

The Phoenix Electrical Pension Plan Chair'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) and relates to the Plan's Defined Contribution (DC) section.

The statement describes how the Trustees have met the statutory governance standards in relation to:

- the default arrangements;
- net investment returns;
- requirements for processing financial transactions;
- assessment of charges and transaction costs and how they represent value for members; and
- the requirement for Trustee knowledge and understanding.

This statement covers the period from 1 April 2023 to 31 March 2024 ("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. An Annual Benefit Statement is sent to members each year in September.

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 Return. The Plan meets the criteria for requiring a VfM assessment to be performed. This assessment is also included in this document.

Default investment arrangements

Members who joined the Plan were placed into the Plan's default arrangement, (the "default arrangement"). There are no self-select funds available to members of the Plan. The following funds are the underlying funds that make up the Plan's default arrangement:

- Aegon BlackRock Aquila Life (60:40) Global Equity Class S3
 - This fund invests primarily in equities, both in the UK and overseas markets. The fund has approximately 60% invested in the shares of UK companies. The remaining 40% is invested in overseas companies split between the US, Europe ex-UK, Japan and Pacific Rim. The fund aims to provide returns consistent with the markets in which it invests.
- Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3
 - This fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index by investing in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The fund may also invest in permitted money market instruments, deposits and collective investment schemes.

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

Default investment arrangements (continued)

- Aegon BlackRock Cash Class S2
 - The investment objective of the Aegon BlackRock Cash Class S2 is to achieve an investment return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money-market instruments.

The Trustees are responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

The Trustees review the performance of each fund against its stated objectives at each Trustee meeting. The Trustees reviewed the investment strategy in 2023 and identified that whilst there were opportunities to update the investment strategy, the Trustees are considering consolidating assets into a Master Trust to improve value for members. The Trustees are assessing the timescales and will consider whether to update the default investment strategy or transfer assets into a Master Trust.

The Trustees keep the funds available to members under review with the assistance of its advisors, Isio Group Limited ('Isio').

Net Investment Returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustee are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustee calculated the return on investments, having regard to the statutory guidance, as far as they were able to do so.

Below are the annualised net investment returns to 31 March 2024 for all funds where no lifestyling takes place.

Fund	1 Year	5 Year (p.a.)
Aegon BlackRock Aquila Life (60:40) Global Equity Class S3	12.1%	7.4%
Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3	5.1%	1.6%
Aegon BlackRock Cash Class S2	-7.7%	-6.8%

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

Below are the annualised net investment returns to 31 March 2024 for all arrangements where lifestyling takes place.

Age of member at beginning of period (years)	1 Year	5 Year (p.a.)
25	12.1%	7.4%
45	12.1%	7.4%
55	12.1%	7.4%

Processing Scheme Transactions

Trustees are required to report on 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.

The Trustees are required to ensure that these important financial transactions are processed promptly and accurately. Whilst the Trustees retain ultimate responsibility for these transactions, in practice such responsibilities are delegated for these functions to the Plan’s administrator. The Plan’s administrator is Isio, whilst Aegon Scottish Equitable (‘Aegon’) administer the Plan’s investments.

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 consider that the core financial transactions (including the investment of contributions, transfer of member assets, switching of investments and payments to and in respect of members) relating to the DC section have been processed promptly and accurately.

The Trustees have a service level agreement (‘SLA’) in place with the administrator which sets targets for the length of time within which core financial transactions and other administrative actions will be processed. The Trustees receive reports on a regular basis to monitor performance against SLA. Over the year under review the administrator met 100% of core financial transactions against SLA.

The Plan administrators Isio oversee and manage the Trustees bank account on behalf of the Trustees. All investments and disinvestments are managed by Isio, as are transfers of assets out of the Plan for members and payments from the Plan in relation to members. The processor and reviewer of the monthly bank reconciliation conduct a check to see that contributions have been received in line with the timescales agreed. If there are any issues, the administrators will flag this with the Trustee.

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

Processing Scheme Transactions (continued)

The Trustees monitor core membership movements resulting in financial transactions via the Plan administrator’s administration reports. Isio and Aegon also report annually on their internal controls. In selecting appropriate investments, the Trustees are aware of the need to provide an option that broadly satisfies the risk profiles of all members, given that members’ benefits will be directly determined by the value of the underlying investments.

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.

Charges and transaction costs

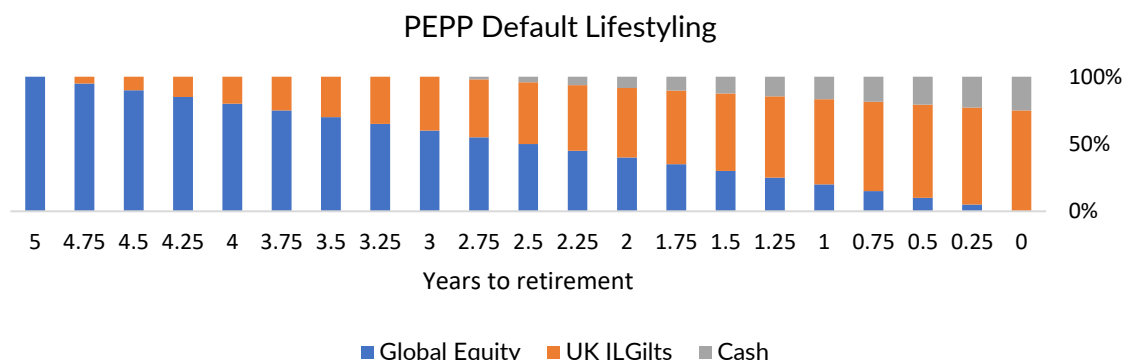
The Trustees regularly review the charges for the DC section of the Plan and has concluded that these represent good value for members. The charges for funds used for the default investment strategy available to DC members are considerably lower than the 0.75% charge cap for default arrangements introduced by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Total Expense Ratio (“TER”) includes all annual fund management charges, plus any additional fund expenses, but excludes transaction costs.

Transaction costs are incurred when the Plan’s investment manager buy and sell assets within the funds but are exclusive of any costs incurred when members invest in and switch between funds. These charges are deducted from member’s pension savings in the Plan.

The charges and transaction costs shown in the tables below have been provided by Aegon.

Lifestyling of the PEPP default fund



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

Charges and transaction costs (continued)

Details of the annual charges applicable to all funds in the DC section are set out below:

Fund Charges

Fund	Transaction Costs	Annual Management Charge	Total Charges
Aegon BlackRock Aquila Life (60:40) Global Equity Class S3	0.00%	0.15%	0.15%
Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3	0.00%	0.10%	0.10%
Aegon BlackRock Cash Class S2	0.02%	0.10%	0.12%

Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges on the projection of an example member's pension savings for a member invested in the default arrangement. The figures shown are rounded to the nearest £100. Default fund projections for member currently aged 54 (average member age):

Age 54 End of Year	Before Charges	After Charges
1 (aged 55)	£123,000	£122,800
6 (aged 60)	£139,200	£137,900
11 (aged 65)	£162,100	£159,700

The Trustees have had regard to statutory guidance (Reporting of costs charges and other information) when preparing the default illustration:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- An average Pensionable Salary assumption has not been made; there are no active members in the plan and as such no salaries or contributions are received or made.
- The transaction costs are the actual annual transaction costs to 31 March 2024 of the underlying funds at each year until retirement.
- The starting pot size is assumed to be £120,000 based on an average in the Scheme.
- Inflation is assumed to be 2.50% each year, the Bank of England implied inflation at a 25-year duration at 31 March 2024.
- Investment returns are based on the projected investment returns (post inflation) for underlying funds, taking into consideration volatility for different asset classes (see table below).
- Values shown are estimates and are not guaranteed.

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

Illustration of charges and disclosure costs (continued)

The following tables shows the assumed investment returns for underlying funds inside the default investment fund, based on their asset class. Note that the assumed investment returns for the Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3 is higher than usual for this asset class due to volatile gilt values in the last 5 years.

Fund	Comparator Asset Class	Assumed Investment Returns
Aegon BlackRock Aquila Life (60:40) Global Equity Class S3	Equities	5.00%
Aegon BlackRock Aquila Life Over 5 Year UK Index-Linked Gilt Class S3	Inflation Linked Bonds	7.00%
Aegon BlackRock Cash Class S2	Cash	1.00%

Asset Allocation Disclosure

Trustees are required to disclose a breakdown of the asset allocation of the default investment strategy for the scheme. The below table sets out the asset allocation of the default across the core asset classes noted as:

- Cash
- Bonds
- Listed & Private Equities
- Infrastructure & Property
- Private debt
- Other (any assets which do not fall into the above)

Within the following table, the Trustee has provided a further breakdown of asset allocations based on fund holdings of the default strategy as at 31 March 2024.

Asset Class	Performance allocation (%)			
	25 year old	45 year old	55 year old	1 day prior to State pension age
Cash	0.8	0.8	0.8	25.0
Bonds				75.0
<i>Fixed Interest Government bonds</i>				
<i>Index-linked government bonds</i>				75.0
<i>Investment grade bonds</i>				
<i>Non-investment grade bonds</i>				
<i>Securitised credit</i>				
Listed equities	95.2	95.2	95.2	
<i>UK equities</i>	57.1	57.1	57.1	
<i>Developed Market equities</i>	35.9	35.9	35.9	
<i>Emerging markets</i>	2.2	2.2	2.2	
Private equities				
<i>Venture capital</i>				
<i>Growth equity</i>				
<i>Buyout / Leveraged funds</i>				
Infrastructure				
Property				
Private debt				
Other	4.0	4.0	4.0	
Total	100.0	100.0	100.0	100.0

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

Value for Members assessment

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

The requirements for this assessment are set out in 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns: Guidance for Trustees of relevant occupational defined contribution pension schemes' (the 'Guidance').

Schemes that meet certain criteria are required to perform said assessment; these criteria, and the way in which they are met by the Phoenix Electrical Pension Plan (the 'Plan' or 'PEPP') are detailed below:

- Less than £100 million total assets according to the most recent audited accounts (for hybrid schemes total assets includes the defined benefit (DB) element);
- Operated for at least three years; and
- 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 'Comparators'). Schemes used for the comparison conducted as part of the VfM exercise should be (as stated in the Guidance):

- An occupational pension scheme which on the relevant date (the date on which the Trustees obtained audited accounts for the scheme year that ended most recently) held total assets equal to or greater than £100 million; or
- A personal pensions scheme, which is not an investment-regulated pension scheme;
- A scheme that is different in structure to the scheme being assessed; and
- Where a hybrid scheme is being assessed Comparators should include either a scheme which provides only DC benefits, or a larger hybrid scheme where the total assets held to provide DC benefits are £100m or more.

Comparator Schemes (the 'Comparators')

The Trustees has chosen three Trust-based pension schemes to act as Comparators as part of the Trustees' VfM assessment; Nest was selected as it has an obligation to accept members and would therefore be willing to accept the Plan members, and two Comparator schemes were selected that have agreed to be Value for Members comparators within Isio's client base. These have been selected as Comparators because the three plans each have a similar fund range to that which is currently available to members of the Plan.

NEST

The National Employment Savings Trust (NEST) is a not-for-profit Defined Contribution (DC) workplace pension scheme in the United Kingdom. NEST is legally classified as a "Master Trust", namely a trust-based pension scheme that is used by multiple non-associated employers and run by a single trustee (NEST Corporation). NEST was selected as a Comparator because:

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

Comparator Schemes (the 'Comparators') (continued)

- Would likely accept all members were the PEPP to wind-up.
- Has an obligation to accept all employers.
- Investment performance and information on charges is publicly available.
- In scheme drawdown is possible.

Comparator 1 & 2

These providers were considered as Comparator Schemes because:

- They have agreed to be Value for Members comparators within Isio's client base
- The default arrangements are similar to what's available to the members of the PEPP

Previously, Aegon, another Trust based provider, was contacted to discuss the possibility of their Master Trust accepting the members of the PEPP were it to wind up. Given the relatively low assets in the PEPP, Aegon confirmed that it would decline offering terms if PEPP came to market due to being below its minimum asset's requirement in the first year. It did however also confirm that were a price charged for the PEPP contract, it would be at the maximum cost.

We believe given the small size of the PEPP, it is likely that most Master Trusts would respond in a similar way were they asked to provide terms, and as such have not sought additional prospective quotes. If the PEPP was to consolidate to a Master Trust, members would likely need to pay increased charges.

Sources of comparison data

Comparisons should be made against information contained in the published disclosures from Comparators (who are required to satisfy new requirements in the 2021 Regulations). Guidance acknowledges that in some cases equivalent disclosures from Comparators might not be available. In such instances Trustees may wish to request data from their providers, obtain data from other schemes they advise, or use commercially published information.

The following data has been used to perform the assessment of investment returns:

- PEPP data has been provided by Isio on behalf of the PEPP, and from the PEPP's Chair's Statement;
- NEST data has been accessed from NEST's online data archives; and
- Anonymous matching comparator data has been provided by Isio by 2 providers on behalf of the respective pension providers.

Investment Returns

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

It is accepted that past investment performance is not a guaranteed indicator of future performance, however Guidance notes that '... sustained long-term underperformance of investment returns should signal poor value for members.'. Guidance recommends that

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

Investment Returns (continued)

Trustees should therefore consider net investment returns both in the short-term (1 year period) and a longer, more-sustained period for which broadly comparable Comparator performance data can be found (5, 10 and 15 year periods are suggested).

Investment returns achieved by default funds should be given more weight when comparing than those achieved by self-select funds, and Trustees should place no weight upon fund returns in which only a small proportion of members are invested.

Comparisons to be made

As specified in the VfM Guidance, Trustees should compare the returns of their default arrangements against Comparator default arrangements. For these comparisons it is not necessary for each default to have similar asset allocations.

Trustees should also compare the returns of their most popular self-select funds with the nearest comparable funds from the Comparators. We note that the PEPP does not offer its members access to self-select funds (and as a result no such comparisons exist in this report).

Given the minimum age of members of the Plan is 40, and the average age is 54, default performance information has been given for 45 and 55 year olds.

What constitutes good VFM performance

The Guidance defines performance in the context of investment returns in the following ways:

- Good Value for Members in respect of a single fund is achieved if the majority of net return figures for the fund in which the scheme members are frequently invested are closely comparable with / better than the average for Comparator funds.
- Good Value for Members in respect of the scheme as a whole is achieved if this is repeated across a majority of other funds offered by the scheme in which members are frequently invested (whilst giving greater weight to default funds). Poor Value for Members in respect of a single fund is achieved if a clear majority of net performance figures for a given fund are worse than the average for Comparator funds.
- Poor Value for Members in respect of the scheme as a whole is achieved if this is repeated across a majority of other funds offered by the scheme in which members are frequently invested (whilst giving greater weight to default funds).
- Note that apparent poor performance that can be justified by a clear strategic choice that explains this outcome e.g. members in this default are closer to retirement than comparators and therefore less likely to be invested for growth should not be considered poor Value for Members.

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

Investment Returns (continued)

Phoenix Electrical Pension Plan comparisons

The results of the investment performance comparisons (as at 31 March 2024) are as follows. Note that all investment returns are net of costs (including transaction costs).

PEPP default fund annualised performance

Age of member in 2024	1 year	3 year	5 year
45	12.1%	8.3%	7.4%
55	12.1%	8.3%	7.4%

NEST default fund annualised performance

Age of member in 2024	1 year	3 year	5 year
45	14.3%	5.7%	7.0%
55	14.2%	5.7%	7.0%

Comparator 1

Age of member in 2024	1 year	3 year	5 year
45	14.9%	6.4%	7.1%
55	8.8%	2.0%	3.6%

Comparator 2

Age of member in 2024	1 year	3 year	5 year
45	8.4%	3.2%	5.1%
55	7.8%	3.2%	5.0%

Conclusion

When assessing Investment Returns, the Plan is deemed to provide Value for Members. The PEPP default was broadly in line with most of its Comparators in terms of 1 year performance, and outperformed all of the Comparators over 3 and 5 years.

Cost and Charges

The next area of focus in completing the VfM assessment is Costs and Charges. Trust based schemes are already required to provide charges and transaction costs in their Chairs' Statements.

Comparisons to be made

When assessing Costs and Charges as part of the VfM assessment, Trustees should consider the most up to date charges / transaction costs incurred through their own funds with those of Comparators.

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

Cost and Charges (continued)

Default arrangements should be compared (despite potentially different investment strategies across Comparators), and the scheme's most popular self-select funds should be compared against the nearest comparable funds from Comparators.

As noted in the Investment Returns section above, the PEPP does not offer self-select funds to its members and therefore there is no comparison of self-select fund costs and charges.

Given the minimum age of members of the Plan is 40, and the average age is 54, costs and charges information has been given for 45 and 55 year olds.

What constitutes good VFM Costs and Charges

The Guidance defines performance in the context of costs and charges in the following ways:

- Good Value for Members in relation to the costs and charges is achieved, if when comparing the costs and charges, those levied by the scheme are closely comparable with, or lower than the average for Comparator pension schemes.
- Where higher costs and charges can be justified by substantially higher investment returns, then the scheme again would achieve good Value for Members.
- Poor Value for Members in relation to the costs and charges is achieved when for the majority of funds being compared, costs and charges are higher than those levied by the Comparators, and no justifications are given.

When performing the VfM assessment, total charges / transaction costs for the default arrangement should be given greater weight than those for self-select funds in which fewer members are invested.

Phoenix Electrical Pension Plan comparisons

The results of the costs and charges comparisons are as follows.

PEPP default Charges and Transaction Costs

Age of member in 2024	AMC	Transaction costs	Total
45	0.15%	0.00%	0.15%
55	0.15%	0.00%	0.15%

NEST default

Age of member in 2024	AMC	Transaction costs	Total
45	0.30%*	0.06%*	0.36%
55	0.30%	0.06%	0.36%

**Transaction costs range from 0.00% - 0.062%; 0.06% has been taken for the purposes of this comparison.

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

Comparator 1

Age of member in 2024	AMC*	Transaction costs	Total
45	0.33%	0.13%	0.46%
55	0.38%	0.17%	0.55%

Comparator 2

Age of member in 2024	AMC	Transaction costs	Total
45	0.21%	0.11%	0.32%
55	0.21%	0.11%	0.32%

Conclusion

When assessing Costs and Charges, the Plan is deemed to provide good Value for Members.

PEPP's default fund attracts charges that are significantly lower than those levied by the Comparators. We would expect most Master Trusts offer terms greater than the Plan given the comparatively small assets under management.

Administration and Governance

As part of the VfM assessment, the Administration and Governance of the Plan must be considered. It is expected that where functions / tasks / responsibilities have been outsourced, ultimate responsibility still remains with the Trustees of the Plan; performance of any involved third parties should be closely and regularly monitored.

Seven key metrics of Administration and Governance

For the VfM assessment, there are seven key metrics of Administration and Governance that must be considered and assessed:

- i. Promptness and accuracy of core financial transactions;
- ii. Quality of Record Keeping;
- iii. Appropriateness of the default investment strategy;
- iv. Quality of Investment Governance;
- v. Level of trustee knowledge, understanding and skills to operate the pension scheme effectively;
- vi. Quality of communication with scheme members; and
- vii. Effectiveness of management of conflicts of interest.

Seven key metrics of Administration and Governance (continued)

For a scheme to demonstrate satisfactory Value for Members, all seven of the assessment criteria should be satisfied; a final conclusion should be drawn by considering all seven sub conclusions in aggregate.

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

Assessment against metrics of Administration and Governance *Promptness and accuracy of core financial transactions*

There are effective processes in place that allow risks of delays / inaccuracies in processing financial transactions to be mitigated. These processes are reviewed regularly. Core financial transactions are conducted both promptly and accurately, and all tasks with associated maximum timescales (as prescribed by legislation) are completed in accordance with requirements. There is perfect historical SLA performance against the four core financial transactions as specified in the Guidance (payment in and investment of member and employer contributions, transfers between schemes, transfers, and switches between investments within a scheme, and payments out of the scheme to beneficiaries). In the period 1st April 2023 to 31st March 2024, core tasks were completed with a performance of 100% against SLA targets.

Common and Conditional data scores have been reported on the Annual Return and the last review was completed in February 2024. For the common data the score was 100%. For the conditional data score, the date of assessment was set to the date of the last renewal / SMPI exercise and assessed to be 100%. The processor and reviewer of the monthly bank reconciliation conduct a check to see that contributions have been received in line with the timescales agreed. If there are any issues, the administrators will flag this with the Trustee.

The Trustees review any member / beneficiary complaints and in doing find no suggestion of anything but good value for members from an administration and governance perspective.

When assessing *Promptness and accuracy of core financial transactions* the Plan is deemed to provide Value for Members.

Quality of Record Keeping

- **Security of Data:** There are controls in place that ensure Plan members' data is kept, stored, and processed in accordance with requirements as set out in the Data Protection Act 2018. Data security is considered to be a key focus of the Trustees' governance responsibilities and as such features prominently in the Plan's risk planning activities that take place throughout the year. There have been no data security breaches in the period.
- **Accuracy and scope of records / data kept:** Accurate Plan data and member records are kept, and all data required to be held (by law) is held. In terms of the quality of data – data is up to date, complete, there are systems in place to monitor and update data, and, where any errors are identified, they are corrected as quickly as reasonably possible, and processes are subsequently amended to prevent further errors occurring.
- **Review of Data:** Plan data is validated, data related responsibilities are known and reviewed, contributions and investment data is reconciled, and data review exercises are conducted regularly. As mentioned above, the Plan reviews both 'Common' and 'Conditional' data every year; the latest review showed 100% accuracy for each.

When assessing *Quality of Record Keeping* the Plan is deemed to provide Value for Members.

Appropriateness of the default investment strategy

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

Administration and Governance (continued)

Assessment against metrics of Administration and Governance (continued)

As required by legislation, a copy of the most recent Statement of Investment Principles for the default arrangement is included in the Annual Chair's Statement, and details of default performance over the period is provided.

The Plan satisfies the 4 criteria as set out in the Guidance:

- The investment strategy is clear, is appropriate for each state of the member journey, and is consistently followed in accordance with strategy objectives. This is evidenced in the previous Chair's Statement that outlines the objectives of each fund, and confirms the Trustees' satisfaction with the objectives.
- The value added from portfolio construction, asset allocation and manager selection is assessed when the investment strategy is reviewed. The Trustees' policy is to review the range of funds offered and the suitability of the default option. The Trustees review the performance of each fund against its stated objectives at each Trustee meeting. The Trustees reviewed the investment strategy in 2023 and identified that whilst there were opportunities to update the investment strategy, the Trustees are considering consolidating assets into a Master Trust to improve value for members. The Trustees are assessing the timescales and will consider whether to update the default investment strategy or transfer assets into a Master Trust.
- The risk and return in the investment strategy is properly considered and is suitable for the objectives of the Plan and the demographic profile of the members. This is achieved through regular monitoring of the performance of the various funds which are available to members including consideration of actual short and long-term performance with reference to the underlying fund's stated investment objective.
- The Trustees' policies on ESG and climate change risks and opportunities are tailored to the investment strategy of the Plan. Specifically, the Trustees recognise the importance of ESG issues and delegates the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager. The Trustees regularly reviews the return objectives, risk characteristics, investment approach and investment guidelines of the current investment mandates.

When assessing *Appropriateness of the default investment strategy* the Plan is deemed to provide good Value for Members.

Quality of Investment Governance

The Trustees satisfy the following eight measures for good investment governance, as set out in the Guidance:

- Individuals responsible for tasks and decisions in relation to investment have the required knowledge and expertise to perform their role competently in accordance with Sections 34 and 36 of the Pensions Act 1995 and are being held to account.
- The Trustees actively engage with any investment managers involved in making investment decisions as well as the Plan's investment advisor.

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

Administration and Governance (continued)

Assessment against metrics of Administration and Governance (continued)

- The Trustees have the knowledge and competence to oversee investment effectively, ensuring investment objectives and strategies are understood and followed. Where necessary, investment advice is appropriately challenged.
- The Trustees conduct regular reviews of portfolios and how funds are performing against objectives through regular investment reports.
- The Trustees are aware of their role in asset allocation, setting of investment strategy and the selection, monitoring and retention of managers.
- The Trustees have oversight of the communication strategies in place to keep members informed about their investment options.

When assessing *Quality of Investment Governance* the Plan is deemed to provide good Value for Members.

Level of trustee knowledge, understanding and skills to operate the pension scheme effectively

The Trustees' level of knowledge and understanding meets the legislative requirements set out in Sections 247 and 249 (including the regulations made under those sections) of the Pensions Act 2004. The Trustees describe annually in the Chair's Statement how the Trustees met the legislative requirements. The Trustees follow the guidance provided by TPR on trustee knowledge and understanding and scheme management skills.

Examples of how the Trustees meet the legislative requirements and follows the guidance include:

- The Trustees hold meetings at least annually, which, given the size of the scheme, and the fact that any ad-hoc issues are discussed with advisors as and when they occur, is considered appropriate.
- The Trustees represent a variety of different skills, experiences and backgrounds relevant to the Plan and ensures these skills are continually developed, maintaining and recording a minimum level of Continuous Professional Development (CPD) every year. This ensures their knowledge and understanding remains current and relevant to the role they carry out.
- The Trustees review their training needs regularly and takes individual responsibility in identifying any additional training that is required to fill any gaps identified through review. The Trustees receive training sessions from advisors during regular Trustee meeting to ensure the Board maintain an appropriate level of knowledge and understanding of current and general issues affecting DC pensions.
- The Trustees have effective leadership skills, as demonstrated by their experience, qualifications achieved, and appointments held.
- The Plan reviews the performance of investment managers at least annually. The Trustees are in regular contact with the employer and have a constructive relationship.

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

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

Administration and Governance (continued)

Assessment against metrics of Administration and Governance (continued)

When assessing *Level of trustee knowledge, understanding and skills to operate the pension scheme effectively* the Plan is deemed to provide good Value for Members.

Quality of communication with scheme members

Not only are the requirements (as set out in the Disclosure Regulations) satisfied, but the Plan's communications also:

- Provide information to its members in an accurate, clear and concise way that is easy to understand; the Trustees' Member Booklet is available on request.
- Acknowledge members' communication medium preferences, and appropriate technologies are used when appropriate; the Chair's Statement is available online.
- Ensure both quality and timeliness in the following:
 - Information and guidance in relation to the rights to transfer to another scheme.
 - The quality of guidance on spotting potential scams.
 - Information to help with decision making on investment options.
 - Information in the retirement wake up pack.
 - General signposting of members to various guidance bodies.
 - Information to help with decision making on pension saving, including, for example, an indication of the value at retirement and the impact of contribution levels on that value.

Plan communications are regularly reviewed and updated as and when required.

When assessing *Quality of communication with scheme members* the Plan is deemed to provide good Value for Members.

Effectiveness of management of conflicts of interest

The Trustees acknowledges that conflicts of interest may arise either amongst the Trustees, between the Trustees and the employer or Plan provider, or with service providers and advisors. In light of this, the Trustees have in place a Conflicts of Interest Policy that includes:

- A set of written procedures and a robust policy that sets out the identification, management and monitoring approach for conflicts of interest.
- A set of controls that ensure the Trustee is aware of their responsibilities and requirements to declare and subsequently discuss any (potential) conflicts.
- Whilst there exists a set of controls that ensure all conflicts of interest are declared both upon the appointment of Trustees and or any other service providers, and at every Trustee meeting, Trustees should consider establishing a Conflicts of Interest Register.

When assessing *Effectiveness of management of conflicts of interest* the Plan is deemed to provide good Value for Members.

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

Administration and Governance (continued)

Assessment against metrics of Administration and Governance (continued)

Conclusion

When assessing the PEPP in terms of Administration and Governance, the Plan is deemed to provide good Value for Members.

The Plan's performance against the 7 criteria is good, and the Plan is able to provide examples of how requirements are met.

Overall assessment of VFM

As evidenced over the 3 sections above, when assessing the PEPP in totality, the Plan is deemed to provide good Value for Members. The PEPP performed well against its Comparators when comparing investment Returns over 1, 3 and 5 year periods, the low fees levied by its default compensated in terms of offering value.

Trustee Knowledge and Understanding

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 these requirements includes:

- Receiving training sessions from advisors 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 advisors about matters relevant to the Plan at regular Trustee meetings, and on an ad-hoc basis as and when required.

The Trustees have been connected with the Plan for a number of years and as such have a good understanding of the Plan's governing provisions.

The Trustees receive professional advice from Isio and Walker Morris LLP to support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The advice received by the Trustees along with their own experience allows them to properly exercise their function as Trustees.

The Principal Employer covers the cost of the Trustees and its advisors who are available to support the Trustees at any time during the year and answer any queries or concerns they may have.

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.

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

The Pensions Regulator General Code of Practice

The Trustees of the Plan believe that the systems, processes and controls across key governance functions in respect of the Plan's DC arrangement are consistent with those set out in The Pensions Regulator's General Code of Practice of occupational defined contribution schemes.