

# DC Governance statement from 1 April 2019 to 31 March 2020

## Spirent Communications plc Staff Pension and Life Assurance Plan ("the Plan") Chair's statement regarding the governance of defined contribution arrangements Plan year - 1 April 2019 to 31 March 2020

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### 1. Introduction

- 1.1. This statement has been prepared by the Trustees of the Spirent Communications plc Staff Pension and Life Assurance Plan ("the Trustees") and reports on compliance with defined contribution ("DC") governance standards, which are designed to help members achieve good outcomes from their pension savings.
- 1.2. The reporting period covered by this statement is 1 April 2019 to 31 March 2020 (the "Plan year").
- 1.3. As required by regulation, the Trustees will publish this statement on a publicly accessible website, and draw it to the attention of members in an annual communication. The web address will be:

[https://corporate.spirent.com/about-us/pension\\_plans\\_chairs\\_statements](https://corporate.spirent.com/about-us/pension_plans_chairs_statements)

### 2 The Plan's DC arrangements

- 2.1 The Plan predominantly provides benefits on a defined benefit ("DB") basis, however it contains the following DC arrangements that provide additional benefits for DB members:
  - 2.1.1 Benefit entitlements for members who transferred into the Plan on a DC basis ("Notional transfers in"). The transfer values were added to the Plan's main assets (i.e. those which are managed on a DB basis) and members were granted a notional unit allocation. These units are valued on a quarterly basis using a calculation that reflects the composite performance of the Plan's assets.
  - 2.1.2 Other DC transfers-in invested into either an investment-only account with Clerical Medical or a 'bundled' services arrangement (administration, investment and communication services) with Aviva.
  - 2.1.3 Additional Voluntary Contributions ("AVCs") provided through 'bundled' services arrangements with Aviva, Clerical Medical, Legal & General, Royal London and Utmost Life & Pensions (formerly Equitable Life).
- 2.2 The Plan has never been used for automatically enrolling new members.

### 3. Default investment arrangement

- 3.1 The Plan has no default investment arrangement, as it has never been used as a qualifying scheme for automatic enrolment purposes.
- 3.2 Details of the investment strategies provided through the Plan, their aims and objectives and the Trustees' investment policies are set out in the 'Statement of Investment Principles' (SIP), which is appended to this Statement. This SIP covers the investment policy in relation to the whole Plan and updated in September 2019 to document the Trustee's policy on the financial materiality of Environmental, Social and Governance (ESG) factors. The most recent version of the SIP was signed in September 2020.
- 3.3 The Trustees monitor all of the Plan's investments on a quarterly basis with assistance from their investment advisers, considering both fund performance and any developments at the investment managers.

## 4. Core financial transactions

- 4.1 The Trustees have a duty to ensure that 'core financial transactions' are processed promptly and accurately, and must describe to members how this obligation is met. Core financial transactions comprise the following, in relation to the Plan's DC arrangements:
- 4.1.1 Transfers and other payments out of the Plan
  - 4.1.2 Investment switches (for the arrangements within the Plan where members have a choice of investment options).

### Transfers in (Notional & Clerical Medical) Administration

- 4.2 Over the reporting period, the administration functions in relation to the Plan were outsourced to, and completed by, Barnett Waddingham LLP ("Barnett Waddingham"), who undertake core financial transactions on behalf of the Trustees.
- 4.3 To ensure the accuracy and timeliness of processing of core financial transactions, the Trustees have established robust reporting and monitoring processes and controls.
- 4.4 The processes and controls in place to ensure the promptness of core financial transactions for these benefits are:
- 4.4.1 The Trustees have a Service Level Agreement (SLA) in place with Barnett Waddingham covering the promptness of transactions, under which the administrators aim to process 95% of transactions within service levels for each type of transaction.

Core Financial Transactions	Service Level Agreement
Transfer out payments	5 working days
Other payments out of the Plan	5 working days
Investment switches	5 working days

- 4.4.2 The Trustees receive regular administration reports from Barnett Waddingham which are reviewed at each trustee meeting. The reports assess performance against the SLA for each type of transaction, and identify any issues that have occurred over the period in relation to accuracy. Over the Plan year, 88% of tasks in respect of core financial transactions for the Plan as whole were processed within SLA, although very few of these were in respect of the Plan's DC arrangements. Where tasks miss their target, the administrators undertake to complete the outstanding actions promptly and to ensure no financial detriment to members, and report the outcome to the Trustees at the next meeting.
  - 4.4.3 The Trustees also reviewed their annuity broking provider during the Plan year in response to poor service performance, and agreed to switch to a service provided by HUB Financial Solutions for all future cases. Given that HUB Financial Solutions has an established partnership with Barnett Waddingham, the Trustees are confident that this change should improve the promptness of such transactions going forward, and will monitor this closely.
- 4.5 The processes and controls in place in relation to ensuring the accuracy of core financial transactions for these benefits are:

- 4.5.1 The Trustees monitor the quality of the data held by Barnett Waddingham on an ongoing basis. Both common data and scheme-specific data scores are produced quarterly, and the Trustee will take action to improve data quality wherever possible. As at 31 March 2020, the common data score for the DC Section was 90.86%, and the scheme-specific data score for the DC Section was 87.96%. Under the methodology used, both of these scores indicate “very good data with minimal cleansing requirements”.
- 4.5.2 Barnett Waddingham operate a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham’s internal controls are audited annually and this is evidenced to the independent auditor.
- 4.5.3 Barnett Waddingham’s processes are subject to internal controls procedures and adhere to AAF standards. Information about Barnett Waddingham’s administration procedures and controls can be found in its AAF report which is published online: [www.barnett-waddingham.co.uk/aaf-0106-report](http://www.barnett-waddingham.co.uk/aaf-0106-report).
- 4.5.4 Barnett Waddingham has also achieved accreditation in respect of ISO 27001 and ISO 9001 standards, which detail Quality Management and Information Security Management procedures.
- 4.5.5 Administration risks are captured as part of the Plan’s risk register, which also includes details of the controls established by the Trustees to mitigate such risks.
- 4.5.6 Kreston Reeves LLP have been appointed by the Trustees to undertake an annual external audit of the report and accounts.
- 4.5.7 Any issues uncovered regarding inaccuracies with core financial transactions are included within the quarterly reporting and considered at each trustee meeting with any remedies required then being implemented.

#### AVC Administration

- 4.6 Core financial transactions for the AVC arrangements are undertaken by the external providers listed in paragraph 2.1.3. These are however co-ordinated by Barnett Waddingham, to whom the Trustees have delegated day-to-day administrative oversight. For example, in respect of payments out of the AVC arrangements, the role of the external providers is to disinvest the appropriate funds and transfer the funds to the trustee bank account. Barnett Waddingham will then distribute the funds as required.
- 4.7 Barnett Waddingham report back to the Trustees as part of quarterly trustee meetings with any specific issues relating to the administration of the AVC policies. There were no issues reported to, or identified by, the Trustees in connection with the promptness or accuracy of the processing of core financial transactions for the AVC policies during the Plan year.

#### Assessment

- 4.8 There were no issues reported to the Trustees in connection with either the promptness or accuracy of core financial transactions processed during the Plan year for any of the Plan’s DC arrangements, and there were no such issues outstanding at the end of the Plan year.
- 4.9 In view of the controls and monitoring arrangements, and the absence of issues experienced during the scheme year, the Trustees believe that core financial transactions have been processed promptly and accurately.

## 5 Member-borne charges and transaction costs

5.1 Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1 Charges: these are expressed as a percentage of the value of each member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2 Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

### Charges in relation to the Notional Transfers In

5.2 Although members only have notional unit entitlements, the valuations of these entitlements depends upon the performance of the main Plan assets. The following table provides details of the charges and transaction costs for each of the investment options over the Plan year that comprise the main Plan assets (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction Costs (p.a.)
LGIM World Equity Index Fund	0.167%	-0.006%
LGIM World Equity Index Fund (Currency Hedged)	0.190%	0.068%
LGIM Sterling Liquidity Fund	0.135%	-0.037%
LGIM Diversified Fund	0.291%	-0.017%
Aberdeen Standard GARS *	0.705%	0.411%
Insight Enhanced Selection LDI Funds	0.160%	0.796%
Insight Absolute Credit	1.160%	0.418%
Insight Bonds Plus	0.550%	0.318%
Insight High Grade ABS	0.300%	0.022%
Insight Liquidity	0.080%	0.005%
Insight Liquidity Plus	0.080%	0.039%

\* The charges applicable to this fund are the only ones borne by investors; for all other funds, the charges are invoiced to the Trustees.

5.3. In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

### Charges in relation to other Transfer In benefits

5.4 The following table provides details of the implicit and explicit charges applied to each of the other investment options used over the Plan year to hold transfer in benefits (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Aviva Mixed Investment (40-85% Shares) (NU)	0.875% and £4.88 monthly fee	0.071%
Clerical Medical Balanced Fund	1.00%	0.20%

### Charges in relation to AVC arrangements

5.5 The following table provides details of the implicit and explicit charges applied to each of the investment options used over the Plan year to hold AVC benefits (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction costs (p.a.) [4]
Aviva Mixed Investment (40-85% Shares) (NU)	0.875% and £4.88 monthly fee	0.071%
Clerical Medical Balanced Fund (AVC)	0.500%	0.200%
Clerical Medical Balanced Fund (Corporate Investment Account)	1.000%	0.200%
Clerical Medical Ethical Fund	0.500%	0.370%
Clerical Medical Gilt & Fixed Interest Fund	0.500%	0.040%
Clerical Medical UK Growth Pension	0.500%	0.440%
Clerical Medical With-Profits Fund	0.500%	0.220%
Equitable Life With-Profits Fund [1]	1.50%	1.036%
Equitable Life Managed Fund [1]	0.750%	0.008%
Utmost Secure Cash Fund [2]	0.500%	0.070%
Utmost Managed Fund [2]	0.750%	N/A [3]
L&G Cash Fund	0.800%	-0.047%
L&G Distribution Fund	0.800%	-0.016%
L&G Far Eastern Fund	0.800%	0.235%
L&G Fixed Interest Fund	0.800%	0.075%

L&G Managed Fund	0.800%	0.072%
L&G UK Equity Index Fund	0.800%	0.002%
L&G Pension Cash Fund	0.510%	-0.050%
L&G Pension Equity Fund	0.520%	0.110%
Royal London Crest Secure Fund	N/A [3]	0.000%

[1] The costs for these funds were applicable to the period to 31 December 2019, when these funds closed. Equitable Life have confirmed that the transaction costs quoted include the costs incurred for closing these funds.

[2] The costs for these funds cover the period from 1 January 2020 to 31 March 2020. Utmost have not been able to provide transaction costs for the Managed Fund for this period.

[3] This is an implicit charge that is taken into account before annual bonuses are declared. Royal London have not been able to provide a numerical estimate for this charge.

[4] In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

Where transaction costs have not been provided, the Trustees in conjunction with their advisers will continue to exert pressure on providers to supply this information (as they are required to do) and will include relevant transaction cost information in future statements.

### Impact of costs and charges

- 5.6 To demonstrate the impact of member-borne costs and charges on the value of members' pension savings, the Trustees have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

#### Parameters used for the illustrations

- 5.7 The membership of all DC arrangements in the Plan were analysed in determining the parameters to be used.
- 5.8 **Pot size:** starting pot sizes of £4,000, £12,000 and £21,000 have been selected as they reflect the 25<sup>th</sup> percentile, median and 75<sup>th</sup> percentile of pot values respectively, (rounded to the nearest £1,000) as at 31 March 2020.
- 5.9 **Contributions:** future contributions have not been included in these illustrations as there are no active members paying regular AVC contributions into the Plan.
- 5.10 **Timeframe:** the illustrations are shown over a 20 year timeframe as this covers the time it will take the youngest Plan member with AVCs to reach retirement age.
- 5.11 **Investment options:** the investment options selected for the illustrations include the most popular by number of members, the highest charged fund, the lowest charged fund, the fund with the highest expected investment return and the fund with the lowest expected investment return.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Utmost Secure Cash Fund	Most popular choice (by number of members)	-2.00%	0.500%	0.070%
Clerical Medical Balanced Fund	Highest assumed investment return <b>and</b> highest charge	2.00%	1.000%	0.200%
L&G Pension Cash Fund	Lowest assumed investment return <b>and</b> lowest charge	-2.50%	0.510%	-0.050%

\* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2020 Statutory Money Purchase Illustrations (SMPIs).

\*\* The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last two years only, the figures are two year averages.

### Guidance to the illustrations

- 5.12 For each individual illustration, each savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.
- 5.13 Projected pot sizes are shown in today's terms and do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per annum.
- 5.14 Values shown are estimates and not guaranteed.
- 5.15 The starting date for the illustrations is 31 March 2020.

### Utmost Secure Cash Fund

- 5.16 This has been included as it is the DC investment option used in the Plan that is the most popular by number of members.

Years of investment	Starting pot size £4,000		Starting pot size £12,000		Starting pot size £21,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£4,000	£4,000	£12,000	£12,000	£21,000	£21,000
5	£3,625	£3,523	£10,874	£10,569	£19,030	£18,496
10	£3,285	£3,103	£9,854	£9,309	£17,244	£16,291
15	£2,976	£2,733	£8,929	£8,199	£15,626	£14,348
20	£2,697	£2,407	£8,091	£7,221	£14,160	£12,637

Note on how to read this table: If a member had £4,000 invested in this fund on 31 March 2020, when they came to retire in 20 years, the fund could be worth £2,697 if no charges are applied but £2,407 with charges applied.

### Clerical Medical Balanced Fund

5.17 This has been included as it is the DC investment option used in the Plan that is both the highest charged fund and has the highest assumed investment return (gross of charges).

Years of investment	Starting pot size £4,000		Starting pot size £12,000		Starting pot size £21,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£4,000	£4,000	£12,000	£12,000	£21,000	£21,000
5	£4,621	£4,365	£13,862	£13,094	£24,258	£22,915
10	£5,338	£4,763	£16,013	£14,289	£28,022	£25,005
15	£6,166	£5,197	£18,497	£15,592	£32,370	£27,286
20	£7,122	£5,671	£21,367	£17,014	£37,393	£29,775

Note on how to read this table: If a member had £4,000 invested in this fund on 31 March 2020, when they came to retire in 20 years, the fund could be worth £7,122 if no charges are applied but £5,671 with charges applied.

### L&G Pension Cash Fund

5.18 This has been included as it is the DC investment option used in the Plan that is both the lowest charged fund and has the lowest assumed investment return (gross of charges).

Years investment	Starting pot size £4,000		Starting pot size £12,000		Starting pot size £21,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£4,000	£4,000	£12,000	£12,000	£21,000	£21,000
5	£3,535	£3,455	£10,606	£10,365	£18,561	£18,138
10	£3,125	£2,984	£9,374	£8,952	£16,405	£15,666
15	£2,762	£2,577	£8,286	£7,732	£14,500	£13,531
20	£2,441	£2,226	£7,323	£6,678	£12,816	£11,687

Note on how to read this table: If a member had £4,000 invested in this fund on 31 March 2020, when they came to retire in 20 years, the fund could be worth £2,441 if no charges are applied but £2,226 with charges applied.

### Value for members

- 5.19 The Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 5.20 Analysis was undertaken by the Trustees' professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated August 2020. The Trustees considered the report and confirmed its value for members' assessment as outlined in this statement.
- 5.21 Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by



members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.

- 5.22 Various investment-related services for which members do not directly meet the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.
- 5.23 Other services paid for by Spirent Communications plc ("the Company") were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the trustee board, with a duty to act in the best interest of members.

#### Transfers In (Notional & Clerical Medical)

- 5.24 In relation to the transfer in benefits held on a 'notional units' basis and those invested on an investment-only basis with Clerical Medical, the member-borne charges and transaction costs relate to investment services. All other charges, including the costs of administration and communication services are met by the Company.
- 5.25 The assessment of these benefits considered in relation to the investment services:
  - 5.25.1 the investment strategy, e.g. the design of any default and range of alternative options
  - 5.25.2 the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
  - 5.25.3 the investment governance arrangements
- 5.26 The Trustees have concluded that the notional transfers in and Clerical Medical transfers in offer reasonable value in relation to the charges and transaction costs borne by members.
- 5.27 In reaching this conclusion, the Trustees recognised:
  - 5.27.1 The Plan has an appropriate investment governance structure, where investment matters are considered by the Trustees at regular meetings with assistance from professional advisers, and the governing documentation is reviewed and updated when necessary.
  - 5.27.2 The investment strategy offered to members in respect of the 'notional' transfers in is such that members do not have access to alternative options, or any de-risking strategies that increase the capital protection applicable to members' benefits in the approach to retirement. Clerical Medical members have access to a wider variety of investment funds and strategies however members do not receive any regular information about these options or how to switch their investments.
  - 5.27.3 Investment performance of the Plan assets (which directly affects the performance of the notional transfers) is monitored on a quarterly basis, taking into account both short and long-term performance, and long-term market conditions. However monitoring and review of the investment strategies focuses on the strategies' suitability primarily from the perspective of meeting the objectives of the Plan's DB assets, and not necessarily from meeting the needs of DC members.
  - 5.27.4 Given the nature of the investment strategy applicable to the notional transfers, it is not possible to fully compare the costs and charges to other options on a like-for-like basis, as the applicable underlying funds are not widely used in the DC marketplace. It is likely however that the scale of DB assets allows the Trustees to acquire a more favourable charging agreement than would be available elsewhere from these DC assets alone.

5.27.5 The transfer in funds held with Clerical Medical bear charges that are likely to be higher than those available in other investment-only policies, even taking into account the relatively small value of these benefits.

5.28 The Trustees intend to keep the continued suitability of the investment arrangements relating to the transfers in under review in light of these conclusions, however take a pragmatic view over the feasibility of making significant changes to these arrangements in the context of the small value of these DC benefits relative to member's overall benefits in the Plan.

#### AVCs

5.29 In relation to AVCs (and the single member who holds a transfer in within the Aviva policy), the member-borne charges and transaction costs relate to:

5.29.1 investment services

5.29.2 administration services

5.29.3 communication services

5.30 The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned in relation to member's overall benefit entitlements in the Plan.

5.31 The Trustees concluded that the AVC arrangements offer reasonable value in relation to the charges and transaction costs borne by members.

5.32 In reaching this conclusion, the Trustees recognised:

5.32.1 Former Equitable Life members now have a greater degree of investment choice with Utmost following the transfer of business effective from 1 January 2020, albeit these now only include unit-linked funds (whereas previously a with-profits fund was used by Equitable Life), and this range is still fairly limited relative to a 'best of breed' modern DC scheme. Members in the Royal London policy are not able to switch investments, however they are invested in funds which provide capital and/or future investment guarantees which members may value. The Aviva, Clerical Medical and Legal & General policies have wider and more suitable ranges of funds and lifestyle strategies for members to choose from.

5.32.2 All providers offer basic administration and communication services via legacy platforms, albeit these are supplemented by services from Barnett Waddingham LLP, the lead administrator, for which the member does not pay the cost.

5.32.3 The costs applicable to members in all policies are broadly in line with AVC arrangements of similar sizes and age and there is likely to be limited opportunity for the Trustees to change the service providers or obtain more competitive charges.

5.33 The Trustees regularly monitored the transfer of business from Equitable Life to Utmost that occurred during the Plan year, and reviewed the suitability of Utmost's investment arrangements once this was completed. After the end of the Plan year, the Trustees decided to make a change to the investments of members close to their retirement age as they felt that Utmost's default approach was less suitable for this group. Members were communicated with throughout this process and the changes took place in June 2020.

5.34 The Trustees have also continued to monitor the ongoing transfer of business from Legal & General to ReAssure, which affects some of the Plan's AVCs and is scheduled for later in 2020.

## 6. Trustee knowledge and understanding

### The Trustee Board

- 6.1 As at 31 March 2020, the Trustees comprised four individual trustees, one of whom is nominated by the members and three of whom are appointed by the Company. One further employer-nominated trustee retired during the Plan year, and there remains an outstanding vacancy for a second member-nominated Trustee.
- 6.2 One of the Company-appointed trustees, Apex ATL Pension Trustees Limited, represented by Jane Fryer, is the Chair and is a professional trustee.

### Trustee knowledge and understanding requirements

- 6.3 Trustees are required to be conversant with a scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.

### Approach

- 6.4 The Trustees have a working knowledge of the Plan's trust deed and rules as well as all other Plan documents such as the Statement of Investment Principles (SIP), the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Plan, as well as specific activities over the Plan year and access to professional advice – see sections 6.13 to 6.16 for more details.
- 6.5 The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of Plan assets through a combination of training and taking professional advice.
- 6.6 In addition, the inclusion of a professional trustee as chair enhances the knowledge of the trustee board by way of the significant experience gained through appointments on other trustee boards, associated access to a wide range of professional advisers, and the ongoing Continuous Professional Development (CPD) requirements that must be adhered to in order that professional status is maintained.
- 6.7 The majority of trustee training is undertaken at regular trustee meetings by the Trustees' professional advisers, and this is supplemented with training activities such as attending seminars and conferences, and reading pensions-related articles. A training log is maintained in relation to training undertaken and is reviewed and updated at each trustee meeting.
- 6.8 An induction process is in place for newly appointed trustees. Although no new trustees were appointed during the Plan year, the Trustees aim to review this process in time for the next appointment is made.
- 6.9 The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan's documents, attending trustee meetings and often in the delivery of training at these meetings.

- 6.10 The Trustees recognise the importance of carrying out a self-assessment exercise to identify knowledge gaps and training needs in relation to emerging legislation, Plan changes and upcoming matters in the Plan's business plan. During the year, the Trustees completed questionnaires, which were then analysed in order to identify any gaps in governance processes, and the Trustees intend to carry out a similar exercise in the next Plan year to identify any skills and knowledge gaps.
- 6.11 A Governance Working Party ("GWP") sub-committee was set up by the Trustees in 2019 to consider all matters relating to the good governance of the Plan, e.g to review and maintain the Trustees' business plan and risk register, and to monitor the DC benefits within the Plan in line with the Pension Regulator's DC Code of Practice. A formal Terms of Reference was adopted which outlined the authorities that had been delegated, and this sub-committee reports back to the full trustee board at the following meeting.

### Activities over the Plan year

- 6.12 The Trustees reviewed and updated the Plan's Statement of Investment Principles (SIP) over the Plan year, with assistance from their investment advisers, to ensure that all DC benefits within the Plan were covered, and to comply with new legislative requirements to document the Trustees' policy on the financial materiality of Environmental, Social and Governance ("ESG") factors in the investment process.
- 6.13 The Trustees, either through the full board or the GWP, reviewed the following Plan documents during the year:
  - 6.13.1 Draft Terms of Reference for the GWP
  - 6.13.2 Risk register
  - 6.13.3 Business Strategy Plan
  - 6.13.4 Data Protection Policy and Incident Response Plan
  - 6.13.5 Information Protocol between the Trustees and the Company.
  - 6.13.6 Annual report and accounts.
  - 6.13.7 Annual Chair's Statement.
  - 6.13.8 The Trustees set and documented objectives for their investment advisers.
- 6.14 The Trustees received training at Trustee meetings over the Plan year on the following topics:
  - 6.14.1 New requirements on Trustees in respect of financially material factors in the investment process, e.g. ESG factors.
  - 6.14.2 New requirements on Trustees as set out by the Competition and Markets Authority (CMA).
  - 6.14.3 The proposals for the transfers of business between Equitable Life and Utmost, and between Legal & General and ReAssure, and the impact these would have on Plan members.
  - 6.14.4 Legislative updates and market developments in respect of DC pension provision.
- 6.15 In addition, the Trustees set aside half a day on 24 July 2019, to receive training on pertinent topics relating to their governance of the Plan as a whole. This included sessions from their advisers on the Pension Regulator's approach to 21<sup>st</sup> Century Trusteeship, expectations of trustees of DC benefits, investment beliefs and objectives, and responsible investing with reference to ESG factors.

- 6.16 During the Plan year, the Trustees took professional advice on the following DC matters:
- 6.16.1 The underlying assumptions for the Statutory Money Purchase Illustrations.
  - 6.16.2 Undertaking the annual value for members' assessment.
  - 6.16.3 Completion of the annual governance statement
  - 6.16.4 Quarterly investment performance monitoring.
  - 6.16.5 Whether to vote for the proposal to transfer Equitable Life's AVC business to Utmost.

#### Assessment

- 6.17 The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly exercise their trustee functions.

**Signed by Jane Fryer, on behalf of Apex ATL Pension Trustees Limited, Chair of Trustees on 30 September 2020**