

Dean Witter Reynolds Retirement Benefits Scheme (the 'Scheme')

Annual statement regarding governance

The Trustees of the Dean Witter Reynolds Retirement Benefits Scheme (the 'Trustees') are pleased to present this Statement on governance covering the year to 31 December 2018.

This Statement explains how the Scheme meets its legal requirements in a number of key areas and details:

- the changes to the default investment arrangement following the conclusion of the Trustee review in 2018;
- how the Trustees have ensured that core financial transactions have been processed promptly and accurately;
- the report on the charges and transaction costs for the investments used in the default and self-select arrangements and the extent to which the charges and costs represent good value for members; and
- how the combined knowledge and understanding of the Trustees and their advisers enable the Trustees to properly run the Scheme.

This Statement will be published on a publically available website and will be signposted in the annual benefit statements.

Preparing this Statement is a requirement under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The default investment arrangement

The current default arrangement for the Scheme is the Aegon BlackRock Global Multi Asset Fund, which invests 50% in the BlackRock DC Diversified Growth Fund and 50% in the BlackRock Aquila 30:70 Currency Hedged Global Equity Index Fund.

As the most popular fund within the Scheme, the strategy is considered a default arrangement by the Trustees. However, this is not a formal default arrangement as the Scheme is a closed Scheme and is not being used as a qualifying Scheme for automatic enrolment purposes. The default fund aims to achieve long term capital growth while exhibiting less volatility than funds wholly invested in equities. The default arrangement is not a lifestyle strategy, and therefore members' retirement savings are 100% invested in this fund until retirement. The Trustees recognise that this will not be appropriate for all members and therefore also makes a range of self-select funds available for those members that wish to de-risk their holdings in the approach to retirement, and encourages members to regularly review their investment decisions.

A formal review of the Scheme's investment arrangements was undertaken over the 2017 and 2018 calendar years, in conjunction with the Scheme's investment advisor, Mercer Limited. The review was wide ranging and took into account the profile of the Scheme membership, range of investment types, fund performance and fund management fees. It also considered the suitability and performance of the default investment arrangement and the investment platform provider through which the Scheme's investment options are made available. This included both an analysis of past performance, as well as prospects for future outperformance as assessed by Mercer's manager research ratings. Following the review, the Trustees decided that better value is available to members by moving their holdings to the Zurich Assurance Limited platform. The move took place in June 2019 and offers members lower ongoing fees and enhanced fund options. The detail of all the agreed changes were included in a series of pre and post transition communications to members. In addition, detailed pre and post implementation reports will be reviewed by the Trustees.

The Trustees keep the default investment arrangement and the self-select funds under regular review and adjust them as appropriate, based on analysis of the likely requirements of the typical member.

The Scheme has fewer than 100 members and is a closed Scheme that is not used for auto-enrolment. As such, no default fund requirements apply to the Scheme. However, the Trustees maintain a Statement of Investment Principles ('SIP') which includes details relating to the default arrangement as a matter of best practice. The SIP was last updated in March 2017 and is currently in the process of being updated to reflect the new arrangements on the Zurich Assurance Limited platform. Once finalised, the updated SIP will be made publically available.

Core financial transactions

The Scheme is closed to new contributions.

As required by regulation 24 of the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately; this includes:

- Transfers of members' assets out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

The requirements of regulations have been met and core financial transactions have been processed promptly and accurately by:

- Maintaining a Risk Register which outlines risks in relation to processing core financial transactions. The Scheme's Risk Register outlines all of the risks to Scheme members and these are monitored and reviewed on an annual basis.
- Appointing Mercer Limited ("Mercer") as the Scheme's professional third party administrator. The Trustees have delegated the administration of Scheme member records to Mercer. The Trustees have agreed minimum timescales with Mercer for processing requests, including core financial functions. The Service Level Agreements (SLAs) in place cover both the accuracy and timeliness of the financial transactions. Mercer's administration reports are reviewed and discussed every six months by the Trustees. Performance against SLAs is currently at 84%.
- The administrator provides an assurance report on internal controls which govern the accuracy of their processes in relation to their control

procedures. The administrator employs an independent auditor to prepare the annual report on their internal controls (AAF01/06/ ISAE 3402). The 2018 report confirmed that the administrator's description of services was fairly presented and that controls were designed, implemented and operated effectively throughout the review period.

- Ensuring that detailed disaster recovery plans are in place with the administrator and other relevant third parties.
- The Trustees have appointed Aegon (a brand name of Scottish Equitable plc) to provide investment platform services to the Scheme. Following a phased review of the Scheme's investment arrangements over the 2017 and 2018 calendar years, the Trustees decided that better value is available to members by moving their holdings to the Zurich Assurance Limited platform. The move was undertaken in June 2019 and offers members lower ongoing fees and enhanced fund options. The detail of all the agreed changes were included in a series of pre and post transition communications to members.
- The Trustees also appoint an independent auditor (Deloitte LLP) to carry out an annual audit of the Scheme, including the core financial transactions that have taken place during the Scheme year.

There were no issues to report during the Scheme year.

Charges and transactions costs

As required by regulation 25 of the Administration Regulations, the Trustees are required to report on the charges and transaction costs for the investments used in the default and non-default arrangements and their assessment of the extent to which the charges and costs represent good value for members.

We note that while transaction costs and charges are an important consideration, they are not the only criteria the Trustees assess. A number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Scheme.

FUND CHARGES

Charges relating to investment management are deducted from the funds in which Scheme members are invested. All other costs associated with running the Scheme, including administration, advisory and member communication costs are

paid by the Company (other than legacy Additional Voluntary Contribution (AVC) holdings where members may also incur administration expenses).

The Scheme provides details of the costs borne by members in two forms – the annual management charge (“AMC”) and the total expense ratio (“TER”). The AMC is the core charge that covers the cost of accessing and managing a fund. The TER includes the AMC plus variable costs associated with managing a fund such as administrative, audit and legal fees.

As explained above, the default fund requirements do not apply, however, the Scheme complies with

the regulations on charge controls introduced from April 2015. Specifically, the Total Expense Ratio (“TER”) payable under the default investment arrangement is 0.49% p.a. as at 31 December 2018, which is well below the charge cap of 0.75% p.a.. It should be noted that additional fund expenses are a function of the size of the fund and will change over time. The charges on the default fund comply with the charge cap legislation requirements.

The following provides information on the charges for all the investment options available to members.

MANAGER / FUND	ANNUAL MANAGEMENT CHARGE (% P.A.)	ADDITIONAL FUND EXPENSES (% P.A.)	TOTAL EXPENSE RATIO (% P.A.)
Aegon BlackRock Global Multi Asset Fund (current default)	0.44	0.05	0.49
Aegon BlackRock 30:70 Global Equity Fund	0.17	0.02	0.19
Aegon BlackRock UK Equity Fund	0.13	0.01	0.14
Aegon Blackrock US Equity Fund	0.15	0.01	0.16
Aegon Blackrock European Equity Fund	0.15	0.02	0.17
Aegon Blackrock Japanese Equity Fund	0.15	0.01	0.16
Aegon Blackrock Pacific Rim Equity Fund	0.15	0.02	0.17
Aegon Blackrock Emerging Markets Equity Fund	0.30	0.06	0.36
Aegon LGIM Pre Retirement Fund	0.25	0.00	0.25
Aegon Blackrock Cash Fund	0.15	0.03	0.18

Source: Aegon. Total Expense Ratios as at 31 December 2018.

Fees across the Scheme’s fund range vary from 0.14%p.a. to 0.49% p.a. These charges do not include transaction costs which are discussed in more detail in the next section.

TRANSACTION COSTS

In addition to investment management charges and the additional fund expenses included in the TER, investment funds are subject to other implicit costs, such as the investment manager’s expenses associated with trading a fund’s underlying securities, including commissions and stamp duty. These expenses are not explicitly deducted from the fund but are captured by a reduction in investment returns.

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with the updated Administration Regulations. The Trustees have requested this information from the underlying fund managers, through the Scheme’s investment platform provider where applicable. A table of transaction costs is shown in the Appendix and the Trustee will make this information accessible to members on a website.

ADDITIONAL VOLUNTARY CONTRIBUTIONS ('AVCS')

The Scheme has holdings in a unit-linked AVC policy with Clerical Medical. The holdings are small in scale relative to the size of the Scheme's main arrangements held with Aegon.

The Trustees plan to review the Clerical Medical arrangements in the latter half of 2019. In the interim, the Trustees have sought to quantify the charges and transaction costs associated with the holdings in these policies by requesting the information from the provider in line with the prescribed transaction cost disclosure methodology.

The current AMC for the legacy AVC Clerical Medical Fund is 0.50% p.a.. Clerical Medical was not able to provide complete information in relation to transaction costs at the time of writing. The Trustees will continue to request this information quarterly and will report on it once it has been reliably obtained from the provider.

TRANSACTION COST ILLUSTRATIONS

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have 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 has been considered when providing these examples.

The illustrations that follow take into account the following elements:

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

Contributions are not taken into account as the Scheme is closed to new contributions.

To illustrate the impact of charges on a typical member's pension pot, we have provided the following example. The illustration accounts for all estimated member costs, including the Total Expense Ratio, transaction costs and inflation.

ILLUSTRATION 1: DEFERRED MEMBER (BASED ON THE SCHEME'S MEDIAN AGE)

AGE	MOST POPULAR FUND AND MOST EXPENSIVE FUND: TER, 0.49% P.A. AGGREGATE TRANSACTION COST, 0.19% P.A.		LEAST EXPENSIVE FUND AND THE FUND WITH THE HIGHEST EXPECTED INVESTMENT RETURN: TER, 0.14% P.A. AGGREGATE TRANSACTION COST, 0.05% P.A.		LEAST EXPECTED INVESTMENT RETURN: TER, 0.18% P.A. AGGREGATE TRANSACTION COST, 0.02% P.A.	
	AEGON BLACKROCK GLOBAL MULTI ASSET FUND (£)		AEGON BLACKROCK UK EQUITY FUND (£)		AEGON BLACKROCK CASH 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
50	30,000	30,000	30,000	30,000	30,000	30,000
51	30,960	30,749	31,064	31,007	29,705	29,647
52	31,951	31,516	32,166	32,047	29,413	29,297
53	32,974	32,302	33,307	33,122	29,124	28,952
54	34,029	33,108	34,488	34,233	28,837	28,611
55	35,118	33,934	35,712	35,382	28,554	28,274
60	41,110	38,385	42,511	41,729	27,177	26,647
65	48,123	43,419	50,605	49,215	25,866	25,114

Notes

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting pot size is assumed to be £30,000 and this member joined at age 50.
4. Inflation is assumed to be 2.5% per annum.
5. Given that this Scheme is closed, no salary or contribution assumptions are made.
6. The projected gross growth rates for each fund are as follows (these are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

BlackRock DC Global Multi-Asset Fund:	3.2% p.a. above inflation
BlackRock DC Aquila UK Equity Fund:	3.5% p.a. above inflation
BlackRock DC Cash Fund:	1.0% p.a. below inflation

Further illustrative examples of the cumulative effects over time of the relevant costs and charges on the value of members' benefits, as well as details on the aggregate transaction costs incurred by each fund, can be found in the Appendix.

The Trustees fully support transparency of costs for members. We also reiterate that while costs and charges are an important consideration, they are not the only criteria the Trustees assess. A variety of factors are typically considered in a holistic manner when making strategic decisions in the best interests of the Scheme's members.

Value for members

Over the first quarter of 2019, the Trustees carried out a review of the extent to which member-borne investment charges represent good value for members for the year ending 31 December 2018. The assessment covered a wide range of financial and non-financial factors including:

- An assessment of member-borne charges for each of the funds available in the Scheme (this included benchmarking against comparable funds in each asset class based on peer group data provided by the Scheme's investment advisors, Mercer Limited).

- A review of transaction costs and charges where available.
- An assessment of the historic returns of the available fund options relative to their respective objectives.
- An assessment of each fund's manager research and Environmental, Social, and Governance (ESG) rating (as provided by the Scheme's investment advisors, Mercer Limited).
- A summary of the upcoming investment strategy changes that were implemented within the Scheme in June 2019.
- A review of the other features that are paid for by the employer and deliver good value for members. Other features and services that strengthen the Scheme's value proposition include but are not limited to efficient administration services and trustee oversight. In addition, the Company pays the administration costs of the Scheme.

The review concluded that overall, taking into account all of the above factors, the Trustees believe that the Scheme provides good value relative to the costs borne by members. In addition, the move to the Zurich platform provides additional benefits to members in terms of lower costs and enhanced fund options.

The Trustees undertake annual assessments and the next formal Value for Money assessment will be take place for the year ending 31 December 2019.

Trustees' knowledge and understanding

In accordance with sections 247 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

Trustee training is of high importance to the good running of the Scheme. The Trustees acknowledge how vital it is that they maintain their knowledge of pension law, trust law, investment principles and are conversant with the Scheme documentation including the Trust Deed and Rules, SIP and Scheme policies.

ONGOING TRAINING

In order to maintain this high level of knowledge, the Trustees have procedures and policies in place:

- Trustees have individually or collectively undertaken several of the training modules from the Pensions Regulator's site that are relevant to DC schemes;

- Trustees undertake additional ongoing training to ensure that they keep up to date with changes in legislation, current issues and the latest developments relating to DC schemes;
- The Trustees maintain an annual training schedule;
- All training activities are recorded in a training log;
- Trustee training is considered at each Trustee meeting to determine any specific training and development needs. The training schedule is then updated accordingly.

Over the course of the last year the Trustees have demonstrated their continuous commitment to learning by undertaking training, including:

- General Data Protection Regulation (08/03/2018);
- Default Fund Training (18/07/2018)
- Royal London's Pension Matters Newsletter (27/09/2018)
- Current DC issues (08/03/2018, 18/07/2018, 04/10/2018)
- Industry seminars and Conference attendance (05/06/2018, 15/06/2018, 26/06/2018, 27/06/2018)

TRUSTEE INDUCTION

There is no formal induction process in place for new Trustees; however, if a new Trustee were to join the board it is expected that actuarial, investment and legal induction training would be provided by our advisors.

EXAMPLES DEMONSTRATING TRUSTEES' KNOWLEDGE AND UNDERSTANDING

The Trustees undertook a number of activities that involved giving detailed consideration to the trust deed and rules, the law relating to pensions and trusts, the Scheme's current statement of investment principles and all governing documents setting out the Trustee's current policies. This allowed them exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- A review of the platform provider increasing their familiarisation with market offerings and investment solutions for defined contribution plans.
- Changes to the default investment option and self-select funds necessitated consideration of the investment powers in the Scheme's Trust Deed and Rules as well being conversant with the Statement of Investment Principles.

- Legal advice on the Trust Deed and Rules and the law relating to pensions and trusts was obtained in relation to mapping members across to the appropriate funds on the Zurich platform.
- The Trustees examined a number of scheme documents and member communications as part of the transition to Zurich having regard to pensions law and the trust deed and rules.
- The Risk Register is reviewed and updated annually at the Trustees' Q1 meeting. This demonstrates that the Trustees have the required knowledge of the Pensions Regulator's DC Code and hold relevant knowledge on DC specific internal controls and the regulatory requirements. This also helped demonstrate a sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupation schemes.

UTILISING ADVISORS

The Trustees believe that the best run Schemes utilise the combined skill and knowledge of both the Trustees and their professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have been applied during the period:

- The Trustees' professional advisors attend their formal meetings;

- The Trustee board contains Trustees with wide ranging skills and experience, including pension experience; and
- The Trustees receive briefings from their advisors on all legislative and regulatory developments at each meeting.

ASSESSING EFFECTIVENESS

The Trustees understand that having knowledge on the Board and the professional advice available needs to be used effectively in order for the Trustees to act properly. The examples below demonstrate the actions which have been taken to ensure this is the case:

- At the beginning of each year the Trustees draft a business plan. Throughout the year the Trustees regularly monitor their progress against their Business Plan to ensure the Trustees is performing effectively and is meeting the objectives set out in the Business Plan.
- The Trustees are encouraged, at meetings and in response to the training plan, to highlight any knowledge gaps they might be aware of.

By following the processes noted above, throughout the scheme year the Trustees have demonstrated that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

Chair's declaration

I confirm that the above statement has been produced by the Trustee to the best of its knowledge.



Signature: _____

Name: **Andrew Trapnell**

Position: **Chair of the Dean Witter Reynolds Retirement Benefits Scheme**

Date: **July 2019**

Appendices

APPENDIX A – TRANSACTION COST INFORMATION

Additional example illustrations of the impact of costs and charges on a typical member's pension pot are provided below. These include all member costs, including the Total Expense Ratio, transaction costs and inflation.

ILLUSTRATION 2:

AGE	MOST POPULAR FUND AND MOST EXPENSIVE FUND: TER, 0.49% P.A. AGGREGATE TRANSACTION COST, 0.19% P.A.		LEAST EXPENSIVE FUND AND THE FUND WITH THE HIGHEST EXPECTED INVESTMENT RETURN: TER, 0.14% P.A. AGGREGATE TRANSACTION COST, 0.05% P.A.		LEAST EXPECTED INVESTMENT RETURN: TER, 0.18% P.A. AGGREGATE TRANSACTION COST, 0.02% P.A.	
	AEGON BLACKROCK GLOBAL MULTI ASSET FUND (£)		AEGON BLACKROCK UK EQUITY FUND (£)		AEGON BLACKROCK CASH 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
42	10,000	10,000	10,000	10,000	10,000	10,000
43	10,320	10,250	10,355	10,336	9,902	9,882
44	10,650	10,505	10,722	10,682	9,804	9,766
45	10,991	10,767	11,102	11,041	9,708	9,651
50	12,866	12,180	13,216	13,021	9,240	9,095
55	15,062	13,777	15,732	15,357	8,794	8,572
60	17,631	15,584	18,728	18,112	8,370	8,079
65	20,639	17,628	22,293	21,362	7,967	7,614

Notes

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting pot size is assumed to be £10,000 and this member joined at age 42.
4. Inflation is assumed to be 2.5% per annum.
5. Given that this Scheme is closed, no salary or contribution assumptions are made.
6. The projected gross growth rates for each fund are as follows (these are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

BlackRock DC Global Multi-Asset Fund:	3.2% p.a. above inflation
BlackRock DC Aquila UK Equity Fund:	3.5% p.a. above inflation
BlackRock DC Cash Fund:	1.0% p.a. below inflation

ILLUSTRATION 3

AGE	MOST POPULAR FUND AND MOST EXPENSIVE FUND: TER, 0.49% P.A. AGGREGATE TRANSACTION COST, 0.19% P.A.		LEAST EXPENSIVE FUND AND THE FUND WITH THE HIGHEST EXPECTED INVESTMENT RETURN: TER, 0.14% P.A. AGGREGATE TRANSACTION COST, 0.05% P.A.		LEAST EXPECTED INVESTMENT RETURN: TER, 0.18% P.A. AGGREGATE TRANSACTION COST, 0.02% P.A.	
	AEGON BLACKROCK GLOBAL MULTI ASSET FUND (£)		AEGON BLACKROCK UK EQUITY FUND (£)		AEGON BLACKROCK CASH 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
55	25,000	25,000	25,000	25,000	25,000	25,000
56	25,800	25,624	25,887	25,839	24,754	24,705
57	26,626	26,263	26,805	26,706	24,511	24,414
58	27,478	26,919	27,756	27,602	24,270	24,127
59	28,358	27,590	28,740	28,528	24,031	23,842
60	29,265	28,279	29,760	29,485	23,795	23,562
65	34,258	31,987	35,426	34,774	22,647	22,206

Notes

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting pot size is assumed to be £25,000 and this member joined at age 55.
4. Inflation is assumed to be 2.5% per annum.
5. Given that this Scheme is closed, no salary or contribution assumptions are made.
6. The projected gross growth rates for each fund are as follows (these are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

BlackRock DC Global Multi-Asset Fund:	3.2% p.a. above inflation
BlackRock DC Aquila UK Equity Fund:	3.5% p.a. above inflation
BlackRock DC Cash Fund:	1.0% p.a. below inflation

AGGREGATE TRANSACTION COSTS

The next table shows the aggregate transaction costs based upon the information supplied by Aegon. Aggregate transaction costs represent 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.

MANAGER / FUND	AGGREGATE TRANSACTION COST (% P.A.)
Aegon BlackRock Global Multi Asset Fund (current default)	0.1944
Aegon BlackRock 30:70 Global Equity Fund	0.0056
Aegon BlackRock UK Equity Fund	0.0455
Aegon BlackRock US Equity Fund	-0.0211
Aegon BlackRock European Equity Fund	0.0020
Aegon BlackRock Japanese Equity Fund	-0.0782
Aegon BlackRock Pacific Rim Equity Fund	0.0253
Aegon BlackRock Emerging Markets Equity Fund	-0.0803
Aegon LGIM Pre Retirement Fund	0.0157
Aegon BlackRock Cash Fund	0.0167

Source: Aegon as at 31 December 2018.