

The Norcros Group (Trustee) Limited

Chair's annual statement regarding the governance of defined contribution benefits held in the Norcros Security Plan ("the Plan")

Plan year - 1 April 2022 to 31 March 2023

1. Introduction

- 1.1. This statement has been prepared by Norcros Group (Trustee) Limited ("the Trustee"), the Trustee of the Norcros Security Plan ("the Plan") to report on compliance with defined contribution (DC) governance standards, as required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Regulations").
- 1.2. The reporting period covered by this statement is 1 April 2022 to 31 March 2023 ("the reporting period"). As required by the Regulations, the Trustee publishes this Statement on a publicly accessible website. The web address for the website is: www.norcros pensions.co.uk. This address is also communicated in annual benefit statements.

2. The Plan's DC arrangements

- 2.1. The Plan's DC arrangements comprise:
 - 2.1.1. The Defined Contribution Section ("the DC Section"), which is open to future contributions for current members, but closed to new joiners on 31 March 2016. The only members are those with a Defined Benefit (DB) underpin. Individual transfers into the Plan are not permitted.
 - 2.1.2. This is a 'bundled' arrangement with administration, communication and investment management services all provided by Legal & General via their WorkSave Pension platform.
 - 2.1.3. AVCs provided through a separate DC arrangement provided by Utmost Life and Pensions Ltd ("Utmost") which holds benefits for DB Section members. This is closed to further contributions.

3. Default investment arrangement

- 3.1. The Plan's DC Section has a default investment strategy for members who have not made an active investment decision. The current default was introduced over the April 2019 to March 2020 Plan year and members invested in the previous default were moved across into the new one on 12 June 2019.
- 3.2. The key features of the default are:
 - 3.2.1. The default uses a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching normal retirement age (NRA) which is set to 68.
 - 3.2.2. Up until 7 years before a member's retirement age, the default arrangement invests in the Norcros Diversified Fund. This fund consists of holdings of around 34% in equities, 25% in gilts and bonds and 41% in alternative assets such as property and commodities (as at 31 March 2023).
 - 3.2.3. Over the 7 years to a member's retirement age (which will be the NRA unless changed by the member), the default automatically and gradually switches from a holding of 100% of the Norcros Diversified Fund to a holding of 37.5% of this fund, 37.5% of the Norcros Defensive Fund and 25% of the Norcros Cash Fund.

Aims and objectives of the default

- 3.3. The default aims to grow the value of members' DC pension savings over the longer term whilst providing less volatility (but a potentially lower return) than investing solely in a portfolio of global equities. The value can go down as well as up.
- 3.4. The default is designed to reduce the exposure to large fluctuations in the value of members' DC pension savings in the approach to NRA. The target investment portfolio at retirement age is designed to be suitable for members looking to use their savings flexibly through income drawdown.

Alternative investment options

- 3.5. The Trustee Directors have also made available two additional lifestyle strategies for members intending to purchase an annuity or to take their savings as a cash lump sum at retirement. The cash lump sum option may be of use in relation to DB members who will use their AVC benefits to fund a lump sum.
- 3.6. The Norcros Target Annuity Lifestyle strategy initially invests in the Norcros Diversified Fund. Over the 7 years prior to retirement, the strategy switches from this fund to an investment of 75% in the Norcros Annuity Pre-Retirement Fund and 25% in the Norcros Cash Fund. This strategy is set to target members buying an annuity along with taking a cash lump sum of 25% of savings at retirement.
- 3.7. The Norcros Target Cash Lifestyle strategy initially invests in the Norcros Diversified Fund. Over the 7 years prior to retirement, investments are gradually switched to the Norcros Cash Fund. This strategy targets taking the whole amount of savings as one cash sum at retirement.
- 3.8. Alongside the 4 funds used in the lifestyle strategies, the Trustee Directors have made available a further 4 self-select funds, including the Norcros Global Equity fund, the Norcros Property fund, the Norcros Climate Change Aware fund and the Norcros Islamic fund.
- 3.9. Following the suspension of the Norcros Property Fund in 2020, a decision was taken to redirect contributions into the DC Section's Cash Fund until such time as the Property Fund could reopen. As relevant members' contributions are directed into this fund without them making an active selection, this fund will also be treated as a default arrangement for the purpose of fulfilling legislative requirements.
- 3.10. Members of the Norcros Security Plan are permitted to switch funds at any time within the range specified by the Trust.

Review of the default

- 3.11. A formal review of the default was undertaken during the Plan year. This review included the consideration of:
 - The expected needs of the membership
 - At retirement trends in relation to benefit withdrawal, and specifically whether typical DC members are choosing to access their pension as cash, annuity, or via income drawdown
 - Investment performance and the capabilities of the appointed investment managers.
 - Environmental, social, and governance (ESG) matters.

The conclusion reached was that no changes were required as regards the default investment strategy or the overall fund range over the Plan Year, as the current strategy was deemed to remain suitable for members' characteristics

- 3.12. The Trustee, together with its professional advisers, monitor the investment options accessed through the DC Section on a quarterly basis. This monitoring looks at both the performance of the funds, to ensure that they are consistent with the stated aims and objectives, as well as any developments or changes at the fund manager. This information is discussed and reviewed at each quarterly Trustee meeting and the

Trustee is happy that the default investment arrangement has performed in line with its stated aims and objectives over the reporting period.

- 3.13. These quarterly reviews are part of the regular governance of the Plan and do not constitute a formal review of the default, which are ordinarily carried out on a triennial basis, or sooner if the needs of members change through behaviour or legislation developments.

Further information on the Plan's default

- 3.14. Details of the default are set out in the 'Statement of Investment Principles'. This covers the investment policy in relation to the entire Plan. This was updated during the Plan year and is published on the Plan's publicly accessible website, www.norcropsensions.co.uk.

AVC investment

- 3.15. The Plan's AVCs are held in a policy with Utmost Life and Pensions Ltd, having been acquired from Equitable Life with effect from 1 January 2020.
- 3.16. Under Utmost Life and Pensions Ltd, funds are invested using the provider's 'Investing by Age strategy'. This provides a gradual de-risking between the ages of 55 and 85. The Trustee believes this is a suitable strategy relative to the range of options that were available under Equitable Life.
- 3.17. As part of the transition from Equitable Life to Utmost Life and Pensions Ltd, automatic options were put in place by Utmost Life and Pensions that they believed were appropriate for the needs of most policyholders. This included the Investing by Age strategy as the eventual destination, but prior to this members were invested in a secure cash fund for 6 months from 1 January 2020, before being gradually transitioned into Investing by Age.

Further information on the DC Section investments

- 3.18. Details of the range of investment options provided through the DC Section is available in the Statement of Investment Principles (SIP). This SIP was updated in June 2022 to take account of the Trustee's view on the financial materiality of Environmental, Social and Governance (ESG) factors. For the purposes of Regulation 2A of the Occupational Pension Plans (Investment) Regulations 2005 the SIP sets out further details around the Trustee's investment objectives, as well as the default investment arrangement. The latest SIP was finalised in June 2022 and a copy is provided as Appendix 1 to this Statement. This statement can also be found at www.norcropsensions.co.uk.
- 3.19. The Trustee notes that there is a new requirement to produce an Implementation Statement that sets out how, and the extent to which, the Trustee has followed its SIP during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes. An Implementation Statement, covering the Plan Year from 1 April 2022 to 31 March 2023 will be included in this year's Report and Accounts. This statement can also be found at www.norcropsensions.co.uk.

4. Core financial transactions

- 4.1. The Trustee has a 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 into and out of the Plan
 - 4.2.3. investment switches within the Plan
 - 4.2.4. payments out of the Plan

4.3. Over the report period, the administration functions of the DC Section were outsourced to, and completed by, Legal & General. The scope of these administration functions is recorded in detail in the DC Section's Services Agreement.

Controls and monitoring arrangements

4.4. The controls in place in relation to ensuring the accuracy and promptness of core financial transactions are:

4.4.1. In relation to the DC Section, the Trustee has Service Level Agreements (SLAs) in place as part of their contract with Legal & General. These SLAs detail the target processing times for some 28 administration services. The agreed SLAs for each of the individual core financial transactions identified in 4.2 above are as follows:

Core financial transaction	SLA
Investment of contributions	24 hours from date of receipt
Transfer into and out of the Plan	5 working days from receipt of completed paperwork
Investment switches	24 hours from receipt of switch request
Payments out of the Plan	5 working days from receipt of the completed paperwork for all payments out of the DC Section

4.5. Legal & General also has other SLAs in place for other services it provides, including; pre-retirement processes, and retirement, ill-health and death processes.

4.6. The SLAs form part of the quarterly Governance Report issued by Legal & General to the Trustee. In addition, AAF reports also report on the controls in place for administration of funds. The quarterly Governance Reports are discussed at each quarterly Trustee meeting.

4.7. Over the reporting period, Legal & General completed 97% of its Time Critical processes within the target SLAs, which meets its target of 95% and is consistent with figures from previous years. These Time Critical processes are those which could in theory have a detrimental financial impact on members if they were not completed in due time, e.g. transfers, investment of contributions, and investment switches as outlined above.

4.8. Day to day administration is managed through work management systems with built in controls to ensure a high level of quality through checking processes. These are also subject to quality sampling.

4.9. The administration systems have data restrictions in place. The Legal & General systems have a data specification to restrict acceptance of incorrect data at source.

4.10. A TPR Record Keeping Report can be provided to the Trustee checking the Plan for all common and conditional data items.

4.11. Legal & General complete internal audit processes to ensure processing controls are in place and adhered to.

4.12. There were no issues reported to or identified by the Trustee in connection to either the promptness or accuracy of core financial transactions processed during the period covered by this statement.

AVC administration

4.13. The Trustee has delegated co-ordination of the separate AVC arrangement with Utmost to Barnett Waddingham as the administrator of the Defined Benefit Section ("the DB Section") of the Plan. Barnett Waddingham are responsible for processing AVC-related queries and paying out AVC benefits. These AVC benefits are subject to many of same controls outlined for the DC Section above, including the monitoring of performance through quarterly administration reports at Trustee meetings.

4.14. Barnett Waddingham report back to the Trustee as part of the quarterly Trustee meetings with any specific issues relating to the administration of the separate AVC policies with Utmost.

Performance during the Plan year

4.15. The Trustee received quarterly reports from the administrator during the Plan year and was satisfied with the performance against the SLA.

4.16. Neither the administrator's quarterly reports nor the audit of the annual report and accounts identified material issues with the accuracy of core financial transactions.

Assessment

4.17. In view of the controls and monitoring arrangements, and the lack of any issues experienced during the Plan year, the Trustee believes that core financial transactions have been processed promptly and accurately.

5. 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 a 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 DC Section

5.2. The following table provides details of the explicit and implicit charges applied to each of the investment options provided through the DC Section over the Plan year (data sourced from each relevant investment manager as at 31 March 2023):

Investment option	Legal & General Fund Charge/Total Expense Ratio (TER)*	Transaction Costs to 31 March 2023
Default Investment Arrangement **	0.11%-0.30%	0.00%
Norcros Target Annuity Lifestyle Arrangement **	0.11%-0.30%	0.00%
Norcros Target Cash Lifestyle Strategy **	0.11%-0.30%	0.00%
Norcros Global Equity	0.14%	0.08%

Investment option	Legal & General Fund Charge/Total Expense Ratio (TER)*	Transaction Costs to 31 March 2023
Norcros Property	1.41%	0.00%
Norcros Diversified	0.30%	0.00%
Norcros Annuity Pre-Retirement	0.12%	0.03%
Norcros Defensive	0.15%	0.08%
Norcros Cash	0.11%	0.00%
Norcros Climate Change Aware Fund	0.24%	0.10%
Norcros Islamic Fund	0.35%	0.00%

* The fund charge applied by Legal & General covers the cost of managing the investment. It is made up of the Investment Management Charge (IMC) and Additional Expenses (AE). There is an additional annual member fee to cover administration of these policies equivalent to £32.50 per member. This is paid for completely by the Company, and as such the Legal and General Fund Charge is the same as the Total Expense Ratio.

** The quoted charges and transaction costs for each lifestyle strategy represent the range of the underlying fund charges and transaction costs. These fund holdings and therefore also charges will vary depending upon each member's term to retirement age.

Charges in relation to AVCs

5.3. Plan members that hold AVC benefits with Utmost Life and Pensions Ltd are invested in unit-linked investments. Details of the charges and transaction costs quoted by Utmost Life and Pensions Ltd for the unit-linked pension funds in which members were invested during the year are provided in the table below as at 31 March 2023:

Fund name	Annual management charge (AMC)	Transaction costs	Effective date
Multi-Asset Cautious	0.75%	0.362%	31/03/2023
Multi-Asset Moderate	0.75%	0.318%	31/03/2023

The transaction costs represent the net costs from the underlying open ended investment company (OEIC) and Utmost Life and Pensions' Fund Costs as provided by Utmost Life and Pensions.

We note the AMC is equal to the TER in this instance.

Impact of costs and charges

5.4. To demonstrate the impact of the costs and charges, the Trustee has produced illustrations in line with statutory guidance. These illustrations are set out below in 5.9 and are designed to cater for representative cross-sections of the membership of Plan's DC arrangements.

5.5. For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund.

- 5.6. The illustrations are all based on years to retirement as opposed to from a given age. This is to ensure that where strategies incorporate fund switches in the approach to retirement the appropriate charges and growth potential are reflected.
- 5.7. To determine the parameters used in these illustrations, the Trustee, in conjunction with its advisers, has analysed the membership of the DC Section and ensured that the illustrations take into account the following:
- 5.7.1. A representative range of pot sizes.
 - 5.7.2. 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).
 - 5.7.3. A representative range of costs and charges, including the lowest and the highest.
 - 5.7.4. A representative period of membership, covering the approximate duration that the youngest member would take to reach target retirement age.
- 5.8. One representative starting pot size of £5,000 has been used, as based on someone starting contributions at different points up to 40 years from retirement, members should be able to understand the impact of charges to a situation similar to their own.
- 5.9. The Trustee has included future contributions in these illustrations as the DC Section remains open to contributions. For those members who are no longer active, the Trustee has also produced illustrations that assume no future contributions will be paid. It should be noted that an illustration showing contributions has been produced for AVCs held with Utmost Life and Pensions Ltd for consistency, even though that arrangement is closed to new contributions. This illustration uses the Utmost Investing by Age strategy. This reduces the level of investment risk to which members are exposed as they become older by gradually moving members from the Multi-Asset Moderate Fund to the Multi-Asset Cautious Fund over a period of ten years to age 65 and, after that, to the Money Market Fund over a period of ten years to age 85.

Guidance to the illustrations

The following notes on the illustrations should also be read;

1. Projected pot sizes are shown in today's terms and do not need to be reduced further for the effects of future inflation.
2. The retirement age is assumed to be age 70. Although the NRD for the Plan is 68, this reflects the fact that several members have remained in the Plan past this age.
3. The starting pot size is assumed to be £5,000.
4. Each of the illustrations allow for the future impact of inflation which is assumed to be 2.5%.
5. Contributions are assumed to be £100 per month for active members and £0 per month for deferred members.
6. The contributions are assumed to increase with inflation.
7. Values shown are estimates and not guaranteed.
8. The charges used are those shown earlier in this Chair's Statement. The Trustee notes that, if available, an average of the transaction costs over the last 5 years (or as far back as available) should be used for the illustrations.
9. Future withdrawal rates have not been considered for these illustrations due to a lack of significant data for establishing representative rates for the Plan membership.
10. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2023 Statutory Money Purchase Illustrations (SMPis) as provided by Legal & General and Utmost Life and Pensions Ltd, as follows (these rates are for illustrative purposes only and may not reflect actual experience):

Norcros Target Drawdown Lifestyle Strategy

Years to retirement	Projected Growth Rate (Average)
1	4.93%
3	5.23%
5	5.54%
10	6.50%
15	6.50%
20	6.50%
25	6.50%
30	6.50%
35	6.50%
40	6.50%

Norcros Security Plan Self Select Funds

Fund	Projected Growth Rate (Average)
Norcros Diversified Fund	6.50%
Norcros Defensive Fund	4.10%
Norcros Cash Fund	3.20%
Norcros Global Equity Fund	7.10%
Norcros Annuity Pre-Retirement Fund	7.10%
Norcros Property Fund	6.50%
Norcros Climate Change Aware Fund	7.00%
Norcros Islamic Fund	7.10%

Utmost Investing by Age

Years to Retirement	Projected Growth Rate (Average)
1	2.20%
3	2.20%
5	2.20%
10	2.70%
15	3.20%
20	3.20%
25	3.20%
30	3.20%
35	3.20%
40	3.20%

Norcros Target Drawdown Lifestyle Strategy – active members

This has been selected as it is the default investment arrangement. The illustrations show the impact of cost and charges for an active member investing in the strategy to age 70. The illustrations assume a starting amount of £5,000 and monthly contributions of £100.

Years to retirement	Before charges	After all fund charges + costs deducted
1	£6,318	£6,304
3	£9,083	£9,030
5	£12,056	£11,944
10	£21,061	£20,679
15	£32,035	£31,174
20	£45,324	£43,706
25	£61,417	£58,668
30	£80,904	£76,534
35	£104,503	£97,865
40	£133,080	£123,335
45	£167,685	£153,745

Note on how to read this table: If an active member 45 years from retirement had £5,000 invested in this strategy, and made regular contributions of £100 per month, when they came to retire in 45 years, the fund could grow to £167,685 if no charges are applied but to £153,745 with charges applied.

Norcros Target Drawdown Lifestyle Strategy – deferred members

This has been selected as it is the default investment arrangement. The illustrations show the impact of cost and charges for a deferred member investing in the strategy to age 70 starting at different ages.

Years to retirement	Before charges	After all fund charges + costs deducted
1	£5,118	£5,107
3	£5,387	£5,349
5	£5,703	£5,633
10	£6,875	£6,696

15	£8,326	£7,995
20	£10,082	£9,546
25	£12,209	£11,398
30	£14,785	£13,609
35	£17,903	£16,249
40	£21,680	£19,401
45	£26,254	£23,165

Note on how to read this table: If a deferred member 45 years from retirement had £5,000 invested in this strategy, when they came to retire, the fund could grow to £26,254 if no charges are applied but to £23,165 with charges applied.

Self-select funds – deferred members

The illustrations shown below are for a representative selection of the funds members may invest in through the DC Section and the AVC arrangement. They were selected to reflect the range of projected returns and charges.

Years to retirement	Norcross Property Fund		Norcross Cash Fund		Norcross Global Equity		Utmost Investing by Age	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£5,195	£5,126	£5,034	£5,029	£5,224	£5,215	£4,985	£4,931
3	£5,609	£5,389	£5,103	£5,087	£5,704	£5,674	£4,956	£4,795
5	£6,055	£5,664	£5,173	£5,146	£6,227	£6,172	£4,927	£4,663
10	£7,332	£6,417	£5,352	£5,295	£7,756	£7,619	£4,927	£4,420
15	£8,879	£7,270	£5,537	£5,450	£9,659	£9,406	£5,049	£4,302
20	£10,752	£8,236	£5,729	£5,608	£12,030	£11,611	£5,223	£4,233
25	£13,020	£9,331	£5,927	£5,771	£14,983	£14,333	£5,404	£4,164
30	£15,767	£10,571	£6,133	£5,940	£18,661	£17,693	£5,591	£4,097
35	£19,093	£11,975	£6,345	£6,112	£23,242	£21,841	£5,785	£4,031
40	£23,121	£13,567	£6,565	£6,290	£28,946	£26,962	£5,985	£3,966
45	£27,998	£15,369	£6,792	£6,474	£36,051	£33,283	£6,192	£3,902

Note on how to read this table: If a deferred member 45 years from retirement had £5,000 invested in the Norcross Property Fund, when they came to retire in 45 years, the fund could grow to £27,998 if no charges are applied but to £15,369 with charges applied.

Net investment returns

- 5.10. From 1 October 2021, trustees of all relevant pension schemes are required to calculate and state the annualised return, net of transaction costs and charges, of all of the investment options members were able to select, and in which members' assets were invested, during the reporting period.
- 5.11. For the investment options where the net returns vary with age, the investment returns are shown over 1 year, 3 years and 5 years for a member aged 25, 45 and 55 at the start of the period.

Default Investment Arrangement

- 5.12. The Default Investment Arrangement invests in a number of underlying funds and the returns shown in the table below give a weighted average based on the proportion of each fund held. For members aged 25 and 45 the same underlying funds will be held over the respective periods and therefore the returns achieved will be identical. The automatic de-risking starts at seven years before a member's NRA, which we have assumed to be 68 for the purpose of this reporting as it is the Normal Retirement Age for the Plan. The returns assume that the automatic switches occur annually at the end of the Plan year.

Age at start of investment period	Annualised returns to 31 March 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)*
25	-6.00%	6.42	N/A
45	-6.00%	6.42	N/A
55	-6.00%	6.42	N/A

Norcros Target Annuity Lifestyle Arrangement

- 5.13. The Norcros Target Annuity Lifestyle Arrangement invests in a number of underlying funds and the returns shown in the table below give a weighted average based on the proportion of each fund held. For members aged 25, 45 and 55 the same underlying funds will be held over the respective periods and therefore the returns achieved will be identical. The automatic de-risking starts at seven years before a member's NRA, which we have assumed to be 68 for the purpose of this reporting. The returns assume that the automatic switches occur annually at the end of the Fund year. This strategy uses the same funds as the Default Investment Arrangement in the growth phase.

Age at start of investment period	Annualised returns to 31 March 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)*
25	-6.00%	6.42	N/A
45	-6.00%	6.42	N/A
55	-6.00%	6.42	N/A

Norcros Target Cash Lifestyle Strategy

- 5.14. The Norcros Target-Annuity Lifestyle Option invests in several underlying funds and the returns shown in the table below provide a weighted average based on the proportion of assets held in each fund. The automatic de-risking starts at 6 years before a member's NRA, which we have assumed to be 68 for the purpose of this reporting. The returns assume that the automatic switches occur annually at the end of the Fund year. This strategy uses the same funds as the Default Investment Arrangement in the growth phase.

Age at start of investment period	Annualised returns to 31 March 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)*
25	-6.00%	6.42	N/A
45	-6.00%	6.42	N/A
55	-6.00%	6.42	N/A

*The strategies are only three years old and figures for five years are not available.

Self-Select Funds

5.15. The following table provides the annualised net returns for each of the self-select options provided to members for the periods to 31 March 2023.

	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Norcros Investment Fund	-3.14%	7.40%	4.57%
Norcros Diversified Fund	-6.00%	6.42%	N/A
Norcros Defensive Fund	-10.75%	-3.10%	N/A
Norcros Cash Fund	2.15%	0.75%	N/A
Norcros Global Equity Fund	-4.44%	14.63%	N/A
Norcros Annuity Pre-Retirement Fund	-19.75%	-8.51%	N/A
Norcros Property Fund	-14.15%	2.17%	N/A
Norcros Climate Change Aware Fund	-2.37%	14.91%	N/A
Norcros Islamic Fund	-5.85%	15.72%	N/A

Value for members

- 5.16. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value. These member-borne deductions cover the cost of providing the investment management services only, as the Company pays for all administration services and communications through a policy fee.
- 5.17. Given the 'bundled' nature of this arrangement, i.e. the Plan uses Legal & General's WorkSave pension proposition to provide administration, investment and communications to members, the Trustee has chosen to consider the value assessment of the Legal & General Master Trust Trustees as the basis for its own assessment for the DC Section. The Legal & General Master Trust uses the same WorkSave proposition and so the detailed considerations of this assessment should be relevant to wider usage of the WorkSave proposition. The most recent available Legal & General Master Trust annual value for members' assessment

in question was undertaken as at 5 April 2022. Given additional investment governance is undertaken by the scheme this is considered in addition.

5.18. The Trustee considered how this relates to the DC Section and, recognising that low cost does not necessarily mean better value, considered a range of different factors, including:

5.18.1. In relation to investment services:

5.18.1.1. The range of investment options available and the design and suitability of the default investment arrangement

5.18.1.2. The arrangements for monitoring the performance of the investment funds

5.18.1.3. The investment governance arrangements in place.

5.19. The Legal & General Master Trust Trustees score all of their value considerations using four ratings; poor, adequate with areas for improvement, good and excellent, and gave the three areas of relevance to this assessment an 'excellent' rating apart from how suitable the default arrangements are which was rated as 'good'. The main reason for this was short term investment performance. The Trustee considers this to equate to 'very good' value for members (it should be noted that the Legal & General Master Trust Trustees do not give descriptions to their assessment ratings).

5.20. In terms of the DC Section itself, the Trustee notes that overall members pay lower charges than under the Master Trust (as the Company pay the administration costs) so in terms of price the value would be 'excellent'.

5.21. In addition, the DC Section uses a bespoke default investment arrangement as opposed to the WorkSave standard. Whilst short term performance has been negative due to market conditions the Trustee is happy with the longer term performance of the strategy. The Trustee believes that the new default strategy meets the specific needs of the Plan membership and would be rated 'excellent'.

5.22. The investment funds themselves, and their performance are subject to governance and monitoring from both the Trustee and Legal & General, and this double level of governance should provide reassurance to members. Therefore the Trustee believes this would be currently rated as 'excellent'.

5.23. The assessment concluded that the DC Section provides **good value** for members in relation to costs borne by members and that there are no areas considered in which the DC Section's arrangements detract value.

5.24. The Trustee also noted the additional transaction costs charged to member funds identified in this Plan year and will continue to monitor these on an ongoing basis.

AVC benefits

5.25. The Trustee also considered the degree to which the AVC benefits invested with Utmost Life and Pensions represent value for members. In relation to these AVCs, the member-borne charges and transaction costs relate to investment services, administration services and communication services.

5.26. The Trustee considered the broad value for members of these services, taking a proportionate approach that reflects the materiality of the arrangement.

5.27. The Trustee believes that the default investment approach for these benefits is broadly suitable in its approach to growth in early years before de-risking in the approach to and during retirement.

5.28. The Trustee notes that transaction costs for some of the investment funds used have increased over the last reporting period and will monitor this as part of their ongoing governance. As the funds are actively managed these transaction costs may have resulted from increased market volatility and so may be justified.

5.29. The Trustee concluded that the AVC arrangement with Utmost Life & Pensions offers reasonable value in relation to the charges and transaction costs borne by members. In reaching this conclusion, the Trustee

recognised that Utmost provides basic administration and communication service with no online access for members, and although there is a reasonable range of investment options for members to choose from, they are relatively more expensive than the charges that would be levied as part of a modern and competitive DC pension arrangement. There are limited options available for the Trustee to change their AVC provider.

6. Trustee knowledge and understanding

The Trustee Board

- 6.1. The Trustee Board currently comprises of five Trustee Directors, of whom one is the Chair. Three of the Trustee Directors are member-nominated, and two are employer nominated, meeting statutory requirements for the composition of trustee boards.
- 6.2. Joe Matthews acts as Chair of the Trustees.
- 6.3. The Trustee Board has considered its composition and will continue with five trustee directors.

Trustee knowledge and understanding requirements

- 6.4. All Trustee Directors are required to complete an induction following appointment by the Plan Secretary, as well as an interview by the Chairman to identify the knowledge requirements and gaps prior to joining, in order to ensure they have the necessary skills and knowledge required to effectively discharge their duties.
- 6.5. Quarterly briefings are given at each Trustee meeting and training provided by advisers occurs during these meetings, ensuring Trustee Directors keep an up-to-date knowledge level. In addition, there is an Annual Trustee training day.
- 6.6. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. Two Trustee Directors are also on the governance committee which oversees Norcross' Master Trust arrangement and are able to make use of the knowledge and understanding gained from this role to enhance how they undertake their trustee duties. This, together with the ongoing work in relation to the DC Section and the access to professional advisers, ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational Plans as well as the law relating to pensions and trusts.

Approach

- 6.7. The Trustee Directors aim to remain conversant with the Plan's trust deed and rules as well as all other Plan documents such as the statement of investment principles, 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.
- 6.8. The Trustee Directors aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational Plans and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional trustee as a Trustee Director and Chair.
- 6.9. There is a structured training programme in place that includes annual self-assessment by the Trustee Directors to identify knowledge gaps and training needs in relation to emerging legislation, Plan changes and upcoming matters in the Plan's business plan. The training programme also includes completion of

the Pensions Regulator’s trustee toolkit. A training log is maintained in relation to training undertaken and is reviewed.

- 6.10. The structured training programme is supplemented with training activities such as attending seminars and conferences, and reading pensions-related articles. A copy of this is held by the Plan Secretary.
- 6.11. An induction process is in place for newly appointed Trustee Directors, which involves the provision of an induction pack, a half-day initial training session with the Trustee’s legal advisers, an initial knowledge assessment and a plan to address gaps identified. The induction plan is kept by the Plan Secretary.
- 6.12. The Trustee Directors 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 Trustee Directors 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.

Activities over the Plan year

- 6.13. The Trustee Directors reviewed the Plan’s Statement of Investment Principles (SIP) to take account of investment changes. The SIP was updated in May 2022.
- 6.14. The Trustee Directors reviewed the extent to which it believes ESG factors are financially significant in relation to investments. This was incorporated into the SIP update.
- 6.15. The risk register is reviewed regularly to ensure that all relevant risks have been identified.
- 6.16. The Trustee reviews changes in member choices, behaviour and trends using quarterly member monitoring reports provided by the Plan’s DC advisor, and using administration reports.

Assessment

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

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Joe Matthews, for and on behalf of the Trustee of the Norcross Security Plan
Chair of the Trustee

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Date

