

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022

Chair of Trustees Statement for the Alterian Pension Scheme (the 'Scheme') in relation to Defined Contribution benefits, for the Scheme year ending 31 March 2022

Introduction

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

This statement has been produced by the Trustees of the Scheme in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Regulations) and The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations').

I hereby confirm that I, Ushi Nightingale, am the appointed Chair of the Scheme Trustees, and I am authorised to sign this statement on behalf of the Trustees.

The statement describes how the Trustee Board has 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.

As part of these governance standards and to satisfy the regulations outlined, this statement also contains:

Appendix A - A 'Value for Members Assessment' - an assessment of the Scheme's DC arrangements in terms of whether and how they represent Value for Members.

Appendix B - Details of charges and transaction costs borne by members.

Appendix C - Investment performance details, net of member borne charges and costs.

Appendix D - Illustrations showing the cumulative impact of those charges and costs on illustrative member funds.

Appendix E – The Trustees' Statement of Investment Principles.

This statement covers the period from 1 April 2021 to 31 March 2022. 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.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Scheme Background

The Scheme was established under a declaration of trust with effect from 1 October 2001 for the provision of DC benefits for eligible employees. The Scheme closed to new entrants in 2016 and closed to new contributions with effect from 1 April 2018. The employer operates a new pension scheme for ongoing active contributions, and as such the Alterian Pension Scheme is not currently used as a Qualifying Scheme for the purposes of auto-enrolment.

1. The default investment strategy

The Trustees recognise that their ultimate objective is to help ensure that the members of the Scheme can retire on a reasonable level of pension savings, considering the contributions paid into their individual accounts, the timescale over which those contributions are invested and a level of investment risk which is appropriate to most members who do not make active investment choices.

Although the Scheme has been closed to future contributions since 1st April 2018 and is not used as a Qualifying Scheme for auto-enrolment, the Trustees operate a 'default investment strategy' – a strategy that will automatically apply to a member's individual account, 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.

Statement of Investment Principles

Details of the Scheme's investment options, including the default investment strategy - the 'Lifeplan Strategy' can be found within the most recent Statement of Investment Principles ("SIP") dated October 2020, a copy of which is provided in Appendix E. A copy of the statement can also be found on the Scheme's website at: <https://www.rws.com/alterian-pension-scheme/>

The statement explains the Trustees' approach to investment governance, objectives and strategy and provides information on the default investment strategy. The statement also takes account of the Trustee's views on Environmental, Social and Governance ('ESG') considerations (including to climate change) and the stewardship in the selection, retention, and realisation of their investments (including how any voting rights are exercised). This includes monitoring:

- 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.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

1. The default investment strategy (continued)

Implementation Statement

The Trustees are required to produce a yearly statement (an 'Implementation 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. The statement also includes the details of any reviews of the Statement of Investment Principles during the year, any changes that were made, and the reasons for change.

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

The Trustee's Implementation Statement, covering the Scheme year ending 31 March 2022 has been incorporated into the Trustee's annual report and accounts. A copy of the statement can also be found on the Scheme's website at: <https://www.rws.com/alterian-pension-scheme/>

Investment Options

The Scheme's default investment strategy uses a Legal & General lifestyle strategy.

This lifestyle strategy is an investment plan which invests a member's personal account into different funds and manages the transition towards retirement without a member having to make active choices about managing their investments.

The strategy targets a benefit outcome at retirement which assumes 25% of a member's individual account will be taken in the form of tax-free cash and the remaining 75% will be used to purchase a pension or 'annuity'. The actual outcome will, however, be different for each member based on their requirements and as such, the funds used within the default strategy are also available on a self-select basis for those members that don't feel the strategy is right for them, either from an investment and / or a benefit outcome perspective.

During the growth phase, which spans the time from a member joining the Scheme until 5 years before their target retirement date (age 65 in the absence of a member selecting an earlier or later age), the primary objective of the default strategy is to maximise returns over the long term at an acceptable level of risk. During this period, members will be invested in the LGIM Multi Asset Fund, which offers diversification across asset classes. During the Consolidation Phase (the 5 years leading up to a member's target retirement date), the member's assets are gradually switched to the LGIM Over 15-year Gilt Index and Cash Funds, with the aim of both reducing risk whilst also targeting an annuity or pension benefit outcome at retirement.

The Scheme offers two additional fund options available for self-select: Ethical UK Equity Fund and Over 5-Year Index-Linked Gilts Index Fund, however 100% of the membership is invested in the funds comprising the default strategy.

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 or the Scheme's member profile.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

1. The default investment strategy (continued)

Investment Reviews (continued)

The Trustees objectives when conducting a review are to:

- Ensure that the investment options offered within the Scheme are suitable for the needs and requirements of the membership.
- Follow regulatory guidance and best practice principles where appropriate, in designing and maintaining the investment options.
- Review the current default investment strategy and whether the structure and underlying funds remain suitable for members.
- Ensure that the investment options are within the Trustees' "governance budget" – the Trustees' ability to monitor and govern them on an ongoing basis.

As we explained in last year's statement, the Trustees are aware that an investment review is due (the last full review having been undertaken some years ago), as the Scheme does not currently allow for alternative strategies that offer different outcomes (in line with the April 2015 pension flexibilities.) This review was originally placed on hold as the Trustees intended to trigger wind-up during the first quarter of 2020. This was further impacted by the Covid-19 pandemic outbreak and impact on Scheme assets. No detailed review has been undertaken during the Scheme year but a more thorough review of the future management of the Scheme is planned.

The intention is still to wind-up the Scheme however, and this process is to be revisited during late 2022/early 2023, and it is expected that the Trustees will be able to provide a further update next year.

Investment Monitoring

In addition to undertaking regular strategy reviews, the Trustees also regularly review the performance of the default investment strategy and individual funds. This review includes an analysis of fund performance to check that the risk and return levels meet expectations.

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

Net Investment Returns

New requirements introduced in October 2021 now require the Trustees to report on the net investment returns for their default investment strategy and for each fund which scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year. Net investment returns are the returns achieved by each fund minus all charges, including transaction costs.

The purpose of net return disclosures is to provide transparency, to help members understand how their investments are performing and to enable comparison. The returns are summarised in Appendix C.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

2. Requirements for processing financial transactions

Service Levels and Service Monitoring

The Scheme is closed and as such, there are no ongoing DC contributions. Therefore, core financial transactions are limited to transfers out of the Scheme, benefit settlements and transfers / switches of assets between different investments within the Scheme. Where these have taken place, they have generally been processed promptly and accurately as evidenced by regular administration reporting, provided by Capita Pension Solutions ("Capita"), the Scheme administrator.

Agreed service levels (SLAs) are in place between the Trustee and Capita, with each administration report 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 and settlements;
- Transfers out of the Scheme;
- Investment switches;
- General enquiries and data changes.

Performance against agreed SLAs for the period covered by this year's statement stood at approximately 98.5%. Performance is based on the SLAs achieved for the administration of the Scheme as a whole and is not restricted to the processing of core financial transactions relating to DC benefits (benefit settlements, investment switches and transfers).

Regular monitoring of SLAs is undertaken through bi-monthly calls between Capita and the Trustees, and no service issues were identified during the Scheme year. Where any activities are completed outside of the agreed service level, specific details of cause and actions taken to resolution are reviewed by Capita and, where necessary by the Trustees, and remedial action taken where required.

Internal Controls

In accordance with the ongoing administration reporting arrangements, controls are in place for Capita to monitor and ensure that core financial transactions are and continue to be processed promptly and accurately and to help meet agreed SLAs. These include regular monitoring of bank accounts, and 'four eyes' checking of investment and banking transactions.

Each administration activity is allocated based on job type and age profile. This means that any case where information has returned from a third party will be prioritised and progressed in a timely manner. Further, 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 is involved.

In support of the administrator being able to correctly calculate and process member benefits, the Trustees should assess the quality of the Scheme's data, by reference to the Pension Regulator's 'common' and 'conditional' data requirements. Whilst the Scheme's 'common' data has been reviewed within the past 3 years, a review of the 'conditional' data has not, and this should be prioritised ahead of any wind-up activity.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

2. Requirements for processing financial transactions (continued)

Internal Controls (continued)

On behalf of the Trustees, Capita also look to identify potential 'pension scams' and clear information on how to spot a scam is included in all relevant member communications. The key warning signs to look out for in relation to pension scams are set out on the Financial Conduct Authority's website at <https://www.fca.org.uk/scamsmart> and members are encouraged to review this before transferring their pension out of the Scheme.

In addition, from 1 June 2022, new regulations came into force that require trustees and pension administrators to offer to book a guidance appointment for any members over age 50 with 'flexible' benefits, who are looking to access their benefits. The guidance appointment would be held with Pension Wise – a free and impartial guidance service which was set up by the Government in 2015 and is operated by MoneyHelper (a public body which is funded by levies on pension schemes). Further information can be found on the MoneyHelpers website at: <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>

Further scrutiny of transactions, reporting and controls can be found in the audit report which is included in the Scheme's Annual Report & Accounts. The audit has not identified any material weaknesses in systems or other significant transactional matters which have not been promptly remedied.

3. Assessment of charges and transaction costs

The Trustees are required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs. This is also known as the 'Total Expense Ratio' (TER). The TER is paid by the members and is reflected in the unit price of the funds that members 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 employer and therefore have no bearing on member charging. An assessment of charges and transaction costs forms part of our assessment of Value for Members, which can be found in Appendix A.

The charges and transaction costs for each fund that comprise the default investment strategy during the Scheme year are recorded in Appendix B.

Details of the investment returns (net of charges and transaction costs) for each fund that comprise 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 C.

Examples of the cumulative effect of costs and charges on member funds are set out in Appendix D.

In preparing Appendices B, C and D of this Statement, the Trustees have had regard to statutory guidance published by the Department for Work and Pensions and have not deviated from that guidance.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

3. Assessment of charges and transaction costs (continued)

The Annual Management Charges applicable to the funds that comprise the default investment strategy fall significantly below the Charge Control cap of 0.75% that applies to auto-enrolment workplace pension schemes, as required by pension scheme regulations. Transaction costs are generally negative or minimal.

All charges and transaction cost details disclosed have been provided by LGIM and cover the period 1 April 2021 to 31 March 2022. 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 review.

4. The requirement for trustee knowledge and understanding

Trustee requirements and expectations

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.

To maintain an appropriate level of knowledge and understanding, 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. The Trustees refer to the Trust Deed and Rules as necessary and, where relevant, in deciding individual member cases.
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as a Trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

It is recognised that Trustee governance has been impacted by changes to the Trustee board. This has recently been addressed through the appointment of PAN Trustees, an independent professional trustee, who will bring the necessary experience, knowledge & understanding and also be able to ensure sufficient time is given to scheme management, especially in light of the potential wind-up of the Scheme.

Trustee Activities

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. Where relevant this can include 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.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

4. The requirement for trustee knowledge and understanding (continued)

At the time of publication of this statement, each current Trustee has completed all relevant Toolkit modules applicable to the end of May 2022.

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 also have access to suitably qualified professional advisers to provide advice and to ensure that Scheme governance, controls, skills, and knowledge are current and meeting the expectations of the TPR and Scheme members.

Further Information

This Statement is for information, and you do not need to take any action.

If you have any questions about your pension, please contact the Pension Team (please quote your National Insurance Number in any correspondence).

Capita
Alterian Pension Scheme
PO Box 555
Stead House
Darlington
DL1 9YT

Or you can telephone Capita on 0345 120 0556, or email via pensions3enquiries@capita.co.uk

Summary

We hope that you find the content of this Statement and the following Appendices, informative and helpful.

It is our view that the Scheme, including member borne charges, does not provide sufficient Value for Members across all criteria when compared to other options. Our Value for Members Assessment is set out in Appendix A. As noted above, we are therefore planning to explore options for transferring members to an alternative arrangement that would offer greater Value for Members.

Signed on behalf of the Trustees by:

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Ushi Nightingale - Chair of Trustees

31 October 2022

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Appendix A: Value for Members Assessment

Value for Members Assessment

Introduction

As explained within the Introduction to this Statement, it is designed to comply with The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations').

These new regulations apply to pension schemes which provide benefits on a Defined Contribution (DC) basis, where the total value of the scheme's assets under management is valued at less than £100 million. The regulations therefore apply to the Scheme and first apply to the period covered by this Statement – 1 April 2021 to 31 March 2022.

Requirements

The regulations require the Trustees to assess key elements of the value achieved by their scheme on behalf of members.

The assessment must consider 3 factors:

1. Costs and Charges
2. Net investment returns
3. Administration and Governance

Costs and charges and net investment returns must be assessed relatively, based on comparison with at least three other larger schemes with assets under management of more than £100m.

The Trustees are required to 'have had discussions' with one of these schemes, regarding its ability and willingness to accept a transfer of the Scheme's members and DC funds. This is in the event the Trustees determine the Scheme does not provide Value for Members and further determine, that the interests of members would be better served, by the Trustees transferring Scheme's members and DC funds to a new arrangement.

Administration and governance criteria are assessed internally (there is no requirement to undertake a comparison against other schemes), against seven key metrics. These include:

1. Promptness and accuracy of core financial transactions
2. Accuracy and scope of records (scheme and member level)
3. Appropriateness of the default investment strategy
4. Quality of investment governance
5. Trustees' knowledge, understanding and skills
6. Quality of communication with scheme members
7. Management of conflicts of interest

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Assessment Process

The Trustees, with support from their advisers, have assessed key elements of the 'value' achieved by the Scheme on behalf of its members.

To do so, the Trustees have applied a weighting to the three factors outlined above:

1. Costs and Charges (30%)
2. Net investment returns (40%)
3. Administration and Governance (30%)

A higher weighting towards net investment returns reflects regulatory guidance.

The Trustees have then applied a scoring system to each metric which uses several measures and analysis to determine whether each section offers poor, fair or good value. How this is applied differs across the categories:

- for the investment-related sections, the scoring is based on how the Scheme performs within thresholds versus its comparators;
- for the governance & administration assessment, there are seven key metrics outlined by the Department for Work and Pensions, which are further sub-divided into several quantifiable metrics. Each metric is reviewed and is scored on three possible outcomes: the requirement is not met/is partially met or fully met.

The scores applied by the Trustees following their assessment, combined with the allocated weightings, provides the Trustees with an overall Value for Members 'score'. The assessment outcomes are then categorised as:

- the Scheme is deemed as providing 'Poor' value
- the Scheme is deemed as providing 'Fair' value
- the Scheme is deemed as providing 'Good' value

Assessment Results

The following summarises the assessment results looking at each factor individually.

Costs and Charges

Following assessment, Trustees agreed that the Scheme scored well on costs & charges, relative to the three comparator schemes, with lower costs applicable over the Scheme year. The Trustees therefore consider that from a cost and charge perspective, the Scheme provides 'Good' Value for Members.

Based on comparison with three larger schemes, the Scheme's Total Expense Ratio, after the Transaction costs, stood at 0.280% for the period covered by this statement. This compared with an average comparator charge of 0.370%.

Further information on the Scheme's Member Charges and Transaction Costs, can be found in Appendix B.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Assessment Results (continued)

Net investment returns

Following assessment, the Trustees agreed that the Scheme did not compare favourably with the comparator schemes, with net returns being more than 10% lower than the average of the comparators. The Trustees consider that from an investment performance perspective, the Scheme provides 'Poor' Value for Members.

Based on comparison with three larger schemes, the net investment return achieved by the Scheme's default investment strategy Scheme's stood at 4.03% for the period covered by this statement. This compared with an average comparator return of 7.50% pa. meaning the Scheme's return is significantly less than the average return. The Trustees have considered the appropriateness of an immediate investment review, versus the timetable for winding-up the Scheme and concluded that any change to the default strategy is not in the interest of members in the short term.

Further information on the Scheme's net investment returns, can be found in Appendix C.

Administration and Governance

Following assessment, Trustees agreed the Scheme was being fairly well governed, based on a comprehensive review versus the seven key metrics. The Trustees consider that from an administration and governance perspective, the Scheme provides 'Fair' Value for Members.

Overall Results

Once allowance has been made for the relative weightings applied to each factor, the Trustees consider that overall, the Scheme provides, 'Poor' Value for Members.

A 'Poor' rating does not mean that the Scheme is poorly governed, more that it is possible there would be benefits in looking to consolidate the Scheme into an alternative vehicle, for example a Master Trust, where members could benefit from economies of scale and greater investment options. As such, the idea of the assessment is to help inform Trustees of future action to take in the best interests of members and, as noted elsewhere within the statement, this is something that has been under consideration for some time, with the intention being to wind the Scheme up and transfer member benefits to another approved arrangement.

Further information in support of the Trustee's assessment and conclusions are set out below.

Value for Members Statement

The Trustees believe, in line with the Pension Regulator's guidance, a scheme that provides Value for Members (and value for money) is one in which the cost of membership provides good value in relation to the benefit of membership, when compared with other options available in the market and that members should achieve a good outcome from their pension savings.

The Trustees consider this does not necessarily mean low cost providing the cheapest scheme but where costs might be higher than others in the market, the additional cost can be justified by improved benefits and outcomes. Whilst overall fees are of importance to members and will ultimately have an impact on member outcomes, the Trustees believe that the services which underlie those fees will also be important in determining whether the Scheme is providing value for money from a member's perspective.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Value for Members Statement (continued)

The Trustees believes that overall, the Scheme represents 'Poor' Value for Members. This conclusion is based on the assessment undertaken by the Trustees, and which includes, but is not limited to, the following:

1. The oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation, such as the charge cap.
2. The general quality and efficiency of the administration processes, including processing of financial transactions (allowing for the SLA position outlined in Section 4. of this statement) are good, with high SLA performance over the Scheme year.
3. The costs of the Scheme are predominantly borne by the employer, leaving only investment costs which are borne by Scheme members (Total Expense Ratios, including Annual Management Charges (AMCs), and ongoing transaction costs).
4. Based on the views of our investment advisers, the investment costs borne by members compare favourably with similar schemes. All funds that comprise the default investment strategy carry AMCs that fall far below the charge cap of 0.75% that apply to auto-enrolment workplace pension schemes.
5. Furthermore, the overall fund charges are competitive for the types of funds available to members versus the comparator schemes and represent good value for members.
6. The investment options offered to members (including the default investment strategy) have not been subject to review in several years, with the current default strategy targeting an annuity outcome. Members do not currently have access to alternative strategies that allow for different member outcomes at retirement, in line with the pension flexibilities introduced in April 2015.
7. Members also have very limited options outside of the default strategy to self-select, with just two other funds available.
8. The net returns for the default strategy are poor versus the comparator schemes when assessed over the Scheme year, though the fund is operating in line with the Statement of Investment Principles.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Appendix B: Member Charges and Transaction Costs

Charges and transaction costs for funds within the default investment strategy for the year ending 31 March 2022:

Fund	Total Ongoing Charges (OCF)*	Transaction costs**
L&G Multi-Asset Fund	0.273%	0.007%
L&G Over 15 Year Index-Linked Gilts Index Fund	0.114%	0.054%
L&G Cash Fund	0.139%	0.020%

Notes (for the above and following tables)

* Includes the AMC, plus various other expenses including index licensing fees, legal fees, administration, marketing, regulation, auditing. Due to the size and purchasing power of LGIM's index funds, the AMC and TERs 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 Appendix A. 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.

Transaction costs quoted is the average cost incurred over the year as a necessary part of buying and selling. LGIM capture these costs 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 mid-market price of an asset at the time the order was placed in the market. Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.

Indirect transaction costs have been calculated assuming a static fund structure as at 31 March 2022.

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.

All charges and transaction costs have been provided by Legal & General Investment Management Limited.

Costs borne by the employer

As mentioned within this Statement, in carrying out its assessment, the Trustees have taken the view that costs borne by the employer on behalf of members will have a positive effect on Value for Members. The employer-borne costs which have been taken into consideration are as follows:

1. Administration costs
2. Governance costs e.g., the Trustee Board
3. Cost of advice e.g., consultancy costs, legal costs, auditor costs

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Appendix C - Investment returns (net of charges and transaction costs)

This Appendix only reflects the LGIM investments that were in place at the end of the Scheme Year.

We have not been able to gather sufficient information to enable a 5-year net return figure but we have shown the net returns over the last year for the default investment strategy and alternative lifestyle strategies.

Default Investment Strategy		
Age of member in 2022 (Years)	5 Years (2017-2022)*	1 Year (2022)
25	N/A	4.03%
45	N/A	4.03%
55	N/A	4.03%
63	N/A	-1.69%

The table below sets out the net fund return, and benchmark returns for all the self-select funds over the scheme year.

Funds	Fund Net Return*	Benchmark Return**
L&G Multi-Asset Fund Fund	4.03%	5.10%
L&G L&G Over 15 Year Index-Linked Gilts Index Fund	-7.33%	-7.17%
L&G Cash Fund	-0.03%	0.12%

* Return shown is net of charges (TER) and transaction costs

** The figures refer to index returns, not a benchmark. Return shown is net of charges (TER) only

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Appendix D: Projected Values

Default investment strategy - projected pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance

This Appendix only reflects the LGIM investments that were in place at the end of the Scheme Year.

Projected pension fund in today's money – We have assumed a starting value of £35,000 and have provided projections for a 25yr old member, but other ages can be assessed using the following tables. As there are only deferred members in the scheme, no salary assumptions or contribution rates have been factored into the calculations.

Projected pension fund in today's money - Default Strategy		
Years	Before costs and charges deducted	After charges deducted
1	£35,658.00	£35,558.32
3	£37,011.34	£36,701.82
5	£38,416.05	£37,882.10
10	£42,165.51	£41,001.52
15	£46,280.93	£44,377.81
20	£50,798.02	£48,032.13
25	£55,755.98	£51,987.36
30	£57,805.81	£53,268.34

Notes (for the above and the following tables)

1. Projections are based on a 25-year-old member, but other ages can be assessed using the table.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. The starting pot size is assumed to be £35,000 - approximately the average value for the scheme's membership.
4. Inflation is assumed to be 2.5% each year.

Values shown are estimates and are not guaranteed.

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Appendix D: Projected Values (continued)

Self-select funds - funds that members can self-select (including individual funds that comprise the default investment strategy)

L&G Multi-Asset Fund (Gross Accumulation Rate = 4.38%)		
Years	Before costs and charges deducted	After charges deducted
1	£35,658.00	£35,558.32
3	£37,011.34	£36,701.82
5	£38,416.05	£37,882.10
10	£42,165.51	£41,001.52
15	£46,280.93	£44,377.81
20	£50,798.02	£48,032.13
25	£55,755.98	£51,987.36
30	£61,197.85	£56,268.29

L&G Over 15 Year Index-Linked Gilts Index Fund (Gross Accumulation Rate = 1.5%)		
Years	Before costs and charges deducted	After charges deducted
1	£34,650.00	£34,591.45
3	£33,960.47	£33,788.59
5	£33,284.65	£33,004.36
10	£31,653.37	£31,122.51
15	£30,102.04	£29,347.96
20	£28,626.74	£27,674.59
25	£27,223.75	£26,096.64
30	£25,889.51	£24,608.65

L&G Cash Fund (Gross Accumulation Rate = 1.5%)		
Years	Before costs and charges deducted	After charges deducted
1	£34,650.00	£34,594.42
3	£33,960.47	£33,797.31
5	£33,284.65	£33,018.56
10	£31,653.37	£31,149.29
15	£30,102.04	£29,385.85
20	£28,626.74	£27,722.23
25	£27,223.75	£26,152.81
30	£25,889.51	£24,672.23

The Alterian Pension Scheme

Chair's Annual Governance Statement 2022 (continued)

Appendix E: Statement of Investment Principles

The latest Statement of Investment Principles is attached below or can alternatively be viewed at the following Scheme website: <https://www.rws.com/alterian-pension-scheme/>