

DC Governance statement from 1 April 2018 to 31 March 2019

1. Introduction

- 1.1 This statement has been prepared by the Trustees of the Spirent Communications plc Retirement Cash and Life Assurance Plan ("the Trustees") and reports on how the Trustees complies with defined contribution (DC) governance standards. These standards were introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) Regulations 2018 ("the Regulations").
- 1.2 The reporting period covered by this statement is 1 April 2018 to 31 March 2019 (the "Plan year").
- 1.3 As required by the Regulations, the Trustees will publish this statement on a publicly accessible website. The web address for the website will be: <<https://corporate.spirent.com/about-us/>>

2 The Plan's DC arrangements

- 2.1 The Plan's DC arrangements comprise:
 - 2.1.1 Pension Retirement Accounts ("PRAs") for members who had not left the Old Section of the Plan prior to 1 January 1992. The PRAs serve as a DC underpin to a defined benefit entitlement. This arrangement is administered by Barnett Waddingham and has been closed to new joiners since 1 October 2002.
 - 2.1.2 Additional Voluntary Contributions ("AVCs") provided through 'bundled' services arrangements (administration, investment and communications services) with Equitable Life and Aviva. These provide additional benefits for members of the Old Section.
- 2.2 The Pensionbuilder Section of the Plan was used for automatically enrolling new members until June 2016, however since this date a Group Personal Pension ("GPP") held with Legal & General has been used for this purpose. The Cashbuilder Section of the Plan also previously held members with DC benefits.
- 2.3 All members in the Pensionbuilder Section and the majority of members in the Cashbuilder Section have been transferred out to the GPP, a buy-out plan or an alternative arrangement chosen by the members prior to this Plan year. Two Cashbuilder Section members remained in the Plan at the beginning of the Plan year, however were subsequently transferred to the buy-out plan in April 2018.

DC Governance statement (Cont)

3 Default investment arrangement

- 3.1 There is one default investment arrangement ("the default") for the PRAs, into which the contributions for one remaining active member are invested.
- 3.2 Under the default, members' contributions are invested in funds managed by Legal & General Investment Management ("LGIM") in the following proportions:
- 3.2.1 50% in the LGIM Cash Fund
 - 3.2.2 25% in the LGIM World Equity Index Fund
 - 3.2.3 25% in the LGIM World Equity Index Fund – GBP Currency Hedged
- 3.3 No switching or re-balancing is undertaken on these funds.

Review of the default

- 3.4 No formal review of the default was undertaken in the Plan year. However, the Trustees monitor all of the investment options on a quarterly basis with assistance from their investment advisers, considering both fund performance and any developments at the investment manager.
- 3.5 The default was last formally reviewed in March 2017 and the Trustees will review this every three years or after a significant change in the Plan's demographic profile.
- 3.6 The Trustees have monitored the performance of the LGIM funds during the Plan year and are satisfied that the funds continue to meet their stated aims and objectives.

Further information on the default

- 3.7 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. The SIP covering the Plan year was dated as at June 2017, and has since been updated in September 2019 to take account of the Trustees' view on the financial materiality of Environmental, Social and Governance (ESG) factors.

4 Core financial transactions

- 4.1 The Trustees have a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2 Core financial transactions comprise the following, in relation to each of the Plan's DC arrangements:
- 4.2.1 Investment of contributions
 - 4.2.2 Transfers out of the Plan
 - 4.2.3 Other payments out of the Plan

PRAs Administration

- 4.3 Over the reporting period, the administration functions in relation to the PRAs were outsourced to Barnett Waddingham LLP ("Barnett Waddingham"), who undertake core financial transactions on behalf of the Trustees.
- 4.4 To ensure the accuracy and timeliness of processing of core financial transactions, the Trustees have established robust reporting and monitoring processes and controls.

DC Governance statement (Cont)

Controls and monitoring arrangements

4.5 The processes and controls in place in relation to ensuring the promptness of core financial transactions in relation to the PRAs include the following:

4.5.1 In relation to the PRAs, the Trustees have a Service Level Agreement (SLA) in place with Barnett Waddingham covering the promptness of transactions, under which Barnett Waddingham aim to process 95% of transactions within service levels for each type of transaction.

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

4.5.2 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.

4.6 The processes and controls in place in relation to ensuring the accuracy of core financial transactions for the PRAs include the following:

4.6.1 the Plan's membership data is periodically reviewed

4.6.2 The pooled investments are reconciled on a monthly basis.

4.6.3 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.

4.6.4 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.

4.6.5 Barnett Waddingham has also achieved accreditation in respect of ISO 27001 and ISO 9001 standards, which detail Quality Management and Information Security Management procedures.

4.6.6 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. The risk register was reviewed and updated in full during 2018.

4.6.7 Kreston Reeves LLP have been appointed by the Trustees to undertake an annual external audit of the report and accounts.

4.6.8 Any issues uncovered regarding inaccuracies with core financial transactions are included within the quarterly reporting and considered at each trustee meeting.

DC Governance statement (Cont)

AVC administration

- 4.7 Core financial transactions for the AVC arrangements are undertaken by Equitable Life and Aviva, co-ordinated by the 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 Equitable Life and Aviva is to disinvest the appropriate funds and transfer the funds to the trustee bank account. Barnett Waddingham will then distribute the funds as required.
- 4.8 Barnett Waddingham report back to the Trustees as part of quarterly trustee meetings with any specific issues relating to the administration of the separate 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.

Assessment

- 4.9 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.
- 4.10 In view of the controls and monitoring arrangements, and the absence of issues experienced during the Plan year, the Trustees believe that core financial transactions have been processed promptly and accurately.

5 Charges and transaction costs

- 5.1 Members bear charges deducted from the funds in which their DC pension savings are invested. The charges differ between the investment options available and consist of both explicit and implicit charges:
- 5.1.1 Explicit charges: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. We refer to these explicit charges as the Total Expense Ratio (TER).
- 5.1.2 Implicit charges: these relate to the charges and 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 explicit charges. These implicit charges vary according to each fund's investment approach and prevailing market conditions. We refer to these implicit charges as the Transaction Costs.

DC Governance statement (Cont)

Charges in relation to the Old Section PRAs

5.2 The following table provides details of the explicit and implicit charges applied to each of the investment options provided through PRAs over the scheme year (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Default investment arrangement *	0.17%	0.02%
LGIM Cash Fund **	0.13%	0.00%
LGIM World Equity Index Fund **	0.20%	0.00%
LGIM World Equity Index Fund – GBP Currency Hedged **	0.22%	0.06%

* the quoted charges and transaction costs for the default are calculated as a composite of the underlying fund charges and transaction costs, based on the proportions in which contributions were invested. These fund holdings and therefore the charges will also vary depending how members are actually invested.

** these funds are not investment options in their own right.

Charges in relation to AVCs

5.3 The sole member in the Aviva AVC policy is invested in the Aviva With Profit (NU) Fund. There is no explicit annual management charge applied to this fund however Aviva have stated that a charge of approximately 0.875% p.a. is taken into account before bonuses are declared. The member is also subject to a monthly administration fee of £3.73. A bid/offer spread of 5% also applies where new monies are invested into the policy. We understand there were no contributions paid during the Plan year.

Aviva have not been able to supply transaction costs for the Aviva With Profit (NU) Fund for the year.

5.4 All members in the Equitable Life AVC policy are invested in the Equitable Life With-Profits Fund. Members bear implicit costs for administration, investment and the costs of communication which are taken into account by Equitable Life before annual bonuses are declared. The fees are estimated by Equitable Life to be around 1.50% p.a., and this includes a 0.5% p.a. cost for the guarantees attached to the policy.

Equitable Life have declared that the transaction costs applicable to the Equitable Life With-Profits Fund in the year to 31 March 2019 are 0.036% p.a.

DC Governance statement (Cont)

Charges in relation to Cashbuilder Section members

- 5.5 Two further members with DC benefits were in the Cashbuilder Section of the Plan at the start of the Plan year, however these were block transferred to a Legal & General buyout policy in April 2018. The charges and transaction costs for the fund in which these members were invested are outlined below.

Investment option	TER (p.a.)	Transaction costs (p.a.)
LGIM World Equity Index Fund	0.20%	0.00%

Impact of costs and charges

- 5.6 To demonstrate the impact of the costs and charges applied through the DC arrangements in the Plan, the Trustees have produced illustrations in line with statutory guidance, in particular the September 2018 guidance from the Department for Work and Pensions entitled 'Cost and charge reporting: guidance for trustees and managers of occupational schemes'. These illustrations are set out below, and are designed to cater for representative cross-sections of the membership of the Plan's DC arrangements.
- 5.7 For each individual illustration, each savings pot has been projected twice: firstly for the assumed investment return gross of the costs and charges of the fund; and secondly for the assumed investment return net of the costs and charges of the fund.
- 5.8 To determine the parameters used in these illustrations, the Trustees have analysed the membership of those invested in the Plan's DC arrangements relevant to the reporting period of this statement and ensured that the illustrations take into account the following:
- 5.8.1 A representative range of pot sizes.
 - 5.8.2 A representative range of real terms investment returns (gross of costs and charges), including the lowest, the highest and the most popular (by number of members).
 - 5.8.3 A representative range of costs and charges, including the lowest and the highest.
 - 5.8.4 A representative period of membership, covering the approximate duration that the youngest member would take to reach target investment age.
- 5.9 The Trustees have not included future contributions in these illustrations as only one active member remains in the Plan. To ensure that these illustrations are representative of the membership, the Trustees have decided to produce illustrations that assume no future contributions will be paid.
- 5.10 The Trustees have not taken into account the AVC arrangements in the production of these illustrations due to their proportionately small asset size compared to the overall DC arrangements in the Plan.

DC Governance statement (Cont)

Guidance to the illustrations

- 5.11 The following notes on the illustrations should also be read:
- 5.11.1 Projected pot sizes are shown in today's terms, so recognise the effects of future inflation.
 - 5.11.2 The starting pot sizes of £4,000, £7,000 and £13,000 have been selected as they reflect the 25th percentile, median and 75th percentile respectively based on membership demographics in 2019, rounded to the nearest £1,000.
 - 5.11.3 Unless stated, each illustration assumes up to 30 years of membership because this covers the time it will take the youngest Plan member to reach Normal Retirement Age.
 - 5.11.4 Values shown are estimates and not guaranteed.
 - 5.11.5 Each of the illustrations allows for the future impact of inflation which is assumed to be 2.5%.
 - 5.11.6 The starting date for the illustrations is 31 March 2019.
 - 5.11.7 The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2019 Statutory Money Purchase Illustrations (SMPI). We provide details for each investment option used to produce the illustrations in the table below:

Investment option	Assumed return above inflation
Default *	1.0%

* the quoted asset return for the default is calculated as a composite of the underlying funds, based on the proportions in which contributions were invested.

DC Governance statement (Cont)

Default investment arrangement

5.12 This has been included as it is the default investment arrangement and only investment option for the PRAs, which hold the vast majority of members and assets of a DC nature in the Plan. It is therefore the only investment option that provides a representative illustration.

Years of investment	Starting pot size £4,000		Starting pot size £7,000		Starting pot size £13,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£4,000	£4,000	£7,000	£7,000	£13,000	£13,000
2	£4,078	£4,064	£7,137	£7,112	£13,255	£13,208
5	£4,199	£4,162	£7,348	£7,283	£13,647	£13,526
10	£4,408	£4,330	£7,714	£7,578	£14,325	£14,074
15	£4,627	£4,506	£8,097	£7,885	£15,038	£14,644
20	£4,857	£4,688	£8,500	£8,204	£15,786	£15,236
25	£5,099	£4,878	£8,923	£8,536	£16,571	£15,853
30	£5,352	£5,075	£9,367	£8,882	£17,396	£16,495

Note on how to read this table: If an active member had £4,000 invested in this strategy on 31 March 2019, when they came to retire in 20 years, the fund could be worth £4,857 if no charges are applied but £4,688 with charges applied.

Value for members

- 5.13 The Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 5.14 Analysis was undertaken by the Trustees' professional advisers, Barnett Waddingham LLP, and the findings set out in a report in October 2019. The Trustees considered the report and confirmed its value for members' assessment as outlined in this statement.
- 5.15 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.
- 5.16 Various investment-related services for which members do not directly bear 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.
- 5.17 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.

DC Governance statement (Cont)

PRA_s

- 5.18 The member-borne charges and transaction costs for the PRA_s relate to investment services. All other charges, including the costs of administration and communication services are met by the Company.
- 5.19 The assessment considered in relation to the investment services:
- 5.19.1 the investment strategy, e.g. the design of the default and range of alternative options
 - 5.19.2 the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
 - 5.19.3 the investment governance arrangements
- 5.20 The Trustees concluded that the PRA_s offer good value in relation to the charges and transaction costs borne by members.
- 5.21 In reaching this conclusion, the Trustees recognised:
- 5.21.1 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.
 - 5.21.2 A single investment strategy is offered to members, and no de-risking strategies or self-select funds are available.
 - 5.21.3 The investment options are regularly monitored, taking into account both short and long-term performance, and long-term market conditions, and are reviewed in line with statutory timescales.
 - 5.21.4 Investments are held directly with LGIM, and as such receive competitive pricing, which is in line with the market. Alternatives would generally involve moving to an investment platform, which may result in a small increase in price.
- 5.22 The Trustees note that they have assessed the value for members solely from the point of view of the Plan providing DC benefits. However, in the Plan the PRA_s serve as an underpin to a DB guarantee, albeit one that is expected to 'bite' for the majority of members. The Trustees recognise therefore that the design of the investment strategy (the area where the Plan scores lowest based on the criteria for a traditional DC scheme) may differ from best practice guidelines based on the nature of the Plan's benefits, and intend to keep the continued suitability of this strategy under review.

AVC_s

- 5.23 In relation to AVC_s, the member-borne charges and transaction costs relate to:
- 5.23.1 investment services
 - 5.23.2 administration services
 - 5.23.3 communication services
- 5.24 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.

DC Governance statement (Cont)

AVCs (Cont)

- 5.25 The Trustees concluded that the AVC arrangements offers reasonable value in relation to the charges and transaction costs borne by members.
- 5.26 In reaching this conclusion, the Trustees recognised:
- 5.26.1 The Equitable Life policy does not offer a range of investment options, including those that would provide automatic protection over the years approaching retirement age as would be the case via a lifestyle strategy. Members are however all invested in a With-Profits fund, which provides capital and future investment guarantees which members may value. The Aviva policy has a wider range of funds and lifestyle strategies for members to choose from, albeit assets are only currently invested in one fund, a with-profits fund.
 - 5.26.2 Equitable Life and Aviva provide basic administration and communication services via legacy platforms, albeit these are supplemented by services from Barnett Waddingham LLP, the lead administrator, for which the members do not pay the cost.
 - 5.26.3 The costs are broadly in line with with-profits AVC arrangements of a similar size and age and there is likely to be limited opportunity for the Trustees to change the service providers or obtain more competitive charges.
- 5.27 The Trustees are aware of the proposed transfer of business from Equitable Life to Utmost Life & Pensions and are monitoring this on an ongoing basis.

6 Trustee knowledge and understanding

The Trustee Board

- 6.1. As at 31 March 2019, the Trustees comprised five individual trustees, one of whom is nominated by the members and four of whom are appointed by the Company. There is a 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 aim to remain conversant with the Plan's trust deed and rules as well as all other Plan documents such as the 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.
- 6.5. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational plans and investment of Plan assets through a combination of training, taking professional advice and the inclusion of a professional trustee as chair.

DC Governance statement (Cont)

- 6.6. The majority of trustee training is undertaken at regular trustee meetings by the Trustee's 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.
- 6.7. An induction process is in place for newly appointed trustees, although no new trustees were appointed during the Plan year, so the induction process was not required.
- 6.8. 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.
- 6.9. 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. A Governance Working Group was set up in 2019 and this will address these matters.

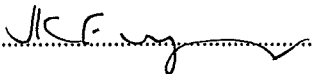
Activities over the Plan year

- 6.10. The Trustees began work to review and update the Plan's SIP, with assistance from their investment advisers, in light of new legislative requirements in respect of the materiality of Environmental, Social and Governance ("ESG") factors.
- 6.11. The Trustees reviewed the following Plan documents during the year:
 - 6.11.1. The risk register
 - 6.11.2. Internal disputes resolution procedure
 - 6.11.3. Data Protection Policy and Incident Response Plan
 - 6.11.4. Annual report and accounts
 - 6.11.5. Annual Chair's Statement
- 6.12. The Trustees received training at trustee meetings over the Plan year on the following topics:
 - 6.12.1. Regulatory and legislative updates pertinent to the Plan
 - 6.12.2. Compliance with the General Data Protection Regulation.
- 6.13. A half-day training session was arranged for July 2019, where training was provided to all trustees on topics that included trusteeship, disclosure requirements in relation to costs, charges and investments, and developments concerning the proposed sale of the Equitable Life business to Utmost Life & Pensions.
- 6.14. During the Plan year, the Trustees took professional advice on the following DC matters:
 - 6.14.1. The underlying assumptions for the Statutory Money Purchase Illustrations
 - 6.14.2. Undertaking the annual value for members assessment

DC Governance statement (Cont)

Assessment

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

.....


Jane Fryer, of Apex ATL Pension Trustees Limited

Chair of the Trustees

.....
24 October 2019

Date