	£642,600	£611,000

### Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.

- The transaction cost figures used in the illustration are those provided by the managers over the past four years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past four years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.

- The illustration is shown for the TRP Drawdown Lifestyle Investment Programme and the TRP Annuity Lifestyle Investment Programme (both default arrangements). The TRP Drawdown Lifestyle Investment Programme is the default for new joiners and has the most members invested in it. We have also shown the illustration for the SW BlackRock Sterling Liquidity Fund, which was treated as a Default for the purpose of fulfilling legislative requirements. In addition, we have shown illustrations for two funds from the Plan's self-select fund range. The two self-select funds shown in the illustration are:
  - the fund with highest annual member borne costs (TER plus Plan year transaction costs) – this is the SW Ardevora Global Long-only Equity Fund
  - the fund with lowest annual member borne costs – this is the SW BlackRock ACS Japan Equity Index Fund

## Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long term annual inflation assumption used is 2.5%.
- Annual salary growth is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £5,500. This is the approximate average (median) pot size for members aged 25 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the Plan's Normal Pension Age.
- The starting salary is assumed to be £57,500. This is the approximate median salary for active members aged 25 or younger.
- Total contributions (employee plus employer) are assumed to be 16.0% of salary per year. The £ amount of contributions are assumed to increase in line with salary increases.
- The projected annual returns (before deduction of charges and transaction costs) used are as follows:
  - TRP Drawdown Lifestyle Investment Programme option: 2.5% above inflation for the initial years, gradually reducing to a gradually reducing to a return of 0.1% above inflation at the ending point of the lifestyle.
  - TRP Annuity Lifestyle Investment Programme option: 2.5% above inflation for the initial years, gradually reducing to a gradually reducing to a return of 0.6% below inflation at the ending point of the lifestyle.
  - SW BlackRock Sterling Liquidity Fund: 1.5% below inflation
  - SW Ardevora Global Long-only Equity Fund: 2.5% above inflation
  - SW BlackRock ACS Japan Equity Index Fund: 2.5% above inflation

No allowance for active management outperformance has been made.

## 5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Plan year. The returns have been shown for all funds over 1 and 5 years to 31 December 2022, however, not all funds have been available for Plan members to invest in over this period.

We have taken into account the statutory guidance when providing these investment returns and have not deviated from this.

For the arrangements where returns vary with age, such as for the Default arrangements, returns are shown over one and five years to 31 December 2022, for a member aged 25, 45 and 55 at the start of the period the returns are shown over.

### TRP Drawdown Lifestyle strategy net returns over periods to Plan year end

Age of member at the start of the period	1 year (2022) (%)	5 years (2018-2022) (% pa)
25	-11.7	6.1
45	-11.7	6.1
55	-13.0	3.9

### TRP Annuity Lifestyle strategy net returns over periods to Plan year end

Age of member at the start of the period	1 year (2022) (%)	5 years (2018-2022) (% pa)
25	-11.7	6.1
45	-11.7	6.1
55	-15.8	2.1



### TRP Lump Sum Lifestyle strategy net returns over periods to Plan year end

Age of member at the start of the period	1 year (2022) (%)	5 years (2018-2022) (% pa)
25	-11.7	6.1
45	-11.7	6.1
55	-10.0	4.3

### Self-select fund net returns over periods to Plan year end

Fund name	1 year (2022) (%)	5 years (2018-2022) (% pa)
TRP Lifestyle Growth Blend	-11.7	6.1
TRP Lifestyle Fixed Income	-23.9	-2.7
SW Legal & General Diversified Fund	-9.3	3.0
SW BlackRock Sterling Liquidity Fund	1.3	0.6
SW Baillie Gifford International Fund	-20.2	7.6
SW Ardevora Global Long-only Equity Fund	-15.4	6.8
SW T. Rowe Price Global Focused Growth Equity Fund	-20.2	10.9
SW T. Rowe Price Global Growth Equity Fund	-22.1	7.6
SW T. Rowe Price Frontier Markets Equity Fund	-11.0	2.0
SW T. Rowe Price Emerging Markets Equity Fund	-14.8	-1.0
SW Artemis UK Special Situations Fund	-9.3	2.5
SW Threadneedle UK Smaller Companies Fund	-31.8	-0.6
SW T. Rowe Price European Equity Fund	-12.2	4.4
SW T. Rowe Price European Smaller Companies Equity Fund	-32.7	-0.8
SW T. Rowe Price US Large Cap Value Equity Fund	4.9	8.4

Fund name	1 year (2022) (%)	5 years (2018-2022) (% pa)
SW Threadneedle American Fund	-11.1	11.6
SW T. Rowe Price US Smaller Companies Equity Fund	-10.9	11.7
SW Stewart Investors Asia Pacific Leaders Fund	-8.9	6.9
SW T. Rowe Price Asian Ex-Japan Equity Fund	-13.2	2.8
SW T. Rowe Price Global Aggregate Bond Fund	-5.6	0.9
SW T. Rowe Price Global High Yield Bond Fund	-0.3	4.1
SW M&G Total Return Credit Fund	-0.6	2.6
SW T. Rowe Price Global Natural Resources Equity Fund	18.7	6.4
SW Baillie Gifford Managed Fund	-24.3	4.6
SW BlackRock iShares Corporate Bond Index Fund	-18.0	-1.6
SW BlackRock iShares Index-Linked Over 5 Year Gilt Index	-38.0	-5.1
SW BlackRock iShares Index-Linked Over 15 Year Gilt Index	-40.4	-6.6
SW BlackRock ACS European Equity Index Fund	-7.7	5.0
SW BlackRock ACS Japan Equity Index Fund	-6.3	2.4
SW BlackRock Aquila Pacific Rim Equity Index Fund	-2.0	3.5
SW BlackRock ACS UK Equity Index Fund	-0.1	3.0
SW BlackRock ACS US Equity Index Fund	-11.6	11.1
SW BlackRock ACS World ex UK Equity Index Fund	-9.8	8.7
SW BlackRock Aquila Emerging Markets Equity Index Fund	-11.0	0.5
SW HSBC Islamic Equity Index Fund	-15.6	11.4
SW BlackRock ACS Climate Transition World Equity	-15.2	- <sup>2</sup>

<sup>2</sup> This fund's inception date is August 2020 so five year returns are not yet available.

## 6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the review covering the Plan year was 21 June 2023. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. In particular, the charges borne by members for the passive funds are low when compared with their peer groups. Many of the fees for the Plan's active funds are above the median when compared with their peer groups, however we believe these funds offer strong expected returns.

In carrying out the assessment, we also consider the other benefits members receive from the Plan, which include

- our oversight and governance, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

This summary sets out our rating and the high-level rationale behind it:

1. Charges – Good – Members bear the cost of administration and investment charges, but fees are competitive compared to schemes of a similar size. The Trustee will continue to monitor the fees members pay and the implementation of the new fee agreements.

2. Administration – Fair – the administration services provided by Scottish Widows is of a reasonable standard when compared with other providers. The Trustee is working closely with the provider to ensure improvements to their service to members, where appropriate.
3. Governance – Good – The Trustee and pensions team are very committed to the Plan, demonstrated by the dedicated level of resources. Over the period the Trustee reviewed and updated the risk register, attended Scottish Widows offices for a due diligence visit and undertook various training sessions. A new chair of the ISC was appointed in the next Plan year.
4. Communications – Good – The Trustee issued timely and relevant information to members including the production of an annual newsletter issue in print, web and interactive versions, and annual member presentation sessions.
5. Default arrangements – Good – The default strategy targets drawdown at retirement, and the Trustee monitors the strategy's risk and return profile regularly to ensure it remains appropriate. Both default lifestyle strategies delivered negative returns for all members invested over the Plan year due to adverse market conditions impacting the majority of asset classes. The SW BlackRock Sterling Liquidity Fund has delivered positive returns in line its benchmark over the Plan year. The Trustee is due to carry out a triennial strategy review during the next Plan year, including a review of the default investment strategies.
6. Investment range – Good – The self-select fund range provides access to all major asset classes, many specialist options and alternative lifestyle strategies. The ISC, on behalf of the Trustee, has a robust structure for monitoring these funds. Over the Plan year, one new fund was added and two funds are due to be removed in the next Plan year.
7. At-retirement services – Good - Support and guidance offered to members are reasonable given the low numbers of members within 5 years of their target retirement dates.
8. Plan design – Good – The Plan design and contribution structure are generous and encourage members to take advantage of the extra matching contributions.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Plan received good value for money for the charges and cost that they incurred during the Plan year, for the reasons set

out in this section. We believe this because the fees paid by members are generally competitive for a Plan of this size, the Plan's contribution structure is generous and encourages members to take advantage of the extra matching contributions, communications have been timely and relevant, and lower fees have successfully been negotiated which came into effect during the Plan year. We aim to improve value for members in future by taking the following steps:

- Continuing to monitor SLAs, reporting and pushing for consistent improvement from the administrator, Scottish Widows.
- Communicating newly set stewardship priorities with our investment managers.
- Consider further improvements to the self-select fund range.
- Undertake a triennial review of the Defaults during 2023, to ensure these remain appropriate.

## 7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the Plan year are set out below.

We, with the help of our advisers, regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the Plan year, we received training on the following topics:

- DWP's stewardship guidance;
- Single Code of Practice (now known as General Code);
- Pensions Dashboards;
- Industry developments for DC investments;
- Post-retirement options; and

- Updates on the Master Trust market.

In addition, we receive quarterly updates and training on hot topics in the DC market from their investment advisers. During the Plan year, these topics consisted of:

- Ensuring DC savers achieve good outcomes post-retirement;
- Stewardship training; and
- Legislative updates in the DC market.

Furthermore, we attended external forums and industry conferences throughout the year as appropriate, in order to enhance their knowledge of the DC market. Over the Plan year we attended and/or participated in the following events:

- PLSA Conference;
- DG Publishing DC Strategic Summit; and
- LCP's DC & Financial Wellbeing Conference.

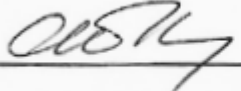
As well as learning, the external forums and industry conferences provide an external perspective of other DC schemes and whether there are learnings which could be taken.

We are familiar with and have access to copies of the Plan's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

We have all (with the exception of the most recently appointed Trustee Directors) completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new trustees, including a requirement to complete the Pensions' Regulator's Trustee Toolkit within six months of their appointment. New Trustee Directors are interviewed by the Chair and the Pensions Manager prior to appointment and their role explained to them. The new Trustee Directors are then provided with key scheme documents and meet with the Pensions Manager to answer any questions.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee of the Plan properly and effectively.

  
Date: 31/7/23  
**Signed by the Chair of Trustee of the TRP UK Retirement Plan**