

## **Chairman's Statement of DC Governance**

**This statement is produced in accordance with section 23 of the Occupational Pension schemes (Scheme Administration) Regulations 1996 (the Regulations)**

### **1. Introduction**

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Electrocomponents Group Pension Scheme (the "Scheme") is required to produce a yearly statement which is signed by the Chair of Trustees to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or risk based funds);
  - the requirements for processing financial transactions;
  - the charges and transaction costs borne by members;
  - an illustration of the cumulative effect of these costs and charges;
  - a 'value for members' assessment; and
  - Trustee knowledge and understanding.
- This statement covers the period from 1 April 2020 to 31 March 2021

### **2. Default investment arrangements**

The Scheme is used as a Qualifying Scheme for auto-enrolment. Members who are auto-enrolled are placed into the default investment strategy but can also choose from a range of risk based strategies and self-select funds.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement.

Details of the objectives and the Trustee policies regarding the default strategy can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP covering the default strategy is attached to this annual statement regarding governance.

The aims and objectives of the default strategy, as stated in the SIP, are as follows:

The objectives of the default option, and the ways in which the Trustee seeks to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.
- To provide a strategy that reduces investment risk for members as they approach retirement.
- To provide exposure, at retirement, to assets that are broadly appropriate for a member purchasing an annuity as their retirement benefits and who is also planning to use part of their savings in the Scheme to take a cash lump sum at retirement.

The default strategy and the performance of the default arrangement are reviewed at least every three years and were last reviewed on 30 July 2020. The next review is intended to take place by 1 August 2023 or immediately following any significant change in investment policy or the Scheme's member profile. However on the basis the Scheme's assets are transferred to a master trust in 2022 this will review will not take place.

The 30 July 2020 review was prepared by the Scheme investment consultant Mercer with membership data provided by the Scheme administrator Capita. The review covered the following areas:

- Membership analysis
- Objective of the default strategy
- Review of growth phase structure
- Structure of the Default at retirement phase

The Trustee also reviews the performance of the default strategy against their aims, objectives and policies on a quarterly basis. This review includes an analysis of fund performance and member activity to check that the risk

and return levels meet expectations. The performance review showed that the Higher Potential Growth Fund (HPG) and the Medium Potential Growth fund (MPG) which form part of the Default Strategy outperformed their respective “cash plus” benchmarks over the twelve-month period. On a year-on-year basis to 31 March 2021 many asset classes delivered exceptionally high absolute returns. The magnitude of the returns over this period was partly a result of the significant falls in asset prices over March 2020 following the initial COVID-19 market downturn, meaning the returns in the preceding quarter (i.e. Q1 2020) were strongly negative.

As there was a proposal to move the Scheme’s DC section to a master trust, a full review of the DC funds was not undertaken however the Trustees agreed with the view of their investment adviser that a review would not bring any radical departures from the 2020 review and also concluded that the default strategy was performing broadly as expected and is consistent with the aims and objectives of the default as stated in the SIP. However if the move to master trust does not proceed there are opportunities to improve the outcomes for members by for example by amending the asset allocation to increase returns without increasing risk.

### **3. Requirements for processing core financial transactions**

The Trustee has received assurance from the Scheme’s administrator Capita and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members and beneficiaries.

The Scheme has a service level agreement (SLA) in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help it meet the SLA and ensure core financial transactions relating to the Scheme were processed promptly and accurately are as follows:

- Capita use an internal workflow system to monitor SLAs in conjunction to being monitored by the team manager. Daily reports are issued to all levels of management within Capita that allow the monitoring of SLA performance, work pipeline and profile of cases.
- When processing payments, Capita’s system requires two senior administrators to authorise and sanction the transaction. Capita has sanctioning limits in place for different types and monetary amounts of payments, which are linked to roles.
- The Trustee bank account is monitored on a daily basis to identify receipt of members monies (transfers in, disinvestments & contributions) from which starts the process to invest those monies, or to pay benefits.
- Cashflows are created on a monthly basis to ensure that there are enough funds to pay the payroll and any member payments expected during the month.
- Capita have a dedicated staff member who process the contributions.
- Receipt of contributions and the investment of contribution is reported to the secretary to the Trustees and also to the Trustee via the Stewardship Report.

The Trustee receives quarterly reports about the administrator’s performance and compliance with the SLA and for the year Capita have been above the contractual SLA of 95% in each quarter. The Trustees have also been encouraged by Capita’s response to the COVID-19 pandemic and are pleased to confirm that the full service to members has been maintained. In particular Capita were able to ensure the all staff were able to work from home and that controls and cyber security arrangements were maintained.

The Trustees also undertook an audit of Capita’s SLAs through the Trustee auditor RSM in July 2020. The audit did not find any significant issues in relation to the promptness of core financial transactions but some recommendations were made and are being implemented by Capita to assist with theirs and the Trustees monitoring of SLAs.

In addition, the statutory audit of the Scheme confirmed that the financial statements show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021. The audit did not identify any significant internal control issues in relation to the processing or accuracy of core financial transactions. The audit did however raise an internal control issue reacting to Capita's DC Cashflow process which has led to unnecessary disinvestment of funds in March 2021. Capita's reconciliation team has developed a new template for the DC cash reconciliation process which will be standardised, automated and reduce key person risk.

Capita's internal AAF reports (Assurance Reports on Internal Controls of Service Organisations made available to Third Parties.) was again qualified. Last year, following the finalisation of Capita's 2019 AAF report, they issued a business action plan to close the exceptions raised in that audit. Capita also commissioned their AAF auditor, Grant Thornton, to review the design adequacy of the control enhancements and produce a report of their findings and conclusions.

Capita anticipated and communicated last year that there may be some related exceptions identified against our overall control environment in this assurance report, due to the enhancements to their controls being made during the 2020 reporting period. Whilst this has indeed been the case, Capita believe that the conclusions from this report demonstrate the improvements we have made in their control environment. The exceptions and management responses are summarised in the AAF report

The AAF report did highlight that during the reporting period, the IT infrastructure of a third-party who instructs Capita to make certain non-member transactions was subject to a sophisticated cyber-attack. The incident did not impact the Electrocomponents Scheme and as soon as the event occurred, Capita actively supported the client in the resolution of this incident and reviewed our existing internal controls to further strengthen where necessary. In addition, Capita have undertaken a comprehensive review of historic transactions of all similar instances and have concluded there is no evidence of any further suspect transactions.

The Trustees will continue to monitor the position.

#### **4. Member-borne charges and transaction costs**

The Trustee is 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 largely paid by the members and is reflected in the unit price of the funds.

The Trustee is 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.

The default strategy has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested. The member borne charges for the Scheme's default arrangement complied with the charge cap, which is a limit as to the annual amount that can be charged to savers in a pension scheme.

In addition to the default arrangement, members also have the option to invest in three risk based strategies and five self-select funds.

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

The transaction cost figures used in the illustration are based on those provided by the investment managers over the past 2 years (since the movement to the new platform provider Mobius).

The illustration is shown for the default strategy since this is the arrangement with the most members invested in it and where members are automatically enrolled, as well as a range of funds from the Scheme’s self-select fund range.

The self-select funds shown in the illustration are:

- the fund that has attracted the greatest value and number of members other than the default fund – this is the EPS Equity Fund.
- the fund with the highest before costs expected return and highest annual member borne costs– this is the EPS Managed Equity Fund.
- the fund with the lowest before costs expected return and lowest annual member borne costs– this is the EPS Managed Cash Fund.

*Source: Mobius Life as at 31 March 2021.*

The tables below detail the costs for each fund. The AMCs (and TERs) include an investment platform charge of 0.06%, which is paid by the employer on members’ behalf. The aggregate transaction costs are based upon the information supplied by the platform provider Mobius. Aggregate transaction costs represent pro-rated annualised transaction costs incurred by the fund manager within the underlying fund.

The aggregate transaction costs shown account for the impact of market movements between the placement of a request to buy or sell an investment and the execution of that request. As such, the aggregated transaction cost can be positive or negative.

Fund	Annual Management Charge, AMC (%)	Additional Expenses, AE (%)	Total Expense Ratio, TER (%)
EPS Higher Potential Growth	0.295	0.054	<b>0.349</b>
EPS Medium Potential Growth	0.393	0.082	<b>0.475</b>
EPS Lower Potential Growth	0.286	0.048	<b>0.334</b>
EPS Equity Fund	0.150	0.000	<b>0.150</b>
EPS Managed Equity Fund	0.660	0.070	<b>0.720</b>
EPS Diversified Fund	0.430	0.104	<b>0.534</b>
EPS Managed Bond Fund	0.360	0.040	<b>0.400</b>
EPS Pre-Retirement Bond Fund	0.120	0.000	<b>0.120</b>
EPS Managed Cash Fund	0.110	0.000	<b>0.110</b>

Source: Mobius Life.

Fund	1 April 2018 – 12 December 2018 Old Mutual Aggregate Transaction Costs	12 December 2018 – 31 March 2019 Mobius Aggregate Transaction Costs	1 April 2018 - 31 March 2019 Total Aggregate Transaction for 12 Months	1 April 2019 – 31 March 2020 Mobius Aggregate Transaction Costs	1 April 2020 – 31 March 2021 Mobius Aggregate Transaction Costs	Average Transaction Costs used within Illustrations
EPS Higher Potential Growth	0.039%	0.011%	0.050%	0.113%	0.085%	<b>0.083%</b>
EPS Medium Potential Growth	0.060%	0.017%	0.077%	0.132%	0.119%	<b>0.109%</b>
EPS Lower Potential Growth	0.044%	0.014%	0.058%	0.064%	0.076%	<b>0.066%</b>
EPS Equity Fund	0.033%	0.014%	0.047%	0.063%	0.049%	<b>0.053%</b>
EPS Managed Equity Fund	0.028%	0.008%	0.036%	0.068%	0.088%	<b>0.064%</b>
EPS Diversified Fund	0.044%	0.009%	0.053%	0.214%	0.117%	<b>0.128%</b>
EPS Managed Bond Fund	0.120%	0.044%	0.164%	-0.072%	0.147%	<b>0.080%</b>
EPS Pre-Retirement Bond Fund	-0.016%	0.060%	0.042%	-0.064%	0.044%	<b>0.007%</b>
EPS Managed Cash Fund	0.001%	0.001%	0.002%	0.003%	-0.002%	<b>0.001%</b>

For funds with more than one underlying component, transaction cost calculations are based on blended fund-level holdings as at the reporting date.

Using the charges and annualised transaction cost data provided by Mobius Life (as the platform provider at the end of the reporting period) and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of charges on a typical member's pension pot, we have provided examples below. These include all member costs, including the Total Expense Ratio, transaction costs and inflation.

Three scenarios are presented:

Scenario 1 represents an active member contributing 4% of their salary and the employer contributing 4% of their salary.

Scenario 2 represents an active member contributing 5% of their salary and the employer contributing 8% of their salary.

Scenario 3 represents a member who has left the Scheme with no further contributions being paid.

The individual assumptions for each scenario are included following the illustrations.

Scenario 1 - Average age, active member, employee contribution 4%, employer contribution 4%:

Age	Default / Most popular Option  TER, 0.05% - 0.29% p.a. Annualised Transaction Cost, 0.001% – 0.083% p.a.		Most Popular Self-Select Option and Highest Expected Investment Return  TER, 0.09%p.a. Annualised Transaction Cost, 0.053% p.a.		Cheapest Fund and least Expected Investment Return  TER, 0.05% p.a. Annualised Transaction Cost, 0.001% p.a.		Most Expensive Fund  TER, 0.67% p.a. Annualised Transaction Cost, 0.064% p.a.	
	EPS Default Investment Strategy		EPS Equity Fund		EPS Managed Cash		EPS Managed Equity Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size With Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
44	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00
45	16,665.54	16,603.64	16,697.12	16,673.25	16,056.48	16,048.29	16,781.66	16,658.55
46	19,392.24	19,257.12	19,461.78	19,409.52	18,076.99	18,059.73	19,648.60	19,378.52
47	22,181.50	21,961.42	22,295.67	22,210.32	20,062.17	20,034.98	22,603.44	22,161.31
48	25,034.77	24,717.48	25,200.54	25,077.15	22,012.62	21,974.70	25,648.88	25,008.38
49	27,953.51	27,526.32	28,178.16	28,011.57	23,928.96	23,879.52	28,787.69	27,921.21
50	30,939.22	30,388.93	31,230.34	31,015.18	25,811.78	25,750.06	32,022.73	30,901.33
51	33,993.44	33,306.35	34,358.96	34,089.61	27,661.67	27,586.96	35,356.96	33,950.29
52	37,117.74	36,279.63	37,565.93	37,236.53	29,479.20	29,390.80	38,793.42	37,069.67
53	40,313.73	39,309.84	40,853.22	40,457.65	31,264.95	31,162.19	42,335.23	40,261.11
54	43,583.05	42,398.06	44,222.82	43,754.71	33,019.46	32,901.72	45,985.64	43,526.27
55	46,927.39	45,545.41	47,676.82	47,129.52	34,743.29	34,609.94	49,747.96	46,866.85
56	50,348.47	48,753.02	51,217.31	50,583.89	36,436.97	36,287.43	53,625.64	50,284.60
57	53,848.04	52,022.05	54,846.47	54,119.71	38,101.02	37,934.75	57,622.21	53,781.29
58	57,427.92	55,353.66	58,566.52	57,738.90	39,735.97	39,552.42	61,741.30	57,358.75
59	61,089.94	58,749.06	62,379.73	61,443.42	41,342.32	41,141.00	65,986.69	61,018.84
60	64,835.99	62,209.47	66,288.43	65,235.28	42,920.58	42,700.99	70,362.24	64,763.49
61	68,667.99	65,736.13	70,295.02	69,116.55	44,471.24	44,232.91	74,871.95	68,594.62
62	72,320.36	69,096.04	74,401.95	73,089.34	45,994.77	45,737.28	79,519.92	72,514.26
63	75,471.81	72,009.18	78,611.72	77,155.79	47,491.66	47,214.57	84,310.39	76,524.43
64	78,063.72	74,426.34	82,926.93	81,318.12	48,962.36	48,665.29	89,247.74	80,627.24
65	79,897.57	76,175.03	87,350.20	85,578.59	50,407.34	50,089.91	94,336.46	84,824.81

**Notes:**

1. Values shown are estimates and are not guaranteed.
2. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
3. Projected pension pot values are shown in today's terms.
4. The starting pot size is assumed to be £14,000, and the starting age is assumed to be 44, based on the average age of the members.
5. Inflation and salary increases are assumed to be 2.5% per annum.
6. Contributions are assumed to be 8% of salary and to be paid every year with no contribution holidays.
7. The starting salary is assumed to be £29,000 and to increase in line with inflation.
8. Where negative average transaction costs are seen, we have assumed these to be zero for the purposes of the illustration

9. The projected growth rate for each fund are as follows:

Default arrangement:	2.21% p.a. above inflation for members further than 5 years from age 65  Reducing to 1.60% p.a. below inflation for members at or beyond age 65
EPS Equity Fund:	2.45% p.a. above inflation
EPS Managed Cash Fund :	1.75% p.a. below inflation
EPS Managed Equity Fund:	3.00% p.a. above inflation

Average age, active member, 5% employee contribution, 8% employer contribution

Age	Default / Most popular Option  TER, 0.05% - 0.29% p.a. Annualised Transaction Cost, 0.001% – 0.083% p.a.		Most Popular Self-Select Option and Highest Expected Investment Return  TER, 0.09%p.a. Annualised Transaction Cost, 0.053% p.a.		Cheapest Fund and least Expected Investment Return  TER, 0.05% p.a. Annualised Transaction Cost, 0.001% p.a.		Most Expensive Fund  TER, 0.67% p.a. Annualised Transaction Cost, 0.064% p.a.	
	EPS Default Investment Strategy		EPS Equity Fund		EPS Managed Cash		EPS Managed Equity Fund	
	Pot Size with no Charges Incurred	Pot Size With Charges Incurred	Pot Size with no Charges Incurred	Pot Size With Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
44	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00
45	18,130.72	18,063.38	18,163.69	18,137.72	17,494.82	17,485.90	18,251.92	18,118.03
46	22,356.23	22,204.56	22,431.64	22,373.00	20,928.51	20,909.08	22,634.21	22,331.19
47	26,678.70	26,425.03	26,806.48	26,708.14	24,302.15	24,270.67	27,150.85	26,641.66
48	31,100.34	30,726.30	31,290.89	31,145.49	27,616.79	27,571.79	31,805.98	31,051.70
49	35,623.44	35,109.93	35,887.59	35,687.46	30,873.45	30,813.51	36,603.82	35,563.61
50	40,250.33	39,577.48	40,599.41	40,336.53	34,073.15	33,996.91	41,548.77	40,179.74
51	44,983.39	44,130.58	45,429.23	45,095.21	37,216.88	37,123.04	46,645.33	44,902.50
52	49,825.04	48,770.84	50,380.01	49,966.09	40,305.64	40,192.93	51,898.15	49,734.35
53	54,777.80	53,499.95	55,454.77	54,951.82	43,340.37	43,207.58	57,312.01	54,677.81
54	59,844.19	58,319.61	60,656.62	60,055.10	46,322.02	46,168.00	62,891.87	59,735.46
55	65,026.84	63,231.54	65,988.74	65,278.70	49,251.52	49,075.15	68,642.80	64,909.94
56	70,328.41	68,237.51	71,454.39	70,625.47	52,129.78	51,930.00	74,570.05	70,203.94
57	75,751.63	73,339.33	77,056.92	76,098.30	54,957.71	54,733.49	80,679.02	75,620.22
58	81,299.28	78,538.83	82,799.76	81,700.17	57,736.17	57,486.54	86,975.30	81,161.62
59	86,974.23	83,837.88	88,686.42	87,434.12	60,466.03	60,190.06	93,464.62	86,831.02
60	92,779.40	89,238.39	94,720.49	93,303.27	63,148.16	62,844.94	100,152.90	92,631.38
61	98,717.76	94,742.30	100,905.69	99,310.80	65,783.37	65,452.06	107,046.24	98,565.71
62	104,407.00	100,013.32	107,245.77	105,459.97	68,372.49	68,012.27	114,150.92	104,637.13
63	109,379.52	104,642.85	113,744.64	111,754.13	70,916.32	70,526.42	121,473.43	110,848.79
64	113,544.24	108,553.81	120,406.26	118,196.69	73,415.66	72,995.34	129,020.45	117,203.93
65	116,606.02	111,488.90	127,234.70	124,791.16	75,871.29	75,419.83	136,798.86	123,705.87

**Notes:**

1. Values shown are estimates and are not guaranteed.
2. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
3. Projected pension pot values are shown in today's terms.
4. The starting pot size is assumed to be £14,000, and the starting age is assumed to be 44, based on the average age of the members.
5. Inflation and salary increases are assumed to be 2.5% per annum.
6. Contributions are assumed to be 13% of salary and to be paid every year with no contribution holidays.
7. The starting salary is assumed to be £29,000 and to increase in line with inflation.
8. Where negative average transaction costs are seen, we have assumed these to be zero for the purposes of the illustration
9. The projected growth rate for each fund are as follows:

Default arrangement:	2.21% p.a. above inflation for members further than 5 years from age 65  Reducing to 1.60% p.a. below inflation for members at or beyond age 65
EPS Equity Fund:	2.45% p.a. above inflation
EPS Managed Cash Fund :	1.75% p.a. below inflation
EPS Managed Equity Fund:	3.00% p.a. above inflation

Average age, deferred member, no further contribution

Age	Default / Most popular Option  TER, 0.05% - 0.29% p.a. Annualised Transaction Cost, 0.001% – 0.083% p.a.		Most Popular Self-Select Option and Highest Expected Investment Return  TER, 0.09%p.a. Annualised Transaction Cost, 0.053% p.a.		Cheapest Fund and least Expected Investment Return  TER, 0.05% p.a. Annualised Transaction Cost, 0.001% p.a.		Most Expensive Fund  TER, 0.67% p.a. Annualised Transaction Cost, 0.064% p.a.	
	EPS Default Investment Strategy		EPS Equity Fund		EPS Managed Cash		EPS Managed Equity Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
44	15,500.00	15,500.00	15,500.00	15,500.00	15,500.00	15,500.00	15,500.00	15,500.00
45	15,855.66	15,796.77	15,888.17	15,865.46	15,228.90	15,221.14	15,975.22	15,858.03
46	16,219.48	16,099.21	16,286.06	16,239.53	14,962.55	14,947.29	16,465.02	16,224.34
47	16,591.64	16,407.45	16,693.92	16,622.43	14,700.85	14,678.37	16,969.83	16,599.11
48	16,972.35	16,721.59	17,111.99	17,014.35	14,443.73	14,414.29	17,490.12	16,982.53
49	17,361.79	17,041.74	17,540.53	17,415.51	14,191.10	14,154.95	18,026.36	17,374.81
50	17,760.17	17,368.03	17,979.80	17,826.14	13,942.90	13,900.29	18,579.04	17,776.15
51	18,167.68	17,700.56	18,430.07	18,246.44	13,699.04	13,650.21	19,148.67	18,186.76
52	18,584.55	18,039.45	18,891.62	18,676.65	13,459.44	13,404.62	19,735.76	18,606.86
53	19,010.99	18,384.84	19,364.73	19,117.01	13,224.03	13,163.46	20,340.85	19,036.66
54	19,447.21	18,736.84	19,849.69	19,567.75	12,992.74	12,926.63	20,964.49	19,476.38
55	19,893.44	19,095.58	20,346.79	20,029.12	12,765.49	12,694.06	21,607.25	19,926.27
56	20,349.90	19,461.18	20,856.34	20,501.36	12,542.22	12,465.68	22,269.72	20,386.54
57	20,816.84	19,833.79	21,378.65	20,984.74	12,322.86	12,241.41	22,952.51	20,857.45



58	21,294.50	20,213.53	21,914.04	21,479.52	12,107.33	12,021.17	23,656.22	21,339.24
59	21,783.12	20,600.54	22,462.84	21,985.96	11,895.57	11,804.89	24,381.51	21,832.15
60	22,282.94	20,994.96	23,025.38	22,504.35	11,687.51	11,592.51	25,129.04	22,336.46
61	22,794.24	21,396.93	23,602.02	23,034.95	11,483.10	11,383.94	25,899.49	22,852.41
62	23,229.80	21,731.43	24,193.09	23,578.07	11,282.26	11,179.13	26,693.56	23,380.27
63	23,493.00	21,916.24	24,798.96	24,133.99	11,084.93	10,978.01	27,511.97	23,920.33
64	23,576.47	21,946.20	25,420.01	24,703.02	10,891.05	10,780.50	28,355.48	24,472.87
65	23,431.62	21,780.63	26,056.61	25,285.47	10,700.56	10,586.54	29,224.84	25,038.17

**Notes:**

10. Values shown are estimates and are not guaranteed.
11. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
12. Projected pension pot values are shown in today's terms.
13. The starting pot size is assumed to be £15,500, and the starting age is assumed to be 44.
14. Inflation increases are assumed to be 2.5% per annum.
15. Where negative average transaction costs are seen, we have assumed these to be zero for the purposes of the illustration
16. The projected growth rate for each fund are as follows:

Default arrangement:	2.21% p.a. above inflation for members further than 5 years from age 65 Reducing to 1.6% p.a. below inflation for members at or beyond age 65
EPS Equity Fund:	2.45% p.a. above inflation
EPS Managed Cash Fund :	1.75% p.a. below inflation
EPS Managed Equity Fund:	3.00% p.a. above inflation

The Scheme also invested in Equitable Life With Profits funds up until the end of December 2019. Following this, on the 1 January 2020, these assets were reinvested in the Utmost Life Secure Cash Fund, following the sale of all Equitable Life business to Utmost Life. This fund had an AMC of 0.5%, however held a guarantee that holdings would not fall in value. Assets were held within this fund until the end of June 2020 when members were given the option to transfer to the DC arrangements or remain with Utmost. A small number of members remain invested with Utmost in the Investing by Age Journey.

The following table shows the AMC and transaction cost for the Utmost Life Secure Cash Fund to the 30 June 2020:

Source: Utmost Life. Data as at 30 June 2020. \* Figures not published by Utmost as the fund was closed during 2020.

Fund	Fund AMC (%)	Transaction Cost (% p.a.) to the 31 March 2020
Utmost Life Secure Cash Fund	0.5	—*

## 5. Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of “good value”, but the Trustee consider that it broadly means “that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market. (The assessment was undertaken taking account of the Pensions Regulator’s Code of Practice No.13 Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

The Trustee carried out a value for member’s assessment in July 2021 in conjunction with its adviser Mercer, which covered the following areas:

### Price

- The annual management charge of each investment fund relative to the relevant Mercer Universe.
- Bench marking investment charges relative to accessing the same or similar funds on another investment platform.

### Performance

- Investment fund performance, relative to investment objectives over the longer term.
- The observed risk/return characteristics of the blended funds and the actively managed funds, relative to the characteristics of the relevant comparison Mercer fund universe.
- The performance of the growth and de-risking phases of the default in the context on member purchasing power
- Transaction costs - where they can be observed and quantified.

### Productivity

- Administration performance, relative to service levels and our expectations
- Investment structure and quality of the fund range
- Governance services undertaken on behalf of the members
- Tools available to support members on the investment platform
- Member communication / support material

Following the assessment the Trustee believes that the Scheme represents good value for Scheme members for the following reasons:

- Members of the Scheme mainly pay investment charges (represented by an AMC) and transaction costs, with the employer bearing most of the cost of running the Scheme.
- The Annual Charges borne by members compares favourably with similar schemes.
- Mercer’s VFM (Value for Members) report concludes that overall they are comfortable that the fees charged for funds accessed are competitive relative to the peer group.
- All funds have an AMC that is at or below the median AMC from the latest survey data.
- The majority of funds are cheaper than would be available on comparator platforms.
- The Trustee believe the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and we expect this to lead to greater investment returns net of fees over time.
- The investment options offered to members (in particular the default strategy) have been designed to reflect members’ needs, based on an analysis carried out as part of the formal investment review process.

- Mercer's VFM report concludes that overall they are comfortable with the performance of the funds. All the funds that make up the default investment strategy have performed above their benchmark over the 1 and 3 year periods.
- The Scheme and its members benefit from best practice investment governance and monitoring, including the existence of a formal Investment & Risk Sub-Committee.
- The appropriateness of investments offered to members are reviewed formally by the Trustee on an annual basis and every three years by the investment adviser.
- The Trustee ensures ongoing communications and engagement activities provide ample information, learning and engagement activities to encourage Scheme members to make changes to their investment options, if this is an appropriate course of action to suit their circumstances.
- Scheme members also gain significant value from a number of further employer-funded features such as a generous contribution structure (employer contributions up to 10.5% of salary), free annuity broking service, a comprehensive microsite and online portal for Scheme members which includes modelling tools to increase member engagement and facilitate better retirement planning, additional death-in-service and ill-health benefits and the ability to pay contributions by salary-sacrifice, allowing employees to benefit from reduced National Insurance contributions.
- A documented conflict of interest policy is in place and a register of interest for the Trustee.
- As detailed in the earlier section covering processing of financial transactions, the Trustee is in general comfortable with the quality and efficiency of the administration processes.

Overall, the Trustee and its adviser believe that members of the Scheme are receiving good value for money for the charges and cost that they incur.

## 6. Trustee knowledge and understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee Director 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 Trustee relating to the administration of the Scheme generally.

Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee advisers would typically deliver training on such matters at Trustee meetings if they were material and the Trustee also has two dedicated training sessions each year. The Trustee directors also regularly attends external training sessions and conferences. During the period covered by this statement, the Trustee received training on the following topics: Master Trust and DC modelling, , Contingency Planning, Asset Allocation, Covenant Review, ESG, Climate Change, Trustee Indemnity Insurance, Pension Schemes Bill, GMP Equalisation, Cyber security, Journey Planning and Governing and Regulatory Bodies.

All the Trustee Directors are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments and the SP was reviewed and updated in July 2020.

Further, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All the Trustee Directors are required to commit to completing training, either at the relevant meetings or by personal study. All the Trustee Directors have completed or are in the process of completing the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law).

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Scheme has in place a structured induction process for new trustees.

The Trustee has a wide range of corporate, non-executive director and trustee experience including an accredited independent trustee. The sponsor appointed Capital Cranfield represented by Fiona Stark, to take over as Chairman with effect from November 2020.

The Trustee carries out a regular review of their effectiveness as a whole and the last review was undertaken in September 2019 by a third party evaluator Learnership. The review was used to identify training requirements such as environmental social and governance factors affecting pension schemes and gaps in individual Trustee Directors knowledge which was then developed into a training plan for the following Scheme year. The review also identified opportunities to ensure Trustee meetings were more effective.

The Trustee receives actuarial, investment and covenant advice and also has appointed an administrator and auditor. All advisers attend at least one Trustee meeting a year and provide other advice and support as required. The performance of each advisor is reviewed at least annually at a Trustee meeting via a questionnaire.

Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believes they are well placed to exercise their functions as Trustee Directors] of the Scheme properly and effectively.



\_\_\_\_\_ Date: 29 September 2021

Capital Cranfield Pensions Trustees Limited - represented by F Stark  
Chairman of Trustees of the Electrocomponents Group Pension Scheme