**DC Governance Statement 30 September 2024**

Chairman's Annual Statement Regarding Governance

## Introduction and Background

The Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability ('the Scheme') contains within it, a section that provides benefits on a 'Money Purchase' or a 'Defined Contribution' (DC) basis - the Money Purchase Section.

This means the level of benefits members will receive when they retire is not guaranteed, but instead depends on factors such as the amount of employer and employee contributions paid, and the investment returns earned on those contributions. How members choose to withdraw their benefits when able to, will also have a bearing on their income during retirement.

Since 2015, trustees of pension plans such as the Scheme, have been required to produce an annual statement, signed by the Chair of the trustees, setting out how they have met with required governance standards as they relate to their management of their Money Purchase arrangements. The aim of these requirements is to help members achieve a good outcome from their pension savings.

Dalriada Trustees Limited (the ‘Trustee’) was appointed as Sole Trustee on 2 November 2022.

This statement is produced in line with Regulations in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) 1996 (the Regulations) and describes how the Trustees have met the statutory governance standards, covering:

1. The default investment strategy, including its governance;
2. Requirements for processing financial transactions;
3. Assessment of charges and transaction costs; and
4. The requirement for trustee knowledge and understanding.

This statement also contains a 'Value for Members Assessment' - an assessment of the Scheme in terms of whether and how its Money Purchase arrangement represent Value for Members, along with details of charges and transaction costs borne by members and illustrations of the cumulative impact of those charges and costs on member funds.

This statement covers the period from 1 October 2023 to 30 September 2024. A copy has been incorporated into the Trustees' annual report and accounts, which is available on request to members and beneficiaries of the Scheme and members' appointed representatives. A copy is also hosted publicly online and is available at the following link: <https://www.rhn.org.uk/governance/strategy-legislation/>

Historically, Scheme members have been able to make Additional Voluntary Contribution (AVC) payments to the Scheme's external AVC provider, Clerical Medical Investment Group Limited. These are also Money Purchase benefits. The facility is closed to contributions but retains a small holding.

The Trustees receive information each year which confirms the membership and value of benefits. Members also received annual benefit statements but the information on costs and charges for the Clerical Medical arrangement is not readily available and has not been available in preparing this Statement. However, the Trustees, with the help of their advisers, are seeking to obtain the relevant information from Clerical Medical. As of 30 September 2024, there were eight AVC members with a total fund value of approx. £43,244.

## Closure and Transfer of the Money Purchase Section

It was previously reported that the former Trustee Board supported the Hospital in their proposal that a master trust would be a more suitable arrangement for the future provision of Money Purchase benefits and so that all the improvements required to the Scheme's investment strategy and member experience could be implemented on a future-proofed and cost-effective basis.

The Money Purchase Section closed to future contributions on 30 September 2019, with all the Hospital's current and future employees joining the Aviva Master Trust. The Trustees received advice on the transfer of the Money Purchase Section assets in respect of all contributions up to 30 September 2019 and on 30 July 2020, £20.5m of assets for 1,276 members were transferred from the Money Purchase Section of the Scheme to the Aviva Master Trust.

Despite this, a small number of members and their funds remain in the Scheme’s Money Purchase Section. For these members, funds have been held in cash until the benefits can be settled. The Trustees have made best endeavours to attempt to contact or trace these members and their beneficiaries, to arrange settlement of the benefits and discharge all DC liabilities. Following this exercise, 7 DC members remained in the Scheme and legal advice was obtained on how to treat these benefits. The Trustee held a meeting on 27 September 2024 in order to make a decision regarding the remaining DC liabilities and it was agreed to:

* Convert two DC pots for members under age 75 into DB benefits. This was completed on 30 September 2024 following actuarial advice and agreement with the Hospital.
* The Trustee invoked the Unclaimed Benefit rule for two trivial DC pots who had not responded to the reasonable efforts to trace them.
* 1 deceased member who passed away on 1 December 2019 with a DC fund of £10,866.34, and the Scheme has been unable to obtain a death certificate or contact the family. It was agreed to hold this amount in the Scheme should the family make contact in the future. Legal advice has confirmed that there is currently no formal segregation between the DB and DC schemes.
* 1 member holds a DC benefit in relation to residual AVCs only and legal advice has confirmed that this member is not a DC member for DC governance purposes. The Trustee are looking at options to remove this liability through a bulk transfer of DC assets to an alternative Master Trust provider before 30 September 2025.
* 1 member remains a DC member as at 30 September 2024 with a DC fund value of £10,638.53, who requested retirement in December 2019 and were not included in the bulk transfer to the Aviva Master Trust in July 2020. The Trustee are looking at options to remove this liability through a bulk transfer of DC assets to an alternative Master Trust provider before 30 September 2025.

Reflecting this position and status of the remaining members and assets within the Money Purchase Section, certain trustee-related activities are or maybe impacted. Where this is the case, it is referred to within this statement.

## The default investment strategy

Until September 2019, the Scheme was used as a 'Qualifying Scheme' for 'auto-enrolment' and as such, the Trustees were required to operate a 'default investment strategy' - a strategy that will automatically apply to a member's existing fund and any contributions that are made, in the absence of a member making active investment decisions. The default investment strategy is designed and monitored by the Trustees, after having taken suitable investment advice, with the primary objective of maximising returns over the long term, at an acceptable level of risk.

### Statement of Investment Principles

Details of the default investment strategy can be found within the most recent Statement of Investment Principles ("SIP") dated March 2025, a copy of which can be found in Appendix D. The statement explains the Trustees' approach to investment governance, objectives and strategy.

The statement also takes account of the Trustees' views on Social, Environmental Governance ('ESG') considerations (including but not limited to climate change) and the stewardship in the selection, retention, and realisation of their investments (including how any voting rights are exercised). This incorporates details of the arrangements in place with the Scheme's investment managers. It includes monitoring and assessing:

* + their philosophy for assessing and engaging with the businesses and institutions they invest in;
  + the stewardship of those investments, including exercising of rights (including voting rights) attaching to investments;
  + the ongoing costs and frequency of trading;
  + their approach to Environmental, Social and Governance (ESG) policies.

### Implementation Statement

The Trustees are also required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Scheme's Statement of Investment Principles during the previous Scheme year. This is referred to as the Implementation Statement. The statement also includes details of any reviews of the statement during the year, any changes that were made and reasons for the change.

A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within the statement.

A copy of the Trustees' Implementation Statement, covering the period from 1 October 2023 to 30 September 2024 has been incorporated into the Trustees' annual report and accounts and is available to view publicly online at the following link: <https://www.rhn.org.uk/governance/strategy-legislation/>

### Investment Options

### The Trustees recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk.

### In order to provide this the majority of DC member benefits were transferred to the Aviva Master Trust in July 2020.

### At the same time some, during this exercise, through the process of settling some benefits (to either members or beneficiaries) or tracing some legacy members, all members assets were transferred to cash pending transfer. For those members who did not transfer those benefits have continued to be held pending settlement.

The Trustees previously offered DC members a range of investment options, which they believed were suitable for meeting the ongoing investment objectives of the membership, but remaining assets, pending settlement are invested in a Cash Fund. The 'Lifestyle Option' (the Scheme's historic default investment strategy) was a 'lifestyled' strategy targeting an 'annuity' or pension benefit outcome at retirement. For members that didn't feel the Default Lifestyle Option was right for them - either from a risk perspective, or a benefit outcome perspective - a range of funds was also available on a 'self­ select' basis.

During the 'growth phase' of the Lifestyle Option, which spans the time from a member joining the Scheme until ten years from their target retirement date (age 65 in the absence of selecting a different age), the primary objective is to maximise returns over the long term at an acceptable level of risk. During this period a member's individual account is wholly invested in the LGIM Diversified Fund.

During the 'consolidation phase' (the ten years leading up to a member's target retirement date), the member's individual account and contributions are gradually switched on a calendar quarterly basis, initially into LGIM Pre-Retirement Fund and then into the LGIM Cash Fund. At the member's target retirement date, 75% of a member's fund is invested in the Pre-Retirement Fund and 25% in the Cash Fund.

The characteristics of the funds which form part of the Lifestyle Option are outlined below:

**LGIM Diversified Fund** - A passively managed fund with the investment objective to provide long-term investment growth through exposure to a diversified range of asset classes. The long-term expected rate of return of the fund is broadly like that of a developed market equity fund. The diversified nature of the fund means that it is expected to have less exposure than a pure equity fund to adverse equity market conditions.

**LGIM Pre-Retirement Fund** - A passively managed fund aiming to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product. The fund invests in LGIM's index-tracking bond funds to gain exposure to these assets. The benchmark asset allocation for the fund is a composite of gilts and corporate bond funds.

**LGIM Cash Fund** - A passively managed fund with the objective to deliver competitive rates of return by investing in cash deposits and other short-term investments. The fund aims to perform in line with SONIA

- Sterling Overnight Index Average - (note the benchmark index was changed from 7-Day GBP LIBID from 30 September 2021), without incurring excessive risk.

This switching process is aimed at both reducing risk whilst also targeting an 'annuity' benefit outcome at retirement with that part of an individual's account, that can't be taken in the form of tax-free cash.

Where a member defers receipt of the benefits beyond age 65, in the absence of making alternative investment decisions, a member's individual account will remain invested in these proportions.

### Investment Reviews

The Trustees are required to formally review the default investment strategy at least every three years or immediately following any significant change in; investment policy, the Scheme's member profile, the employer, or economic conditions.

A review of the investment options made available to members was last undertaken by the Trustees (based on advice from its investment adviser, Capita Pension Solutions) in 2014.

As part of the review, the Trustees carried out a demographic analysis of the membership. This analysis had the following objectives:

* + To improve the Trustees understanding of the current profile of the Scheme's membership.
  + To help the Trustees design an appropriate investment strategy; and
  + To help the Trustees design an appropriate member communication strategy.

These objectives combined, would help to ensure the structure and design of the investment proposition is based on the membership profile, where practical to do so.

As a result of the review, the Trustees introduced the Lifestyle Option set out above.

Since 2014, the Trustees have periodically reviewed the Lifestyle Option and determined that no change was required. Based on the Hospital's decision to review and subsequently close the Scheme in 2019, the Trustees have also determined that no further reviews will be undertaken.

### Investment Monitoring

In addition to undertaking regular strategy reviews, the Trustees also regularly review the performance of the current default investment strategy and the wider investment options. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations. On a regular basis, the Trustees receive, and review performance monitoring reports produced by the Trustees' investment adviser and/or Legal & General Investment Management (LGIM), the Scheme's investment manager. These are formally reviewed at scheduled Trustee meetings.

The Trustees can confirm they have considered the returns of the default investment strategy and these have been consistent with the Trustees' current aims and objectives for that strategy, as set out within the Statement of Investment Principles.

### Investment Performance

From 1 October 2021, the trustees are required to calculate and state the return on investments from their default investment strategies and self-select funds, net of transaction costs and charges.

The table below, based on information from LGIM, shows the relevant information for the Scheme as at 30 September 2024:

|  |  |  |  |
| --- | --- | --- | --- |
| **Fund Name** | **Charges**  **p.a. (TER)** | **Transaction   Costs** | **Net Performance Return** |
| LGIM Diversified Fund | 0.3302% | 0.0016% | 12.74% |
| LGIM Pre-Retirement Fund | 0.1507% | -0.0662% | 10.70% |
| LGIM Cash Fund | 0.1248% | 0.0793% | 5.24% |
| LGIM UK Equity Index Fund | 0.195% | -0.0003% | 13.32% |
| LGIM World (ex UK) Equity Index Fund | 0.223% | 0.0188% | 20.17% |
| LGIM Over 15 Year Gilts Index Fund | 0.100% | 0.040% | 10.00% |
| LGIM Over 5 Year Index-Linked Gilts Index Fund | 0.100% | 0.0676% | 6.32% |
| LGIM Multi-Asset Fund (formerly Consensus Index Fund) | 0.264% | 0.021% | 13.63% |
| LGIM Active Corporate Bond – All Stocks Fund | 0.2656% | 0.0897% | 10.29% |

## Requirements for processing financial transactions

### Service Levels and Service Monitoring

The core financial transactions, including investment of contributions, transfers in and out of the Scheme to members and/or their beneficiaries, and transfers/switches of assets between different investments in the Scheme, have generally been processed promptly and accurately as evidenced by administration reporting, provided by Capita, the Scheme administrator. Administration reports are prepared for the Trustees on a quarterly basis.

Agreed service levels (SLAs) are in place between the Trustees and Capita, with each administration report requested providing a full reconciliation of work undertaken and timescales achieved against agreed service levels for each 'job type'. These typically cover, but are not limited to, ensuring that the following activities are processed promptly and accurately:

* + Benefit/retirement quotations.
  + Transfers out of the Scheme.
  + Leaver Statements.
  + Investment switches.
  + General enquiries and data changes.

As the Money Purchase Section closed to future contributions on 30 September 2019, no contributions were made to and processed within the section during the period covered by the statement. As such and based on the small number of members and assets and minimal financial transactions processed in the period, the Trustees are of the view that reporting performance against agreed service levels is no longer relevant.

Each administration activity is allocated based on job type and age profile. This means, any case where information has returned from a third party will be prioritised and progressed in a timely manner. The prioritisation process ensures key dates are met, sensitive and urgent cases are treated as such, and member experience is protected, particularly where the processing of financial transactions are involved.

The Trustees are not aware of any material issues that negatively impacted the processing of core financial transactions during the period. Capita has reported to the Trustees that no complaints were received from members for the period covered by this statement.

The Trustees have not sought to benchmark the administrator's performance against other Capita clients or against other pension schemes which are not administered by Capita.

The Trustee was made aware of the cyber incident that impacted Capita’s administration systems in March 2023. The Trustee liaised with Capita, the Information Commissioner and The Pensions Regulator accordingly in response to the incident. Whilst Personal Data may have been stolen as part of the incident, we have been informed by Capita that no data has been used since the incident. Member communications were issued to affected members offering complementary access to Experian credit score monitoring services for a 12-month period. The cyber incident impacted on administration service levels whilst Capita responded to the event.

***Internal Controls***

In accordance with the ongoing administration reporting arrangements, controls are in place to monitor and ensure that core financial transactions are and continue to be processed promptly and accurately. This includes regular monitoring of bank accounts, and 'four eyes' checking of investments and banking transactions.

These controls, along with service levels and any service issues are reviewed at each Trustee meeting. This includes utilisation of a workflow management system to monitor Scheme member-related activities and related performance against service levels and forward planning of regular annual activities and events.

The monitoring of administration and core financial transactions is also reflected in the Scheme's Risk Register and is a standing item on the agenda for Trustee meetings. The Trustees also review Capita's most recent Internal Controls report on an annual basis.

On behalf of the Trustees, Capita also review the processes in place to identify potential 'pension scams', and clear information on how to spot a scam is included in all relevant member communications.

Further scrutiny of transactions and reporting and controls can be found within the Scheme's Annual Report & Accounts. As part of the annual audit process and report on their findings, Grant Thornton includes testing of sample financial transactions for accuracy and timeliness and review the administrator's controls and processes.

Based on the governance processes described above, no errors or inaccuracies have been identified in core financial transactions during the Scheme Year.

The Trustees are confident that the processes and controls that have been in place with the administrator are robust, and have ensured that the financial transactions which are important to members have been dealt with properly.

## Assessment of charges and transaction costs

The Trustees are required to set out the ongoing charges borne by members in this statement. Typically, these consist of an annual management charge (AMC) per fund plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the 'total expense ratio' ('TER') or Ongoing Charges Figure ('OCF'). The TER or OCF is paid by the members and is reflected in the unit price of the funds that members choose to invest in.

The Trustees are also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds.

Aside from investment management charges and investment transaction costs, all other costs associated with running the Scheme, are borne by the Hospital and therefore have no bearing on member charging. However, for completeness we have referred to these as part of our assessment of Value for Members, which can be found in Appendix A.

The charges and transaction costs that apply to the default investment strategy, and for each fund which members can select and in which assets relating to members are invested during the scheme year are recorded in Appendix B. All charges and transaction cost details disclosed have been provided by LGIM.

Examples of the cumulative effect of costs and charges on member funds are also set out in Appendix C. In preparing Appendices B and C of this Statement, the Trustees have had regard to statutory guidance published by the Department for Work and Pensions.

We are pleased to be able to say, the TER applicable to the default investment strategy, as well as funds available on a self-select basis fall significantly below the Charge Control cap of 0.75% required by pension scheme regulations. Transaction costs are generally minimal or negative.

In preparing this statement, we were able to obtain all relevant charge and transaction cost information.

The Trustees are comfortable that the member borne charges are competitive, offer value for money and are kept under a continuous review.

## The requirement for trustee knowledge and understanding

A rigorous process is followed for appointments to the Trustee Board to ensure that it comprises people of the right calibre who were suitably qualified to act as Trustees.

The Trustees spend an appropriate amount of time running the Scheme in relation to the size and complexity of the arrangements, and in doing so, are also required to maintain an appropriate level of knowledge and understanding, which together with professional advice enables them to properly exercise their functions and duties in relation to the Scheme.

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee must:

* + Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustees relating to the administration and management of the Scheme generally. The Trustees will refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases.
  + Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as a Trustee, knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the funding and investment of the assets of occupational pension schemes.

To help achieve the above, each Trustee is also expected to ensure that he or she meets the Pension Regulator's (TPR) Trustee Knowledge and Understanding requirements. This includes completing TPR's Trustee Toolkit. The Trustee Toolkit is an online learning program aimed at trustees of occupational pension schemes. It contains modules and resources on the law relating to pensions and trusts, and the principles relating to the funding and investment of occupational pension schemes. It is designed to help trustees meet the minimum level of knowledge and understanding required under the Pensions Act 2004.

At the time of publication of this statement, the composition of the Trustee board is compliant with regulatory requirements and demonstrates diversification of skills and breadth and depth of pension knowledge. The Trustee is Dalriada Professional Trustees. The Regulator regards that professional trustees should be held to a higher standard than other trustees. As such, Dalriada produces an annual assurance report on its pension trustee services compliant with the framework provided by the Audit and Assurance faculty of the Institute of Chartered Accountants in England and Wales. Training needs and gaps in knowledge are identified through annual assessments. The individuals representing Dalriada Professional Trustees are members of the Association of Professional Pension Trustees and hold the Pensions Management Institute's Award in Pension Trusteeship and undertake a minimum of 25 hours training in a year (demonstrating the Regulator's requirement to have a working knowledge of the documents setting out the Trustee's current policies and to have knowledge and understanding of the law relating to pensions and trusts).

The Trustee is conversant with the Trust Deed and Rules, the SIP and all Plan policies, as well as knowledge of pensions and trust law, funding and investment principles. The Trustee reverts to the legal adviser for any clarification required.

Additional training is provided based on the individual and collective needs of the Trustee Board with the intention of ensuring the Trustee board always has enough understanding overall to operate the Scheme in an effective manner. The Trustees are encouraged to 'self-assess' on an ongoing basis and undertake training where appropriate.

The combined knowledge of the Trustees is assessed/monitored through the Trustees Risk Register.

Finally, the Trustees employ several advisers including Capita, to provide actuarial, investment and secretarial advice as required and to ensure that Scheme governance, controls, skills, and knowledge are current and meeting the expectations of the Pension Regulator and Scheme members. In addition, legal advice is provided by Sackers.

Where required, advisers attend formal Trustee meetings and where appropriate, training is provided within Trustee meetings. Current and potential upcoming changes in pension legislation, regulation and industry best practice that affect the Scheme are also covered in detail with support from the Trustees' advisers.

Overall, the Trustees believe that their combined knowledge and understanding, access to and understanding of the Scheme's governing documentation, together with the advice available to them, enables them to properly exercise their functions as Trustees of the Scheme.

**Summary**

The Trustees have considered how the Scheme has been governed, by reference to Sections 1 - 4. above. This includes service standards being provided in terms of scheme administration (including processing core financial transaction, scheme records and scheme governance), member communication, investment proposition and investment returns. The Trustees have also considered the type and level of charges borne by members, as well as how the Scheme's costs and charges compare to similar and alternative pension schemes.

It is our view that the Scheme, including member borne costs and charges, is providing Value for its Members. The Trustee is focused upon settling the remaining small number of DC liabilities within the fund in advance of the next scheme year-end date. Our Value for Members Assessment and Statement is set out in Appendix A.

Signed for and on behalf of Dalriada Trustees Limited:

**Signed**…………………………………………………….

**Date**……………………………………………………….

The Staff Pension and Life Assurance Scheme of The Royal Hospital for Neuro-Disability

## 30 September 2024

**List of evidence represented in appendices:**

Appendix A: Detailed Value for Members assessment Assessment Appendix B: Member Charges and Transaction Costs Appendix C: Projected Fund Values

Appendix D: Statement of Investment Principles, dated March 2025

## Further evidence available on request:

Scheme Calendar, updated quarterly Example Administration Report

Example Performance Monitoring Report

The analysis of the costs borne by the Employer

# Appendix A: Value for Members Assessment and Statement

## Value for Members Assessment

## Detailed value for members (VfM) assessment

The Scheme is a relevant scheme which, on the relevant date held total assets worth less than £100 million and has been operating for 3 or more years. On this basis the Board is required to carry out the following more detailed value for member (VfM) assessment.

The more detailed VfM assessment includes a comparison of reported costs and charges and fund performance (net investment returns) with a minimum of 3 other schemes, and a consideration of key governance and administration criteria.

***Comparator schemes***

During the Scheme year Argyle Consulting assessed comparator schemes to the current Scheme. Following an extensive review, the arrangements being considered by the Board as comparator schemes for the more detailed VfM assessment, are:

* NEST
* The People’s Pension
* L&G Master Trust

**VALUE FOR MEMBERS ASSESSMENT – Scheme Year Ending 30 September 2024**

Certain DC schemes with a scheme year end falling after 31 December 2021 must carry out a more detailed Value for Members (VfM) assessment and include the findings in the annual Chair’s Statement and submit these findings as part of the Annual Scheme Return.

Schemes such as The Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability Scheme (the “Scheme”) that meet certain criteria are required to perform the detailed assessment. The criteria are detailed below:

* Less than £100 million total assets
* Operated for at least three years
* A scheme year-end that falls after 31 December 2021.

The VfM assessment involves self-assessing the quality of the administration and governance with reference to seven key metrics and comparing the scheme’s costs and charges, and net returns, against at least three other comparator schemes.

The three schemes which have been chosen to provide comparison against are NEST, The People’s Pension and the Legal & General Master Trust. We requested Master Trust terms from various providers but they declined to quote due to the scheme not meeting their minimum requirements. Therefore the Legal & General comparison scheme is based on terms applicable to another pension scheme (for which client consent was obtained).

The guidance requires that the scheme performing the assessment must have had discussions with at least one of the comparator schemes about transferring – were the scheme to wind up. The Trustee of the Scheme confirms that such a discussion has taken place.

NEST

The National Employment Savings Trust (NEST) is a not-for-profit Defined Contribution (DC) workplace pension scheme. NEST is as an authorised Master Trust, which is a trust-based pension scheme that is used by multiple non-associated employers and run by a single trustee (NEST Corporation). NEST was selected for comparison purposes for the following reasons:

* it could be a potential option for the transfer of Money Purchase funds
* it has an obligation to accept all employers
* investment performance data is publicly available
* standard charging basis which is publicly available
* it is a different style of pension scheme.

The People’s Pension

The People’s Pension is an authorised Master Trust which was selected for comparison purposes for the following reasons:

* it could be a potential option for the transfer of Money Purchase funds (will generally accept bulk transfer of assets from this type of scheme but possibly subject to an employer upfront fee)
* investment performance data is publicly available
* standard charging basis which is publicly available
* it is a different style of pension scheme.

Legal & General Master Trust

The Legal & General Master Trust is an authorised Master Trust which was selected for comparison purposes for the following reasons:

* Terms were disclosed by the scheme adviser - with the consent of the client
* Suitable default fund with easy access to past performance data via analytical tools
* it is a different style of pension scheme and is used for auto-enrolment compliance.

**Sources of Comparison Data**

Comparisons should be made against information contained in published disclosures from comparators. It is noted that in some cases, equivalent disclosures from comparators may not be available. In such instances, the Trustee may wish to request data from the providers, obtain data from other schemes (if available), or use commercially available information. The following data has been used to perform the assessment of investment returns:

* NEST data has been collated using the NEST published data, based on their standard default fund and the most suitable alternative self-select fund available
* The People’s Pension data has been collated using the Financial Analytics Express analysis tool, based on their standard default fund and the most suitable alternative self-select fund available
* Legal & General Master Trust data has been obtained using the Financial Analytics Express analysis tool, based on the comparator scheme default fund (the self-select fund analysed is currently invested with Legal & General and is available via their Master Trust)
* The performance figures used for the Scheme has been obtained using the Financial Analytics Express analysis tool

The past performance data for both the Scheme and the three comparators has been collated as at 30th September 2024.

**Investment Returns**

As part of the VfM assessment, the Trustee should compare the investment returns of funds offered through their scheme with funds offered through comparators. The Trustee should place more weight on investment returns than on costs and charges.

Investment returns achieved by default funds should be given more weight than self-select funds. The Trustee should compare the returns of their default fund against comparison default funds. It is not necessary for each default to have a similar asset allocation.

Self-select funds should be compared with the nearest funds available from the comparison arrangements selected.

|  |  |  |
| --- | --- | --- |
| **Assessed** | **Good Performance** | **Poor Performance** |
| Default/Single Fund | Majority of net returns are closely comparable with/better than the average for comparator funds | Majority of net returns are worse than the average for comparator funds |
| Overall Scheme | Net returns across a majority of funds offered by the scheme are closely comparable with/better than the average for comparator funds (whilst greater weight is given to the default fund) | Net returns across a majority of funds offered by the scheme are worse than the average for comparator funds (whilst greater weight is given to the default fund) |

**Performance Comparisons**

**Default Fund**

|  |  |  |  |
| --- | --- | --- | --- |
| **Member aged 25 in 2024** | **1 Year** | **3 Years** | **5 Years** |
| Scheme  LGIM 10 Year Lifestyle Profile | 13.40% | 3.02% | 4.12% |
| NEST  Normal Retirement Date Fund | 15.60% | 4.40% | 5.60% |
| The People’s Pension  Balanced Investment Profile | 19.38% | 5.33% | 6.52% |
| Legal & General Master Trust  Target Date Fund | 16.77% | 5.40% | 5.97% |
| **Member aged 35 in 2024** | **1 Year** | **3 Years** | **5 Years** |
| Scheme  LGIM 10 Year Lifestyle Profile | 13.40% | 3.02% | 4.12% |
| NEST  Normal Retirement Date Fund | 16.10% | 5.10% | 7.00% |
| The People’s Pension  Balanced Investment Profile | 19.38% | 5.33% | 6.52% |
| Legal & General Master Trust  Target Date Fund | 16.74% | 5.38% | 6.06% |
| **Member aged 45 in 2024** | **1 Year** | **3 Years** | **5 Years** |
| Scheme  LGIM 10 Year Lifestyle Profile | 13.40% | 3.02% | 4.12% |
| NEST  Normal Retirement Date Fund | 16.10% | 5.10% | 7.00% |
| The People’s Pension  Balanced Investment Profile | 19.38% | 5.33% | 6.52% |
| Legal & General Master Trust  Target Date Fund | 16.81% | 4.03% | 4.72% |
| **Member aged 55 in 2024** | **1 Year** | **3 Years** | **5 Years** |
| Scheme  LGIM 10 Year Lifestyle Profile | 13.40% | 3.02% | 4.12% |
| NEST  Normal Retirement Date Fund | 16.10% | 5.00% | 7.00% |
| The People’s Pension  Balanced Investment Profile | 15.96% | 3.44% | 4.42% |
| Legal & General Master Trust  Target Date Fund | 14.27% | 2.71% | 3.93% |

**Self-Select Funds**

In addition to the default fund components, there are investments held in 7 alternative funds, c.98% of which are invested in the LGIM Future World Ann Aware fund. This fund has therefore been included in this assessment.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1 Year** | **3 Years** | **5 Years** |
| Scheme  LGIM Future World Ann Aware | 11.33% | -6.76% | -4.08% |
| NEST  Post Retirement Date Fund One | 6.70% | 2.80% | 1.90% |
| The People’s Pension  Pre-Retirement Fund | 10.84% | 0.61% | 1.26% |
| Legal & General Master Trust  Future World Annuity Aware Fund 3 | 11.33% | -6.76% | -4.08% |

The past performance data is average annualised net returns to 30th September 2024.

**Conclusion**

When assessing the results of the Performance Comparisons, the Trustee has taken account of the following:

* The asset allocation of the Scheme default fund and the self-select fund analysed
* The asset allocation of the comparable funds in the alternative products reviewed

The Trustee notes that there has been some underperformance in both the Scheme default fund and the self-select fund, when compared to the alternative products, over some of the periods reviewed. The Trustee has reviewed the results of the past performance analysis whilst considering the following points:

* There is only one member left with benefits in the Money Purchase section of the scheme
* The low level of assets held in both the default fund and self-select fund analysed for the purposes of this review
* The Trustee is actively engaged in ensuring that the benefits in respect of the remaining Money Purchase assets are settled as soon as possible

The Money Purchase section of the Scheme will be wound up when these assets have been settled and therefore the Trustee deems that no further action is required in relation to the past performance review.

**COSTS AND CHARGES**

When assessing the Costs and Charges for VfM purposes, the Trustee should consider the most up to date charges/transaction costs available on the scheme funds and those of the comparators.

When assessing VfM, total charges/transaction costs for the default arrangement should be given greater weight than those for self-select funds.

|  |  |
| --- | --- |
| **Good Performance** | **Poor Performance** |
| Costs and charges for the scheme are closely comparable with or lower than the average for comparator schemes  Higher scheme costs and charges can be justified where substantially higher investment returns have been achieved | Costs and charges for the scheme are higher than those of the comparators, and no justification is provided |

The results of the costs and charges comparison is outlined in the tables below.

**Default Fund**

|  |  |  |  |
| --- | --- | --- | --- |
| **Member aged 25 in 2024** | **TER** | **Transaction Costs** | **Total** |
| Scheme LGIM Diversified Fund | 0.33% | 0.06%\* | 0.39% |
| NEST  Normal Retirement Date Fund | 0.30% | 0.046% | 0.346% |
| The People’s Pension  Balanced Investment Profile | 0.50% | 0.09% | 0.59% |
| Legal & General Master Trust  Target Date Fund | 0.29% | 0.06% | 0.35% |
| **Member aged 35 in 2024** | **TER** | **Transaction Costs** | **Total** |
| Scheme LGIM Diversified Fund | 0.33% | 0.06%\* | 0.39% |
| NEST  Normal Retirement Date Fund | 0.30% | 0.058% | 0.358% |
| The People’s Pension  Balanced Investment Profile | 0.50% | 0.09% | 0.59% |
| Legal & General Master Trust  Target Date Fund | 0.29% | 0.06% | 0.35% |
| **Member aged 45 in 2024** | **TER** | **Transaction Costs** | **Total** |
| Scheme LGIM Diversified Fund | 0.33% | 0.06%\* | 0.39% |
| NEST  Normal Retirement Date Fund | 0.30% | 0.057% | 0.357% |
| The People’s Pension  Balanced Investment Profile | 0.50% | 0.09% | 0.59% |
| Legal & General Master Trust  Target Date Fund | 0.29% | 0.05% | 0.34% |
| **Member aged 55 in 2024** | **TER** | **Transaction Costs** | **Total** |
| Scheme LGIM Diversified Fund | 0.33% | 0.06%\* | 0.39% |
| NEST  Normal Retirement Date Fund | 0.30% | 0.057% | 0.357% |
| The People’s Pension  Balanced Investment Profile | 0.50% | 0.078% | 0.578% |
| Legal & General Master Trust  Target Date Fund | 0.29% | 0.03% | 0.32% |

\*Scheme transaction costs include Property Expenses of 0.006%.

**Self-Select Funds**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **TER** | **Transaction Costs** | **Total** |
| Scheme  LGIM Future World Ann Aware | 0.151% | -0.066% | 0.085% |
| NEST  Post Retirement Date Fund One | 0.30% | 0.004% | 0.304% |
| The People’s Pension  Pre-Retirement Fund | 0.50% | 0.06% | 0.56% |
| Legal & General Master Trust  Future World Annuity Aware Fund 3 | 0.26% | 0.00% | 0.26% |

**Conclusion**

The Scheme costs for administration, running the Trustee Board and advice are paid by the sponsoring employer. The Trustee has analysed the costs and charges comparison applicable to both the default fund and the self-select funds and is satisfied that these were appropriate for members and provided Value for Members (prior to the disinvestment of funds to cash pending settlement of the remaining Money Purchase funds allocated to members).

**Net investment returns**

The net investment returns refers to the returns on the LGIM funds, minus all transaction costs and charges and are set out in the table below as at 30 September 2024:

|  |  |
| --- | --- |
| **Fund Name** | **Net Performance Return** |
| LGIM Diversified Fund | 12.74% |
| LGIM Pre-Retirement Fund | 10.70% |
| LGIM Cash Fund | 5.24% |
| LGIM UK Equity Index Fund | 13.32% |
| LGIM World (ex UK) Equity Index Fund | 20.17% |
| LGIM Over 15 Year Gilts Index Fund | 10.00% |
| LGIM Over 5 Year Index-Linked Gilts Index Fund | 6.32% |
| LGIM Multi-Asset Fund (formerly Consensus Index Fund) | 13.63% |
| LGIM Active Corporate Bond – All Stocks Fund | 10.29% |

**Costs borne by Scheme members**

The Trustees have obtained from LGIM, details of ongoing charges and transaction costs that applied (or may have potentially applied) to the investment funds available to members.

Transaction costs for those that applied (or may have potentially applied) to the investment funds available to members are set out in Appendix B. Note that a negative transaction cost can refer to anti-dilution measures put in place by the manager to protect existing investors.

Actual and potential transaction costs disclosed by LGIM, include (but may not be limited to):

* Transaction taxes
* Broker commission
* Implicit costs
* Entry/exit charges
* Other transaction costs
* Indirect transaction taxes
* Indirect broker commission
* Indirect implicit costs
* Indirect entry/exit charges
* Indirect other transaction costs
* Indirect transaction costs - external funds
* Anti-dilution offset
* Indirect anti-dilution offset

Transaction costs quoted is the average cost incurred over the year as a necessary part of buying and selling. These costs have been captured using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the price of the instrument at previous market close.

This is consistent with the implicit cost calculation methods allowable prior to 2018 under PRIIPS guidance, which allows firms to assume there is no intra-day data available.

For any transactions occurring in the year ended 30 September 2024, the arrival price of each trade will be captured and used to calculate the implicit transaction cost (‘slippage cost’). The arrival price of a trade is the mid-market price of an asset at the time the order is placed in the market.

Indirect transaction costs have been calculated assuming a static fund structure as of 30 September 2024.

For any funds which hold an investment managed by a third party, the transaction costs provided by the third- party manager are represented as an indirect external fund transaction cost.

Where transaction cost information was not made available by the third party, transaction costs incurred by the externally managed fund have not been included. Details of the ongoing investment charges and transaction costs disclosed by LGIM are set out in Appendix B. The cumulative effect of costs and charges on member funds are set out in Appendix C.

**Costs borne by the employer**

As mentioned elsewhere in this statement, in carrying out this assessment, the Trustees have taken the view that costs borne by the sponsoring employer will have a positive effect on Value for Members who are only paying investment charges. The employer-borne costs which have been taken into consideration are as follows:

1. Administration costs
2. Cost of running the Trustee Board
3. Cost of advice/suppliers of professional services

**Value for Members Statement**

There is no legal definition of “good value” and so the process of determining good value for members is a subjective one. The Trustees also note that value for money does not necessarily mean the lowest fees or costs, and the overall service and quality of the service received has also been considered in this assessment.

The Trustees have reviewed the Scheme in its current form, as it relates to the remaining members and assets as explained on page 2 of this statement. The Trustees believe the Scheme is providing Value for Members. The reasons for this are based on the evidence listed above and include, but are not limited to, the following:

* + The oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation, such as the charge cap, and holding regular meetings to monitor the Scheme and address any material issues that may impact members.
  + The Trustees are comfortable with the quality and efficiency of the administration processes, including processing of financial transactions.
  + Members of the Scheme pay only investment charges and transaction costs, with the sponsoring employer bearing most of the costs of running the Scheme.
  + The investment charges borne by members compare favourably with similar schemes and for all investment funds available to members, fall well below the 0.75% charge cap.
  + The fund charges are competitive for the types of fund available to members.
  + The investment options offered to members (including the default investment strategy)
  + have been designed to reflect members’ needs according to third party data analysis of the Scheme’s demographic profile.
  + The investment choices offered to Scheme members have been subject to regular review to ensure the investment options continue to meet member needs. Whilst the investment options do not include lifestyle investment strategies that target different benefit outcomes to the default investment strategy (including ‘encashment’ and ‘drawdown’), the Trustees offer members the ability to invest in a range of self-select funds.
  + Both the investment manager and the funds under management are assessed by the Trustee s in liaison with their investment advisers on a regular basis and at each Trustee meeting.
  + The returns on the investment funds members can choose during the period covered by this statement have been consistent with the Trustees stated investment objectives
  + The Trustees ensure ongoing communications and engagement activities provide ample information, learning and engagement activities to encourage Scheme members to make informed decision and changes to their investment options and retirement planning, if this is an appropriate course of action to suit their circumstances.

Whilst the Trustees are satisfied the Scheme is providing Value for Members (for those that remain in the Scheme), the Trustees acknowledge there are some negative reasons for concluding that the Scheme does not provide optimum Value for its Members, hence the decision to transfer members and their funds, to the Aviva Master Trust. These include the following:

* + The Scheme does not offer members the ability to efficiently manage their individual accounts online. Whilst member engagement with online management can generally be low, the Trustees accept this position has detracted from the Scheme’s value.
  + The existing communication and engagement framework and member support, including pre and at retirement support is limited. This includes both online and offline support.
  + The Scheme provides a limited investment offering and the current investment offering does not specifically cater for the ‘freedom and choice in pension’ ‘flexibilities’ introduced in 2015.

It is for these and other reasons that the previous Trustee Boards concluded that a change to the Scheme, from its current form into a newer, more flexible product was considered appropriate, was in members best interests and ultimately provides better Value for Members. The current Trustee Board are in the process of discharging the remaining DC liabilities in advance of the next scheme year-end date. It is recognized that all DC liabilities were intended to be discharged at the time of the transfer to the Aviva Master Trust.

# Appendix B: Member Charges and Transaction Costs

The Employer has met all charges applicable to the Scheme in respect of administration, the running of the Trustee Board and the cost of advice, and therefore these costs have no bearing on member charging. The only costs borne by the members are the investment management fees.

**Charges and transaction costs for funds within the default investment strategy for the Scheme year ending 30 September 2024:**

|  |  |  |
| --- | --- | --- |
| **Fund Name** | **Charges**  **p.a. (TER\*)** | **Transaction**  **Costs\*\*** |
| LGIM Diversified Fund | 0.3302% | 0.0016% |
| LGIM Pre-Retirement Fund | 0.1507% | -0.0662% |
| LGIM Cash Fund | 0.1248% | 0.0793% |

**Charges and transaction costs for all funds in which assets were held, including on a self-select basis, for the year ending 30 September 2024:**

|  |  |  |
| --- | --- | --- |
| **Fund Name** | **Charges**  **p.a. (TER\*)** | **Transaction Costs\*\*** |
| LGIM Diversified Fund | 0.3302% | 0.0016% |
| LGIM Pre-Retirement Fund | 0.1507% | -0.0662% |
| LGIM Cash Fund | 0.1248% | 0.0793% |
| LGIM UK Equity Index Fund | 0.195% | -0.0003% |
| LGIM World (ex UK) Equity Index Fund | 0.223% | 0.0188% |
| LGIM Over 15 Year Gilts Index Fund | 0.100% | 0.040% |
| LGIM Over 5 Year Index-Linked Gilts Index Fund | 0.100% | 0.0676% |
| LGIM Multi-Asset Fund (formerly Consensus Index Fund) | 0.264% | 0.021% |
| LGIM Active Corporate Bond – All Stocks Fund | 0.2656% | 0.0897% |

*\*TER, or Total Expense Ratio is the total costs associated with managing and operating the investment fund. It includes the Annual Management Charge (AMC), plus various other expenses including index licensing fees, legal fees, administration, marketing, regulation, auditing, and custody). Due to the size and purchasing power of LGIM, some funds’ TERs and AMCs are effectively the same.*

*\*\*Transaction costs that applied (or may have potentially applied) to the investment funds available to members, based on charges outlined within this Appendix. Note that a negative transaction cost can refer to things like anti-dilution measures put in place by the manager to protect existing investors. It is effectively a ‘saving’ to existing members and reduces the impact of other charges. As it is an implicit, calculated cost, it would ordinarily be reflected within the unit price.*

# Appendix C: Projected Fund Values

**Projected Pension pot showing the cumulative effect of charges and transaction costs on the default investment strategy produced in accordance with DWP guidance:**

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Default Strategy** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £20,352.00 | £20,293.41 |
| 3 | £21,074.69 | £20,893.19 |
| 5 | £21,823.05 | £21,510.71 |
| 10 | £23,812.28 | £23,135.53 |
| 15 | £25,982.83 | £24,883.08 |
| 20 | £27,747.86 | £26,229.60 |
| 25 | £28,137.27 | £26,340.70 |

### Notes for the above and following tables:

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 £20,000 - which is approximately the average value of the Money Purchase Section.
3. No future contributions are assumed in the projection since the Money Purchase Section closed to future contributions on 30 September 2019.
4. Inflation is assumed to be 2.5% each year.
5. Return assumptions used are the same as those used by the Scheme’s latest Statutory Money Purchase Illustration (SMPI) assumptions for the relevant fund asset class.

Values shown are estimates and are not guaranteed.

**Projected Pension pot showing the cumulative effect of charges and transaction costs on funds in which assets were held during the scheme year ended 30 September 2021, produced in accordance with DWP guidance:**

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Diversified Fund (Gross Accumulation Rate: 4.26%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £20,352.00 | £20,293.41 |
| 3 | £21,074.69 | £20,893.19 |
| 5 | £21,823.05 | £21,510.71 |
| 10 | £23,812.28 | £23,135.53 |
| 15 | £25,982.83 | £24,883.08 |
| 20 | £28,351.23 | £26,762.64 |
| 25 | £30,935.52 | £28,784.16 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Pre-Retirement Fund (Gross Accumulation Rate: 2.32%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £19,964.00 | £19,931.52 |
| 3 | £19,892.19 | £19,795.26 |
| 5 | £19,820.65 | £19,659.94 |
| 10 | £19,642.90 | £19,325.65 |
| 15 | £19,466.75 | £18,997.05 |
| 20 | £19,292.18 | £18,674.04 |
| 25 | £19,119.17 | £18,356.52 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Cash Fund (Gross Accumulation Rate: 1.60%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £19,820.00 | £19,794.71 |
| 3 | £19,464.85 | £19,390.44 |
| 5 | £19,116.05 | £18,994.43 |
| 10 | £18,271.18 | £18,039.41 |
| 15 | £17,463.64 | £17,132.42 |
| 20 | £16,691.80 | £16,271.02 |
| 25 | £15,954.07 | £15,452.94 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **UK Equity Fund (Gross Accumulation Rate: 5.60%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £20,620.00 | £20,584.90 |
| 3 | £21,918.26 | £21,806.53 |
| 5 | £23,298.25 | £23,100.66 |
| 10 | £27,140.43 | £26,682.02 |
| 15 | £31,616.22 | £30,818.61 |
| 20 | £36,830.13 | £35,596.50 |
| 25 | £42,903.89 | £41,115.13 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **World (ex UK) Equity Index Fund (Gross Accumulation Rate: 5.60%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £20,620.00 | £20,576.77 |
| 3 | £21,918.26 | £21,780.69 |
| 5 | £23,298.25 | £23,055.05 |
| 10 | £27,140.43 | £26,576.77 |
| 15 | £31,616.22 | £30,636.44 |
| 20 | £36,830.13 | £35,316.24 |
| 25 | £42,903.89 | £40,710.88 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Over 15 Year Gilts Index Fund (Gross Accumulation Rate: 1.80%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £19,860.00 | £19,831.25 |
| 3 | £19,582.93 | £19,498.00 |
| 5 | £19,309.73 | £19,170.35 |
| 10 | £18,643.29 | £18,375.12 |
| 15 | £17,999.84 | £17,612.88 |
| 20 | £17,378.61 | £16,882.26 |
| 25 | £16,778.81 | £16,181.95 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Over 5 Year Index-Linked Gilts Index Fund (Gross Accumulation Rate: 1.80%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £19,860.00 | £19,832.69 |
| 3 | £19,582.93 | £19,502.27 |
| 5 | £19,309.73 | £19,177.35 |
| 10 | £18,643.29 | £18,388.54 |
| 15 | £17,999.84 | £17,632.17 |
| 20 | £17,378.61 | £16,906.91 |
| 25 | £16,778.81 | £16,211.49 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Multi-Asset (formerly Consensus Index) Fund (Gross Accumulation Rate: 4.20%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £20,340.00 | £20,285.92 |
| 3 | £21,037.44 | £20,870.09 |
| 5 | £21,758.79 | £21,471.08 |
| 10 | £23,672.25 | £23,050.37 |
| 15 | £25,753.98 | £24,745.83 |
| 20 | £28,018.77 | £26,565.99 |
| 25 | £30,482.73 | £28,520.03 |

|  |  |  |
| --- | --- | --- |
| **Projected pension fund value in today’s terms** | | |
| **Active Corporate Bond - All Stocks - Fund (Gross Accumulation Rate: 2.70%)** | | |
| **Years** | **Before costs and charges deducted** | **After costs and charges deducted** |
| 1 | £20,040.00 | £19,873.71 |
| 3 | £20,120.24 | £19,623.52 |
| 5 | £20,200.80 | £19,376.48 |
| 10 | £20,403.62 | £18,772.40 |
| 15 | £20,608.47 | £18,187.15 |
| 20 | £20,815.38 | £17,620.15 |
| 25 | £21,024.37 | £17,070.83 |

# Appendix D: Statement of Investment Principles

Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability Defined Contribution Section

Statement of Investment Principles – March 2025

**Introduction**

The Trustees of the Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability (the “Trustees” and “Scheme” respectively) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (as amended), and the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments.

The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

**Governance**

The Trustees make the key strategic decisions relating to the Scheme’s investments, and to support the objectives of the Scheme’s investment strategy.

When making decisions, and when appropriate, the Trustees take proper advice.

The Trustees’ investment consultants, Capita Employee Benefits, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide advice.

**Scheme Constitution**

The Scheme provides pension benefits on both a Defined Benefit and a Defined Contribution basis. The Defined Contribution (“DC”) Section of the Scheme was introduced for all new entrants after 1 November 2001, following the closure of the Defined Benefit (“DB”) Section to new members, and for all future pension provision following the closure of the DB Section to future accrual on 30 September 2006. The DC Section of the Scheme closed to future contributions on 30 September 2019, with all the Hospital's current and future employees joining the Aviva Master Trust. The Trustees received advice on the transfer of the DC Section assets in respect of all contributions up to 30 September 2019 and on 30 July 2020, £20.5m of assets for 1,276 members were transferred from the DC Section of the Scheme to the Aviva Master Trust.

**Investment Objectives**

The Trustees recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk.

As noted above, in order to provide this the majority of DC member benefits were transferred to the Aviva Master Trust.

At the same time some, during this exercise, through the process of settling some benefits (to either members or beneficiaries) or tracing some legacy members, all remaining members assets were transferred to cash pending settlement. For those members who did not transfer those benefits have continued to be held pending settlement.

The Trustees previously offered members a range of investment options, which they believed were suitable for meeting the ongoing investment objectives of the membership, but remaining assets, pending settlement are held as cash in the Trustee bank account

**Investment Mandates**

The Trustees have selected Legal & General Investment Management (“LGIM”) as the appointed investment manager to manage the remaining assets of the Scheme. The investment manager is regulated under the Financial Services and Markets Act 2000.

The Trustees have a rolling contract with their investment manager.

The Trustees monitor the performance of their investment manager on a regular basis.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

**Investment Manager Remuneration**

The Trustees monitor the remuneration and incentives that are paid to their investment manager, and how it rewards key staff who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they ensure that this policy is in line with their investment strategy.

**Investment Manager Philosophy and Engagement**

The Trustees monitor the investment manager’s processes for assessing the businesses it invests in, and whether business performance over the medium to long-term involves appropriate incentives and a holistic look beyond mainly accountancy measures.

The Trustees are conscious of whether the investment manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

**Investment Manager Portfolio Costs**

The Trustees monitor costs of buying, selling, lending and borrowing investments and they look to monitor the costs breakdown on a regular basis, as long as the investment manager provides these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, their investment manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then the Trustees will monitor compliance with these targets.

Responsible Investment (including ESG factors) and non-financial matters. The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme’s members. The Trustees believe that environmental, social and governance (“ESG”) considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme.

The Trustees have elected to invest predominantly in a pooled fund at one appointed manager and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustees will seek to understand these deeper and as part of this they are keen that their manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees have already spoken to their investment manager and note that their investment manager votes on all their funds and that their manager is also a signatory of the UK Stewardship Code. The Trustees are aware of the limited scope of Stewardship given the limited investments now held.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment manager.

The Trustees are committed to being a responsible investor in line with its legal duties under the Investment Regulations. Responsible Investment is an approach which seeks to integrate ESG considerations into investment management and ownership practices. In this regard the Trustees are aware of the investment manager’s ESG record, in particular in voting and engagement.

Non-financial matters, including members’ views are not taken into account explicitly.

**Employer-Related Investments**

The Trustees’ policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

**Fee Structures**

The investment manager is paid a management fee on the basis of assets under management.

The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment manager.

Overall fees including portfolio turnover are monitored on an annual basis by the Trustees as part of the annual Chair’s Statement.

**Review of this Statement**

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy.

The Trustees of the Staff Pension and Life Assurance Scheme of the Royal Hospital for

Neuro-disability