

The Phoenix Electrical Pension Plan Chairman's Statement

Introduction

This statement has been prepared by the Trustees of the Plan in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended). It describes how the Trustees have met the statutory governance standards in relation to:

- the default arrangements;
- requirements for processing financial transactions;
- assessment of charges and transaction costs; and
- the requirement for Trustee knowledge and understanding

This statements covers the year to 31 March 2021 ("the Plan year") as well as providing details of current ongoing exercises affecting the Plan.

Following consultation with members the Plan closed to future contributions and accrual with effect from 31 May 2019. The Plan is no longer used as a qualifying workplace pension arrangement.

Default arrangements

The following funds are the Plan's default arrangement for the purposes of the Administration Regulations:

- Aegon BlackRock Aquila Life (60:40) Global Equity Class S3
- Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3
- Aegon BlackRock Cash Class S2

Review

- The investment objective of the Aegon BlackRock Aquila Life (60:40) Global Equity Class S3 is to provide diversified exposure to the UK and overseas equity markets. The fund has approximately 60% invested in the shares of UK companies and the remaining 40% is invested in overseas companies. The fund aims to achieve returns that are 0.5% - 0.75% per year above its benchmark over rolling three-year periods.
- The investment objective of the Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3 is to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market.
- The investment objective of the Aegon BlackRock Cash Class S2 is to achieve an investment return that is in line with wholesale money market short-term interest rates. Specifically, the Fund seeks to better the return of the 7 Day Sterling London Interbank Bid Rate (LIBID). The underlying investments of the fund are a diversified portfolio of money market instruments.

The Trustees review the performance of each fund against its stated objectives at each Trustee meeting. With the exception of the Aegon BlackRock Aquila Life (60:40) Global Equity Class S3 fund, the funds exceeded their benchmarks over all reporting periods. The Trustees are satisfied with the funds' performance and that the funds are meeting their stated objectives.

The Phoenix Electrical Pension Plan Chairman’s Statement (continued)

Requirements for processing financial transactions

The Trustees are required to report to you about the processes and controls in place in relation to the “core financial transactions”. The law specifies that these include the following:

- investing contributions paid into the Plan;
- transferring assets related to members into or out of the Plan;
- transferring assets between different investments within the Plan; and
- making payments from the Plan to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. Whilst the Trustees retain ultimate responsibility for these transactions, in practice we delegate responsibility for these functions to the Plan’s administrator. The Plan’s administrator is Deloitte Total Reward and Benefits Limited.

The Trustees monitor core membership movements, including those which result in financial transactions, via the Plan administrators’ regular administration reports, which include details of performance against target response times.

The Trustees, having considered the above, have concluded that the Plan’s core financial transactions have been processed promptly and accurately during the Plan year covered by this statement.

Assessment of member-borne charges and transaction costs

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustees calculated the charges and, so far as they were able to do so, the transaction costs, borne by members of the Plan between 1 April 2020 and 31 March 2021.

(For these purposes ‘charges’ means Plan administration charges excluding transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs, or costs solely associated with the provision of death benefits. Transaction costs are those incurred as a result of buying, selling, lending or borrowing investments.)

During this period the total charges applied to the default arrangements ranged from 0.095% to 0.15%. Full details are set out in the table below.

Fund	Total Charge
Aegon BlackRock Aquila Life (60:40) Global Equity Class S3	0.15%
Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3	0.10%
Aegon BlackRock Cash Class S2	0.095%

The Phoenix Electrical Pension Plan Chairman's Statement (continued)

Value assessment

In accordance with Regulation 25(1)(b) of the Administration Regulations, the Trustees have assessed the extent to which charges (and transaction costs) borne by members represent good value for members.

The Trustees are committed to ensuring that members receive value for money from the Plan.

In accordance with The Pensions Regulator's DC Code of Practice and with relevant legislation available at the time of this statement, the Trustees concluded that the Plan's overall benefits and options represent value for money for the following reasons:

- Charges for the Plan's default investment strategy are below the charge cap of 0.75% a year;
- Members have access to various asset classes, all of which have competitive fund management charges;
- Members do not pay for the costs of Plan administration, professional adviser costs or indeed any costs (other than fund management) associated with running the Plan;
- the Company offers a competitive contribution structure and encourages pension saving;
- Members have access to new retirement flexibilities either by taking cash or by transferring their benefits to another arrangement which offers full flexibilities.

Trustee knowledge and understanding (TKU)

The law requires the Trustee board to possess, or have access to, sufficient knowledge and understanding to run the Plan effectively. The Trustees' approach to meeting the TKU requirements includes:

- Receiving training sessions from advisers during regular Trustee meetings to ensure the Board maintain an appropriate level of knowledge and understanding of current and general issues affecting DC pensions.
- Receiving bulletins and general updates from advisers about matters relevant to the Plan at regular Trustee meetings.

The combined knowledge and understanding of the Trustees, together with the professional advice available to them, enables them to properly exercise their duties as Trustees of the Plan.