

Carver Pension Scheme ('the Scheme') Defined Contribution Governance Statement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Trustees to prepare an annual statement regarding governance of the Defined Contribution ('DC') funds within the Scheme and include this in the annual report and accounts.

The funds in the DC section of the Scheme were built up by members before 1997 and they have a Defined Benefit underpin which may come into payment when members take benefits. Although we estimate the Defined Benefit underpin will be triggered for approximately 95% of members, these funds are still treated as DC funds for the purposes of this statement. This statement also covers the additional voluntary contributions ('AVCs') members paid in the Scheme whilst they were building up defined benefit pension, which are invested with Standard Life.

This statement covers the period from 1 April 2021 to 31 March 2022 and describes how the Trustees of the Scheme have met the statutory governance standards in relation to:

1. Charges and transaction costs paid by members and illustrations of the cumulative effect of costs and charges on members' funds,
2. Net investment returns
3. Value for Members assessment,
4. Processing of core financial transactions, and
5. Trustee knowledge and understanding.

The Regulations also require trustees to set out the governance processes in relation to the default investment strategy for their scheme. Our Scheme is not used as a Qualifying Scheme for auto-enrolment purposes and no contributions have been paid to the Scheme since the relevant Regulations came into force. The Scheme therefore has no default investment strategy, as defined by the Regulations, and so the governance requirements in relation to the default investment strategy do not apply to the Scheme and are not covered in this statement.

1i. Charges and transaction costs paid by members

The Trustees are expected to show:

- (i) the explicit charges paid by members. The Total Expense Ratio ('TER') is the total of the explicit charges each year expressed as a percentage of the fund value and therefore provides a clear picture of the total annual costs of running the fund. The TER includes the Annual Management Charge and any other expenses such as fees paid to the trustee (or depositary), custodian, auditors and registrar.
- (ii) Implicit costs – for the purposes of this statement these are the transaction costs which arise as a result of buying and selling investments in a fund) and which are paid by members. As these costs are implicit, they are reflected in the performance of funds.

The charges (TER) and transaction costs for the DC and AVC funds held by members for the period 1 April 2021 to 31 March 2022 are shown in the table below. These have been supplied by the providers, Legal & General Investment Management Limited ('LGIM'), abrdn and Standard Life Assurance Limited ('Standard Life'). Where transaction costs have been provided as a negative cost (i.e. a gain to the fund), as can happen in some circumstances, these have been set to zero by the Trustees in accordance with the guidance.

Fund	TER (% p.a.)	Transaction Costs (% p.a.)	Total costs and charges (% p.a.)
DC funds			
Lifestyle strategy	0.145 – 0.73 ¹	0.0051 – 0.0145 ¹	0.1496 – 0.7369 ¹
LGIM Global Equity 50:50 Index	0.212	0.0120	0.2240
LGIM UK Equity Index	0.187	0.0215	0.2085
LGIM Overseas Equity Fund ²	0.452	0.0074	0.4594
LGIM Pre-Retirement Fund	0.151	0.0000	0.1510
LGIM Cash Fund	0.125	0.0202	0.1452
SLI Global Absolute Return Strategies Fund	0.73	0.0069	0.7369
AVC funds			
Standard Life Managed Pension Fund	1.02	0.12	1.14

¹ Depending upon term to retirement

² The Overseas Equity Fund is currently invested entirely in the LGIM Global Emerging Markets Equity Index Fund.

1ii. Illustrations to show the cumulative effect of costs and charges

The Trustees are required to illustrate the effect of costs and charges typically paid by a member on their DC fund (as a “pounds and pence figure”). The Regulations allow the Trustees to exercise their discretion with regards to the examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme's membership.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustees have provided illustrations of their cumulative effect on the value of typical Scheme members' DC savings over the period to their retirement.

These illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out under 'notes and assumptions' below. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their Annual Benefit Statements.

We have decided to show illustrations for two example members with DC funds.

- Example member A: a member with the longest term to retirement age (16 years) with a current fund value of £10,050.
- Example member B: an 'average' member who is 9 years from retirement age with a current fund value of £21,250.

In accordance with the guidance, we have illustrated the impact of costs and charges for the Lifestyle Strategy, the SLI Global Absolute Return Strategies Fund (the fund with the highest charges) and the LGIM Cash Fund (the fund with the lowest charges).

The projected impact of charges on estimated fund values ('EFV') is shown in the tables below:

Example member A:

At Age:	Lifestyle strategy			SLI Global Absolute Return Strategies Fund (highest charges)			Legal & General Cash Fund (lowest charges)		
	EFV (before charges)	EFV (after charges)	Effect of charges	EFV (before charges)	EFV (after charges)	Effect of charges	EFV (before charges)	EFV (after charges)	Effect of charges
50	£10,050	£10,050	£0	£10,050	£10,050	£0	£10,050	£10,050	£0
55	£10,470	£10,430	£40	£10,250	£10,170	£80	£9,930	£9,920	£10
60	£12,230	£11,890	£340	£11,290	£10,820	£470	£9,360	£9,290	£70
65	£13,330	£12,540	£790	£12,430	£11,500	£930	£8,830	£8,700	£130

Example member B:

At Age:	Lifestyle strategy			SLI Global Absolute Return Strategies Fund (highest charges)			Legal & General Cash Fund (lowest charges)		
	EFV (before charges)	EFV (after charges)	Effect of charges	EFV (before charges)	EFV (after charges)	Effect of charges	EFV (before charges)	EFV (after charges)	Effect of charges
60	£22,240	£21,820	£420	£22,520	£22,050	£470	£20,510	£20,430	£80
65	£22,050	£21,320	£730	£24,800	£23,440	£1,360	£19,340	£19,140	£200

Notes and assumptions

- Fund values shown are estimates and are not guaranteed
- Illustrations assume no further contributions are paid and do not take the Defined Benefit underpin into account
- Projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- Inflation is assumed to be 2.5% p.a.
- Transaction costs have been averaged over a 4-year period in line with statutory guidance to reduce the level of volatility
- A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time
- The projected growth rates used have been provided by our advisers and are consistent with the growth rates used for Annual Benefit Statements
- The growth rates and total charges (i.e. the TER plus average transaction costs) used for the illustrations are shown in the table below:

Fund	Total charges (% p.a.)	Expected growth rate
Lifestyle strategy	0.1566 – 0.7359 ³	Between 4.25% p.a. above inflation and 0.97% p.a. below inflation ³
SLI Global Absolute Return Strategies Fund	0.7359	2.0% p.a. above inflation
LGIM Cash Fund	0.1309	1.2% p.a. below inflation

³ For the lifestyle strategy, the projection takes into account the changing proportion invested in the different underlying funds over time.

Only one member of the Scheme holds AVCs. We have not included an illustration to show the impact of costs and charges on AVC funds, since this members' Annual Benefit Statement will provide a better indication of this.

2. Net investment returns

For the first time this year, the Trustees are required to report the net investment returns for each DC fund members were invested in during the Scheme year. The net investment return refers to the return on the fund minus all member-borne transaction costs and charges.

The net investment returns shown in the table below have been prepared having regard to the relevant statutory guidance. The guidance states that, for arrangements where the net returns vary with age, such as the Lifestyle Strategy, net investment returns should be shown for a member aged 25, 45 and 55 at the start of the investment reporting period.

It is important to note that past performance is not a guide to future performance.

Net investment return to 31 March 2022	1 Year	5 Years (% p.a.)
DC funds		
Lifestyle strategy (members aged 25 or 45 at the start of the reporting period)	3.9	4.7
Lifestyle strategy (member aged 55 at the start of the reporting period)	-6.0	0.7
LGIM Global Equity 50:50 Index	11.1	7.1
LGIM UK Equity Index	13.1	4.7
LGIM Overseas Equity ²	-5.4	4.8
LGIM Pre-Retirement	-6.7	1.4
LGIM Cash	0.0	0.2
SLI Global Absolute Return Strategies	-6.0	0.7
AVC funds		
Standard Life Managed	5.1	4.7

3. Value for members assessment

The Administration Regulations require the Trustees to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good value for members.

As the Scheme has been operating for more than three years and its total assets are under £100m, the Trustees are required to carry out a more detailed value for members assessment this year. This involves comparing the costs and charges and the net investment returns to suitable funds in three other large schemes. The governance and administration aspects of the Scheme have been assessed in accordance with the statutory guidance by the Trustees with input from their professional advisers.

Costs and charges and net investment returns - the costs have been identified as the TER and the transaction costs, as set out in section 1i of this statement. Net investment returns are as set out in section 2 of this statement. The three large schemes used as comparators are the Aon Master Trust, the Aegon Master Trust and NEST.

Members pay only the investment charges on their DC funds, all other costs are met by the sponsoring employer. As a result of this, the DC Section compares favourably to the comparator

schemes on costs and charges, and net investment returns for the self-select funds however the net investment returns achieved for lifestyle strategy lagged those achieved by the comparator schemes. The Trustees have therefore decided to review the structure of the lifestyle strategy.

The costs and charges on the AVC fund are higher than those for similar funds in the comparator schemes, but the AVC fund has achieved better net investment returns. On this basis, we conclude the AVC funds provide value for members.

The Trustees have also considered the benefits of membership under the following 3 categories: scheme governance, investments, administration and member communications. The conclusions of the assessment are set out below.

Scheme governance

The Trustees have appropriate governance arrangements in place, with the right structures in place to support effective management of risks. The Trustees also have processes in place to identify and manage any conflicts of interest

Investments

The management of the majority of the Scheme's assets has been delegated to Aon Investments Limited, however this does not include the DC Section assets. The DC Section's investment strategy was initially designed following advice from the Trustee's investment adviser and performance is monitored twice a year. The Trustees allow members to choose to invest their AVCs in any fund on the Standard Life platform and are satisfied this meets the investment needs of the one member who holds AVCs.

Administration

The Trustees have formal processes and controls in place to monitor core financial transactions, wider administration service, member feedback and complaints, data quality and data security.

There is no service level agreement in place with the AVC provider however there is only one member invested in the AVC arrangement.

Member communications

The Trustees comply with their statutory obligations in respect of member communications.

Summary

The Trustees' assessment for this reporting period has concluded that the Scheme is well-administered and overall it provides good value to members. The net investment returns achieved by lifestyle strategy for the DC Section have lagged those achieved by the comparator schemes, but the Trustees have an action plan in place to address this.

It is important to note, the Defined Benefit underpin means that any shortfall in investment returns required to provide the Defined Benefit pension at retirement from the DC Section will be met by the Employer.

Members are also able to use their AVC funds in the Scheme as the first source of tax-free cash when they take retirement benefits (rather than giving up defined benefit pension for tax-free cash). This is likely to be of value to members who wish to take tax-free cash.

4. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately.

The Trustees have a service level agreement in place with the Scheme Administrator, Aon, which covers core financial transactions including:

- Transferring assets relating to members out of the Scheme,
- Transferring assets relating to members between different investments within the Scheme, and
- Making payments from the Scheme to or on behalf of members.

Aon has confirmed that there are processes in place for each core financial transaction listed above to ensure that these transactions are processed in a timely manner and accurately. These processes include Aon reconciling the Trustee bank account and the DC fund unit holdings on a monthly basis.

Aon reports performance against the service level agreement to the Trustees twice a year (as at 30 June and 31 December) and the Trustees consider these reports at each trustee meeting. Aon's reports also cover any formal member complaints and member feedback received.

During the period 31 December 2020 – 30 June 2022 (which includes the full reporting period for this statement), performance against the service level agreement for all core financial transactions was 100%.

Based upon the above, the Trustees are satisfied that over the period covered by this statement:

- the Scheme Administrator was operating appropriate procedures, checks and controls and operating within the agreed service level agreement;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

5. Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 require the Trustees to have sufficient knowledge and understanding to properly exercise their functions as Trustees and to run the Scheme effectively.

The comments in this section relate to the Trustee Board as a body in dealing with the whole Scheme and are not restricted to the DC Section of the Scheme.

The Scheme's Trustee Board was comprised of three Trustees during the period covered by this Statement. No new Trustees were appointed over the period.

I have joined the Scheme as a Trustee in May 2022 having become Group Finance Director earlier in 2022. My professional experience provides expertise in financial management to the Trustee Board, as does that of my fellow Trustee who is also a Finance Director. Our third Trustee is a long-serving Trustee, having been appointed in 2012 and therefore has good knowledge of the Scheme and its governing documentation. He is also a Managing Director within the Group, so his professional qualifications and experience in company management bring relevant skills to the Trustee Board.

The Trustees' consultancy and administration services have been provided by Aon since the 1980s, with the current Scheme Actuary having been in place since circa 2000. Our advisers and administrators therefore have an in-depth knowledge of the Scheme and its history.

All key Scheme documents and meeting papers are readily available to the Trustees via a secure website, Aon Pensions Organiser, which provides a facility for the Trustees to view and maintain a working knowledge of the Scheme's Trust Deed & Rules and other documents setting out the Scheme's policies and practices.

Aon discusses forthcoming areas of focus and what specific knowledge and understanding requirements may be with the Trustees. We hold two trustee meetings a year and the Trustees'

professional advisers attend each trustee meeting and provide updates on relevant legislative changes as well as specialist advice and training to support the Trustees' decision-making at each point in time.

During the period covered by this Statement, we have:

- Received advice and training on GMP equalisation;
- Received advice and training on responsible investment and reviewed and updated the Scheme's Statement of Investment Principles to take account of the new Investment Regulations.
- Received advice on the Competition and Markets Authority (CMA) review, including setting Investment Consultant objectives.
- Carried out regular annual tasks, such as reviewing and signing off the Trustee Report & Accounts.
- Regularly monitored investment performance of the Scheme's assets and the funding position of the Defined Benefit Section of the Scheme.
- Received regular updates on topical issues in pensions and developments in pensions legislation/regulations which helped us to maintain a knowledge of the law relating to pensions and trusts.

As a result of the professional background of the Trustees, the training activities we undertake as part of our role as Trustees, and taking into account the professional advice available to us, I am confident that the Trustee Board meets the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and that the combined knowledge and understanding of the Trustees enables us to exercise our functions properly. I also believe that this has been demonstrated and evidenced by the meetings and correspondence throughout the year, where training and advice has been provided, discussions held and decisions taken in relation to any matters material to the running of the Scheme.

Signed on behalf of the Trustees of The Carver Pension Scheme

_____ Date _____
Chair of Trustees