

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

### Annual statement regarding governance

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The Trustees of the Dean Witter Reynolds Retirement Benefits Scheme (the 'Trustees') are pleased to present this Statement on governance for inclusion in the Trustees' annual report. This Statement will also be published on a publicly available website <https://www.morganstanley.com/disclosures/the-dean-witter-reynolds-retirement-benefits-scheme/> and will be signposted in the annual benefit statements.

This document sets out the Statement covering the year to 31 December 2022 and details:

- the current default investment arrangement;
- how the Trustees have ensured that core financial transactions have been processed promptly and accurately;
- net return on investments;
- 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 advisors enables the Trustees to properly run the Scheme.

#### **The default investment arrangement**

A default arrangement is an investment fund(s) or strategy into which pension contributions are paid where members have not made an active choice as to where they want to invest their -pension savings.

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 and accordingly the Trustees have agreed that they will not maintain a Statement of Investment Principles ('SIP') which includes details relating to the ADGF.

The Active Diversified Growth Fund (ADGF) is the most popular fund within the Scheme (by both number of members and assets invested),

and therefore is considered a default arrangement by the Trustees. However, this is not a formal default arrangement as per the legislation as the Scheme is a closed Scheme and is not being used as a qualifying Scheme for automatic enrolment purposes.

The ADGF is not a lifestyle strategy, and therefore members' retirement savings are 100% invested in this fund until retirement. The Trustees recognise that this may not be appropriate for all members and therefore also make a range of self-select funds available for those members that wish to change their investment choices in the approach to retirement, and encourages members to regularly review their investment decisions.

#### **The most recent review of the investment arrangements**

A formal review of the Scheme's investment arrangements, including the ADGF, was undertaken in March 2022, in conjunction with the Scheme's investment advisor, Mercer Limited. The review took into account the profile of the Scheme membership, range of investment types, fund performance and fund management fees. Following the review, the Trustees concluded that it was well positioned to provide good member outcomes, and that the recent changes made by the Morgan Stanley Trustee and BlackRock were an example of the good governance structure, which the Scheme benefits from by accessing the Morgan Stanley funds.

The Trustees keep the ADGF and the self-select funds under regular review and adjust them as appropriate, based on analysis of the likely requirements of the typical member. Whilst the Trustees are not required to undertake triennial reviews of the default investment arrangement by regulation, as a matter of best practice, the Trustees aim to review the ADGF and wider range every three to five years. The next full review of the Scheme's default investment arrangement is planned to begin during 2025.

## Core financial transactions

The Scheme is closed to new contributions by members.

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.

This section considers the transactions relating to DC and AVC funds.

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 for the Scheme year was 89%, as shown in the below table:

| EVENT                  | WITHIN SERVICE LEVEL | OUTSIDE SERVICE LEVEL | PERCENT IN TARGET |
|------------------------|----------------------|-----------------------|-------------------|
| Death Settle           | 1                    | 0                     | 100%              |
| Data Change            | 6                    | 0                     | 100%              |
| DWP                    | 1                    | 0                     | 100%              |
| Enquiry/Query          | 16                   | 3                     | 84%               |
| Pensioner Data Change  | 1                    | 0                     | 100%              |
| Retirement Quote       | 4                    | 2                     | 67%               |
| Retirement Settle      | 1                    | 0                     | 100%              |
| Transfer-out Quotation | 7                    | 0                     | 100%              |
| Transfer-out Settle    | 2                    | 0                     | 100%              |
| <b>Totals</b>          | <b>39</b>            | <b>5</b>              | <b>89%</b>        |

- The administrator provides an AAF internal controls audit report each year, which the Trustees consider in their ongoing monitoring of the administrator.
- Ensuring that detailed disaster recovery plans are in place with the administrator and other relevant third parties.
- 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.
- The administrator provides updates regarding the reasons for missed SLAs at Trustees meetings.

The Trustees are satisfied that over the period covered by this Statement:

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

## Charges and transaction 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.

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 Scheme does comply with the regulations on charge controls introduced from April 2015. Specifically, the TER payable under the ADGF is 0.418% p.a. as at 31 December 2022, 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 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.) |
|--------------------------------------------|-----------------------------------|-----------------------------------|------------------------------|
| Active Sustainable Equity Fund             | 0.717                             | 0.140                             | 0.857                        |
| Active Diversified Growth Fund             | 0.385                             | 0.033                             | 0.418                        |
| Active Diversified Retirement Fund         | 0.322                             | 0.037                             | 0.359                        |
| Passive Global Equity Fund                 | 0.147                             | 0.027                             | 0.174                        |
| Passive UK Equity Fund                     | 0.072                             | 0.003                             | 0.075                        |
| Passive US Equity Fund                     | 0.072                             | 0.008                             | 0.080                        |
| Passive Europe (ex UK) Equity Fund         | 0.072                             | 0.015                             | 0.087                        |
| Passive Japan Equity Fund                  | 0.072                             | 0.004                             | 0.076                        |
| Passive Pacific Rim (ex Japan) Equity Fund | 0.072                             | 0.010                             | 0.082                        |
| Passive Emerging Markets Equity Fund       | 0.172                             | 0.050                             | 0.222                        |
| Pre-Retirement Fund                        | 0.111                             | 0.000                             | 0.111                        |
| Cash Fund                                  | 0.142                             | 0.000                             | 0.142                        |

Source: Scottish Widows. Total Expense Ratios as at 31 December 2022.

Fees across the Scheme's fund range vary from 0.075% p.a. to 0.857% 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 below and the Trustees will make this information accessible to members on a website.

### TOTAL TRANSACTION COSTS

The next table shows the aggregate transaction costs based upon the information supplied by Scottish Widows. Aggregate transaction costs represent annualised transaction costs incurred by the fund manager within the underlying fund.

The total transaction costs, shown below, 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. Negative 'costs' have been shown as 0.000%.

| MANAGER / FUND                             | AGGREGATE TRANSACTION COST (% P.A.) |
|--------------------------------------------|-------------------------------------|
| Active Sustainable Equity Fund             | 0.240                               |
| Active Diversified Growth Fund             | 0.179                               |
| Active Diversified Retirement Fund*        | –                                   |
| Passive Global Equity Fund                 | 0.052                               |
| Passive UK Equity Fund                     | 0.066                               |
| Passive US Equity Fund                     | 0.021                               |
| Passive Europe (ex UK) Equity Fund         | 0.008                               |
| Passive Japan Equity Fund                  | 0.000                               |
| Passive Pacific Rim (ex Japan) Equity Fund | 0.000                               |
| Passive Emerging Markets Equity Fund*      | –                                   |
| Pre-Retirement Fund                        | 0.000                               |
| Passive Cash Fund                          | 0.015                               |

Source: Scottish Widows as at 31 December 2022.

\* These funds were available to members through-out the scheme year, however, no assets were invested. As such, no transaction costs were provided.

### ADDITIONAL VOLUNTARY CONTRIBUTIONS ('AVCS')

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

The Trustees reviewed the Clerical Medical arrangements in October 2019 and it was agreed to communicate with members to remind them of their AVCs and make them aware of the options available to them.

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 TER for the legacy AVC fund was confirmed to be 0.50% p.a. as at 31 December 2022 and Clerical Medical confirmed that this fund invests in bank deposits only so incurs no transaction costs.

## **CHARGE AND COST ILLUSTRATIONS**

Using the charges and transaction cost data provided by Scottish Widows and in accordance with regulation 23(1)(ca) of the Administration 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.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of funds. The funds we are required to illustrate to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The most popular fund  
(Active Diversified Growth Fund)
- The most expensive fund  
(Active Sustainable Equity Fund)
- The least expensive fund  
(Passive UK Equity Fund)

To illustrate the impact of charges on a typical member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation. In addition, the illustrations that follow take into account the following elements to represent the Scheme's membership:

- 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. As the members with AVC assets invested in the Clerical Medical Pension Fund have a significantly different demographic from the main membership, we have illustrated the effects of this fund on a member's pot separately.

## ILLUSTRATION 1: A TYPICAL MEMBER'S POT AS IT CHANGES OVER TIME

| AGE | MOST POPULAR FUND:<br>ACTIVE DIVERSIFIED GROWTH FUND |                                | MOST EXPENSIVE FUND:<br>ACTIVE SUSTAINABLE EQUITY |                                | LEAST EXPENSIVE FUND:<br>PASSIVE UK 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 |
| 56  | £59,994                                              | £59,994                        | £59,994                                           | £59,994                        | £59,994                                         | £59,994                        |
| 57  | £61,234                                              | £60,879                        | £61,991                                           | £61,354                        | £61,520                                         | £61,448                        |
| 58  | £62,499                                              | £61,776                        | £64,054                                           | £62,744                        | £63,084                                         | £62,937                        |
| 59  | £63,790                                              | £62,687                        | £66,185                                           | £64,166                        | £64,688                                         | £64,462                        |
| 60  | £65,108                                              | £63,611                        | £68,387                                           | £65,620                        | £66,332                                         | £66,024                        |
| 61  | £66,453                                              | £64,548                        | £70,663                                           | £67,107                        | £68,019                                         | £67,624                        |
| 62  | £67,825                                              | £65,500                        | £73,015                                           | £68,627                        | £69,748                                         | £69,262                        |
| 63  | £69,227                                              | £66,465                        | £75,444                                           | £70,182                        | £71,522                                         | £70,941                        |
| 64  | £70,657                                              | £67,445                        | £77,955                                           | £71,773                        | £73,340                                         | £72,660                        |
| 65  | £72,116                                              | £68,439                        | £80,549                                           | £73,399                        | £75,205                                         | £74,420                        |

### Notes

1. Values shown are **estimates** at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting pot size is assumed to be £59,994 and this person is 56 years old. This member is assumed to retire at 65. These figures represent the average age of the membership and the average pot size. As there are no active members of the Scheme, the member is assumed to make no further contributions to the Scheme.
4. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2022, shown earlier in this Statement.
5. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. Transaction costs used in these illustrations are based on an average of those for the five years to 31 December 2022, as shown earlier in this document. Where funds have negative transaction costs over the period of this Statement, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.
6. Inflation is assumed to be 2.5% per annum.
7. The projected gross growth rates for each fund are based on assumptions provided by the Scheme's advisor Mercer, as follows:

|                                                                |                            |
|----------------------------------------------------------------|----------------------------|
| <b>MOST POPULAR FUND:<br/>ACTIVE DIVERSIFIED GROWTH FUND</b>   | 1.90% p.a. after inflation |
| <b>MOST EXPENSIVE FUND:<br/>ACTIVE SUSTAINABLE EQUITY FUND</b> | 3.15% p.a. after inflation |
| <b>CHEAPEST FUND:<br/>PASSIVE UK EQUITY FUND</b>               | 2.5% p.a. after inflation  |

## ILLUSTRATION 2: YOUNGEST MEMBER

| AGE | MOST POPULAR FUND:<br>ACTIVE DIVERSIFIED GROWTH FUND |                                | MOST EXPENSIVE FUND:<br>ACTIVE SUSTAINABLE EQUITY |                                | LEAST EXPENSIVE FUND:<br>PASSIVE UK 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 |
| 48  | £566                                                 | £566                           | £566                                              | £566                           | £566                                            | £566                           |
| 50  | £589                                                 | £583                           | £604                                              | £592                           | £595                                            | £594                           |
| 53  | £627                                                 | £609                           | £666                                              | £633                           | £642                                            | £638                           |
| 55  | £653                                                 | £627                           | £712                                              | £662                           | £675                                            | £669                           |
| 58  | £694                                                 | £655                           | £785                                              | £708                           | £727                                            | £719                           |
| 60  | £723                                                 | £674                           | £838                                              | £740                           | £765                                            | £754                           |
| 63  | £769                                                 | £705                           | £925                                              | £792                           | £825                                            | £810                           |
| 65  | £801                                                 | £726                           | £987                                              | £828                           | £867                                            | £850                           |

### Notes

1. Values shown are **estimates** at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £566 and this person is 48 years old. This member is assumed to retire at 65. These figures broadly represent the youngest member of the membership and its corresponding pot size. As there are no active members of the Scheme, the member is assumed to make no further contributions to the Scheme.
4. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2022, shown earlier in this Statement. Where funds have negative transaction costs over the period of this Statement, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.
5. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. Transaction costs used in these illustrations are based on an average of those for the five years to 31 December 2022, as shown earlier in this document. Where funds have negative transaction costs over the period of this Statement, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.
6. Inflation is assumed to be 2.5% per annum.
7. The projected gross growth rates for each fund are based on assumptions provided by the Scheme's advisor Mercer, as follows:

|                                                                |                            |
|----------------------------------------------------------------|----------------------------|
| <b>MOST POPULAR FUND:<br/>ACTIVE DIVERSIFIED GROWTH FUND</b>   | 1.90% p.a. after inflation |
| <b>MOST EXPENSIVE FUND:<br/>ACTIVE SUSTAINABLE EQUITY FUND</b> | 3.15% p.a. after inflation |
| <b>CHEAPEST FUND:<br/>PASSIVE UK EQUITY FUND</b>               | 2.5% p.a. after inflation  |

### ILLUSTRATION 3

| CLERICAL MEDICAL PENSION FUND |                                   |                                |
|-------------------------------|-----------------------------------|--------------------------------|
| AGE                           | Pot Size with no Charges Incurred | Pot Size with Charges Incurred |
| 62                            | £4,000                            | £4,000                         |
| 63                            | £3,920                            | £3,900                         |
| 64                            | £3,842                            | £3,803                         |
| 65                            | £3,765                            | £3,709                         |

#### Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £4,000 and this person is 62 years old. This member is assumed to retire at 65. As there are no active members of this fund, the member is assumed to make no further contributions to the Scheme.
4. Charges assumed for each individual fund are as provided by Clerical Medical as at 31 December 2022, shown earlier in this Statement.
5. Clerical Medical have confirmed that, as this fund invests in bank deposits only, it incurs no transaction costs.
6. Inflation is assumed to be 2.5% per annum.
7. The projected gross growth rate for the fund is based on assumptions provided by Clerical Medical. This rate is assumed to be 0.5% p.a. before inflation.

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.

#### Investment Net Returns

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Scheme year. The format of the data shown is consistent with that required to be shown in the Scheme's Chair's Statements, for scheme year ends following 1 October 2021. For the avoidance of doubt, performance shown earlier in this report is also net of all charges and transaction costs. Performance has been shown for 1 year and 3 years as longer term performance is unavailable due to the move the current fund range in 2019.

|     | DEFAULT – DIVERSIFIED GROWTH FUND | ANNUALISED RETURNS TO DECEMBER 2022 (%) |
|-----|-----------------------------------|-----------------------------------------|
| AGE | 1 year                            | 3 years                                 |
| 35  | -9.5                              | 3.4                                     |
| 45  | -9.5                              | 3.4                                     |
| 55  | -9.5                              | 3.4                                     |



## SELF-SELECT FUNDS

| ANNUALISED RETURNS TO DECEMBER 2022 (%) |        |         |                |
|-----------------------------------------|--------|---------|----------------|
| ACTIVE FUNDS                            | 1 YEAR | 3 YEARS | INCEPTION DATE |
| Diversified Growth                      | -9.5   | -3.4    | 03/06/2019     |
| Diversified Retirement                  | -13.9  | 0.2     | 03/06/2019     |
| Sustainable Equity                      | -13.2  | 7.2     | 03/06/2019     |
| Cash                                    | 1.2    | 0.5     | 03/06/2019     |
| Pre-Retirement Fund                     | -29.3  | -9.3    | 03/06/2019     |
| PASSIVE FUNDS                           | 1 YEAR | 3 YEARS | INCEPTION DATE |
| Passive UK Equity                       | -0.7   | 1.6     | 03/06/2019     |
| Passive Global Equity                   | -11.8  | 4.4     | 03/06/2019     |
| Passive US Equity                       | -11.5  | 9.9     | 03/06/2019     |
| Passive Europe (ex-UK) Equity           | -7.7   | 5.3     | 03/06/2019     |
| Passive Japan Equity                    | -6.5   | 1.9     | 03/06/2019     |
| Passive Pacific Rim (ex-Japan) Equity   | -1.9   | 4.8     | 03/06/2019     |
| Passive Emerging Markets Equity         | -5.7   | 7.6     | 03/06/2019     |

Source: Scottish Widows.

Performance shown net of all charges and transaction costs.

## Value for Members

Over the second quarter of 2023, the Trustees with the help of their financial advisors at Mercer carried out a review of the extent to which member-borne investment charges represent good value for members for the year ending 31 December 2022. The Trustees are required to assess the extent to which the Scheme delivers value for members across three key areas:

| ASSESSMENT AREA               | TYPE OF ASSESSMENT                                                                                                                                                                                                                                                                                |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Costs and charges             | Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.                                                                                                                                                         |
| Net investment performance    | Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.                                                                                                                                                        |
| Governance and administration | Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest. |

The Trustees have carried out a value for members assessment as at 31 December 2022. The conclusions of this assessment are set out in the table below:

| ASSESSMENT AREA               | CONCLUSION                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Costs and charges             | <p>The Trustees have assessed the Scheme as offering reasonable value from a costs and charges perspective, relative to the three comparator arrangements.</p> <p>The Scheme's 'default' fund utilises a higher level of active management than the comparator arrangements, so higher costs are expected. The fund's performance has been better than that of the comparators over most periods, somewhat mitigating the higher fees.</p> |
| Net investment performance    | <p>The Trustees have assessed the Scheme as offering good value from a net investment performance perspective.</p> <p>The 'default' arrangement has tended to perform ahead of the three comparator schemes.</p> <p>Performance of the self-select fund range has been ahead of comparators over the majority of periods.</p>                                                                                                              |
| Governance and administration | <p>The Trustees have assessed the Scheme as offering good value from a governance and administration perspective.</p> <p>The Scheme's governance and administration arrangements have been assessed as adequate to ensure the well-running of the scheme.</p>                                                                                                                                                                              |
| <b>Overall</b>                | <p>Overall, considering all three areas set out above, the Trustees have assessed the Scheme as offering good value for members.</p>                                                                                                                                                                                                                                                                                                       |

The Trustees undertake annual assessments and the next formal Value for Money assessment will be for the year ending 31 December 2023.

### Trustees' knowledge and understanding

In accordance with sections 247 and 248 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 are required to have the necessary knowledge and understanding of:

- The Trust Deed and Rules of the Scheme;
- All documents setting out the Trustees' current policies;
- The law relating to pensions and trusts; and
- The principles relating to the funding and investment of occupational pension schemes.

The Trustees have demonstrated that they, both individually and collectively, have the necessary knowledge and understanding of the above matters to enable them to properly exercise their functions as Trustees. Over the Scheme year, the Trustees have undertaken the following actions to maintain and

improve their knowledge and understanding:

- All Trustees have access to the Trust Deed and Rules, current policies and all other relevant Scheme documents;
- The Trustees were supported by professional advisors, who attended Trustees meetings and provided advice and support. The Trustees received advice from their professional advisors, prior to key decisions being taken, to ensure decisions were made in line with the Scheme Rules and applicable legislation;
- All Trustees have completed The Pension Regulator's 'Trustee toolkit' training, which provides them with foundational understanding of legal and regulatory matters relating to pensions and trusts; this knowledge is updated and supplemented by regular industry updates discussed at Trustees meetings;
- The Risk Register is reviewed and updated annually. This demonstrates that the Trustees have the required knowledge of The Pension Regulator's DC Code and hold relevant knowledge on DC specific internal controls and the regulators requirements; and
- The Trustees refer to the Trust Deed and Rules, where relevant, on deciding individual member cases.

## **ONGOING TRAINING**

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

- 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;
- All training activities are recorded in a training log; and
- Trustee training is considered and reviewed throughout the year to determine any specific training and development needs. Training sessions are then planned accordingly.

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

- Covenant training (15 March 2022)
- GMP Training (15 March 2022)
- Actuarial valuation training (15 March 2022)
- DC Developments and trends in ESG (8 November 2022)
- Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019 (8 November 2022)
- DB Investment strategy training (8 November 2022)

In addition, individual trustees also received training outside of formal meetings through market events, presentations from investment managers or other sources.

## **TRUSTEE INDUCTION**

There is an induction process in place for new Trustees, whereby detailed training sessions are run by the Scheme's advisors, which cover legal, actuarial and investment training. These sessions are Scheme specific and cover any knowledge gaps identified on appointment. New Trustees are required to complete the Pension Regulator's 'Trustee Toolkit'. The induction process and Scheme specific introductory training is reviewed to ensure that it is fit for purpose prior to any new Trustees receiving their training.

## **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 and all governing documents setting out the Trustees' current policies. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- Changes to the underlying components of the ADGF and self-select funds necessitated consideration of the investment powers in the Scheme's Trust Deed and Rules.
- The Risk Register is reviewed and updated annually at the Trustees' first meeting of the scheme year. 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 occupational 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 applied during the period:

- The Trustees' professional advisors attend their formal meetings;
- The Trustees consists of 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 in addition to having knowledge and professional advice available, it 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 are performing effectively and are 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 Trustees to the best of their knowledge.

Signature: [redacted]

Name: **Andrew Trapnell**

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

Date: **24 July 2023**