

# The Thomson-Leng Provident Fund (“the Fund”)

## CHAIRMAN’S ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024

I am pleased to present the Trustee’s annual statement of governance, covering the period 1 April 2023 to 31 March 2024. This statement describes how the Trustee seeks to ensure that the Defined Contribution (“DC”) Section of the Fund is well-managed and delivers value to members. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the ‘Regulations’).

***Following the Trustee’s annual review, undertaken in conjunction with its advisers, I am happy to confirm that the Trustee has concluded that the DC Section of the Fund is well-managed and delivers value to its members.***

### Executive Summary

This statement covers six key areas. These are highlighted in the summary below and full details are set out in the remainder of the statement:

1. The Fund’s default investment arrangement
  - *The default investment arrangement is the Target Drawdown Retirement Path.*
  - *The Trustee regularly considers the suitability of the default investment arrangement. The latest formal investment strategy review was undertaken in June 2023 and the results of this review are included within this statement.*
  - *The performance of the funds, including the default investment arrangement is reviewed by the Trustee at its quarterly Board meetings.*
  - *The underlying asset allocation across each of the main asset classes within the default investment arrangement and technical default investment arrangements is shown within this statement.*
  
2. The processing of core financial transactions
  - *The Trustee seeks to ensure such transactions are processed accurately and promptly.*
  - *Aptia is the Fund’s DC administrator (following the transfer of Mercer’s UK pension administration business to Aptia) and the Fund’s DC assets are invested in Mercer Workplace Solutions (“MWS”) governed funds, accessed on the Scottish Widows investment platform.*
  - *The Trustee is comfortable that core financial transactions have been processed promptly and accurately.*
  
3. Charges and transaction costs within the Fund
  - *Charges borne by members are set out in Appendix 1 and 2 (Total Expense Ratios (“TERs”) and transaction costs).*
  - *Details of performance-based fees incurred over the year are also reported in this statement.*
  - *Illustrations detailing the impact of the costs and charges typically paid by a member of the Fund on their retirement savings are set out in Appendix 3.*  
*These illustrations are **not** guaranteed and have been prepared to show the cumulative impact that investment charges and transaction costs can have on members’ fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements.*

4. Net investment returns

- *Investment returns for the Fund's default investment arrangement, technical defaults and those self-select investment options in which members were able to select over the year, after taking account of TERs and transaction costs are set out in Appendix 4.*

5. Value for Members assessment

- *The Trustee has concluded, following consideration of a Value for Members assessment report from its DC investment adviser, that in relation to member-borne deductions, the Fund offers value for members, based on three main areas: price, performance and productivity.*
- *Benchmarking by the Trustee's advisers has shown investment managers' charges for nearly all the Fund's investment options are in the lower quartile when compared against similar funds available in the market.*
- *Fund performance, after the deduction of costs and charges, has been assessed as 'reasonable', relative to benchmark/target over the periods considered. Calendar years 2021, 2022 and 2023 were particularly challenging for financial markets due to a range of global and regional headwinds resulting in heightened market volatility and mixed performance over the periods reported. This impacted the longer-term performance of the risk profiled funds, especially the impact of negative returns experienced by bond markets over this period. Overall, the Trustee, based on advice received from its DC investment adviser, is comfortable with the performance of the funds when considering the broader market context and experience. However, the Trustee will continue to monitor performance closely.*
- *The Fund offers a range of additional features for members, including scheme governance and management, administration and communications.*

6. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements

- *During the year, the Trustee undertook a number of training activities with regard to the DC Section of the Fund that required the Trustee Directors to give detailed consideration to pensions law and the Fund's governing documents, including the Trust Deed and Rules and Statement of Investment Principles.*
- *These activities and the input from their advisers helped the Trustee Directors to maintain their knowledge, understanding and familiarity with these areas.*

Signature: *Christopher HW Thomson*

Name: Christopher HW Thomson

**Chairman of DC Thomson & Co Pension Trustee Limited**  
**24 September 2024**

## **CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024**

### **Background**

The Fund is a hybrid pension arrangement comprised of a Defined Benefit Section ("DB Section") that closed to future accrual of benefit on 31 March 2015 and a DC Section into which contributions are paid monthly. This statement is purely in relation to the DC Section.

The term 'defined contribution' means that the value of members' benefits on retirement is unknown in advance and is not guaranteed but is instead dependent on factors such as the amount of contributions paid in, investment returns earned and expenses incurred. The way in which members choose to withdraw their benefits will also have a bearing on their financial outcomes during retirement. The disclosures in this statement relate entirely to the DC Section and include those required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Trustee is committed to compliance with both the letter and spirit of the Regulations and will also seek out and implement best-practice governance arrangements where possible.

The Trustee receives substantial support from professional advisers and the pensions team at DC Thomson and Co Ltd, to deal with any issues as they arise and ensure the continued ongoing development and smooth running of the Fund.

### **1. The default investment arrangement**

The Trustee provides a default investment arrangement for members who do not make active investment decisions on where their Retirement Account is invested.

The Trustee's Statement of Investment Principles (SIP), dated September 2023 is attached. This covers the Trustee's aims and objectives in relation to the default investment arrangement as well as the Trustee's policies on risk and diversification. Additionally, it states why the Trustee believes that the default investment arrangement is designed in members' interests. The SIP was prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This SIP superseded the September 2021 version.

All DC assets are held on the Scottish Widows investment platform via Mercer Workplace Savings (MWS).

MWS provides an overlay of the Fund's DC investments, including:

- An additional layer of ongoing governance monitoring services (i.e. of the platform provider);
- Investment governance of the platform provider's fund range;
- Investment management services via lifestyle strategies and blended fund portfolios; and
- An annual investment strategy review.

Changes to the strategic asset allocation ("SAA") as a result of the 2023 annual MWS investment strategy review were implemented in Q2 2023. These changes focused on the SAA of the Mercer Growth and Mercer Diversified Retirement Funds, therefore impacting the Fund's default investment arrangement. Cash allocation was reduced across both funds in favour of an increased allocation to short duration bonds and the allocation to equity within the Diversified Retirement Fund was marginally reduced in favour of global high yield bonds.

The Trustee regularly considers the suitability of the default investment arrangement. The default investment arrangement targets flexible withdrawal of benefits at retirement and invests 100% of members' assets in a multi-asset fund (Mercer Growth Fund), that holds equities and other growth-

seeking assets, up to eight years prior to their Target Retirement Age. In January of the 8<sup>th</sup> year, the assets are switched into a target date fund that targets flexible drawdown and tax-free cash withdrawal at retirement. The default Target Retirement Age is 65, although members are able to select an alternative.

In addition, two alternative glidepath strategies are available to members that reflect alternative ways in which members may wish to take their benefits at retirement (annuity purchase or cash).

The Trustee recognises that members have differing investment needs and that these may change during the course of a member's working life. The Trustee also recognises that members have different attitudes to risk, therefore a range of self-select funds is also available to members. These funds cater for differing objectives and attitudes to risk. MWS is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying investment managers.

The Trustee also made a number of changes to the self-select range of funds in May 2019 as part of the transition to the MWS fund range. As a result of the fund mapping exercise that accompanied these changes and since the Trustee did not obtain explicit consent from members for these switches, the following funds are classed as technical default arrangements:

- Mercer Growth Fund
- Mercer High Growth Fund
- Mercer Moderate Growth Fund
- Mercer Defensive Fund
- Mercer Diversified Growth Fund
- Mercer Active Money Market Fund

The Trustee formally reviewed the investment strategy of the Fund in June 2023. The investment strategy review covered the default investment arrangement, the technical default investment arrangements and the self-select investment options available to members. The review considered key aspects including the default target, the default design, alternative lifestyles and the range of self-select funds. The review concluded that the default investment arrangement remains appropriate for members and is consistent with the aims and objectives as set out in the SIP. The review also concluded that the technical default investment arrangements remain appropriate and a good range of funds are available for members to self-select. In addition, the review confirmed that the target cash and annuity alternative lifestyles remain suitable. Following the investment strategy review the Trustee concluded that no changes should be made to the investment strategy. The next formal investment strategy review will be undertaken in June 2026 or sooner if there are any significant changes in investment policy or member demographics.

Following a review of the self-select options in 2022 and considering members' views, the Trustee decided to introduce the Mercer Shariah Fund to the DC Section fund range. This index-tracker fund invests in global equities and is compliant with Islamic Shariah principles. The Shariah fund was launched in April 2023, at the start of the Fund year.

The performance of the funds, including the default investment arrangement is reviewed by the Trustee at its quarterly Board meetings. The Trustee's professional advisers attend each of these meetings and present their quarterly investment reports that examine performance against benchmark to enable the Trustee to monitor whether the funds are performing in line with their objectives. The adviser's report also reports on factors that have impacted on performance. These performance monitoring processes were applied throughout the reporting period and showed that the default investment arrangement is performing in line with expectations.

The asset allocation of investments within the Fund's default investment arrangement and technical default arrangements across each of the main asset classes is shown in Appendix 5.

## 2. Requirements for processing core financial transactions

The Pensions Regulator defines core financial transactions as including:

- Bulk transfers in and out
- Member fund switches and redirections
- Receipt of contributions
- Investment of contributions
- Individual transfers in and out, quotes and payments
- Benefits payable on death
- Purchase of annuities and payments of lump sums

The Trustee seeks to ensure that such transactions are processed accurately and promptly. To that end, Aptia has been appointed Fund administrator and the day-to-day management of the assets has been delegated to Scottish Widows via MWS. Mercer's UK pension administration business transferred to Aptia with effect from 1 January 2024. Together, Aptia and Scottish Widows have responsibility for processing core financial transactions on behalf of the Trustee. The Trustee has considered the key controls operated by these organisations and has in place Service Level Agreements (SLAs) that cover the accuracy and timeliness of all core financial transactions.

The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately as follows:

- The Trustee operates a system of **internal controls** aimed at monitoring the DC Section's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions, including core transactions such as the payment and investment of contributions, the transfer of member assets into and out of the DC Section and the payment of benefits on retirement.
- The Fund's **Risk Register** outlines the risks to members in relation to financial transactions with corresponding internal controls to mitigate these risks. These risks are monitored and reviewed on a regular basis.
- The **Schedule of Contributions** sets out timescales for the Company to remit monthly contributions to the DC Section. The Company is responsible for ensuring that contributions in respect of active members are paid to the Fund promptly. The timing of these payments into the Fund and their subsequent investment is monitored by the Trustee through quarterly reports produced by the Fund administrator and if payment of contributions is late, this would be flagged.
- The Trustee has delegated the **administration** of member records to a professional third-party administrator, Aptia. The Trustee has agreed SLAs with Aptia which cover core financial functions such as the investment of contributions, investment switches between funds, transfer payments and benefit payments.
- The Trustee reviews Aptia's administration reports at its quarterly Board meetings. These reports cover Aptia's performance against SLAs and compliance with statutory regulations. The reports also highlight any member cases of note and provide the Trustee with statistics in relation to members' usage of the OneView member portal and member feedback on the Aptia Customer Relations Centre. The Trustee considered Aptia's performance against the SLAs at

each meeting during the reporting period and also reviewed call wait times for telephone queries.

99.7% of SLAs for core financial transactions were met during the year ended 31 March 2024, which is an improvement on the previous Fund year and is in line with the standards expected by the Trustee. However, the Trustee notes that this score does not reflect a one-off breach of disclosure requirements that was identified by the Fund administrator in the year, whereby a number of members who left on the same date did not receive a leaver statement within the required timescale. The performance against SLA over the year would have dropped to 85.6%, taking into account the disclosure breach. However, the Trustee considered the breach, noting that it was a one-off error, rather than a systemic issue, therefore it was considered a 'green', non-reportable breach. The Trustee has received information from Aptia on the cases that missed SLA, including the type of transaction involved and the timescale in which it was completed. The Trustee is satisfied that, over the period covered by this statement, the Fund administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA and core financial transactions have been processed promptly and accurately.

Members are invited to rate and comment on four key areas of the Aptia Customer Relations Centre after each call: resolution of enquiry, time to answer, manner of response and if the information provided was clear and easy to understand. The results were strong throughout the year.

The Fund also utilises the Aptia self-service portal where members can raise queries online and these are fed straight into the appropriate administration team.

The Trustee also reviewed the quality of data held by the Fund administrator and agreed actions to improve the quality of the data.

- As part of the annual audit, the Fund **Auditor** checks that contributions are paid in accordance with the Fund rules. The Fund Auditor changed from Henderson Loggie to RSM over the year.

### **3. Charges and transaction costs**

As required by the Regulations, the Trustee is required to report on the charges and transaction costs for the investments and its assessment on the extent to which the charges and costs represent value for members.

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (the '2018 Regulations') require schemes to provide an illustrative example of the cumulative effect of costs and charges incurred by members and publish that within 7 months of the scheme year-end, free of charge and on a publicly available website:

#### **3.1. Charges**

The Annual Management Charge ("AMC") and Total Expense Ratio ("TER") payable under the default investment arrangement will vary depending on the stage that each member has reached in the 'lifestyle' de-risking process. Members' assets are de-risked as they approach retirement via the use of target date funds. The TER includes the AMC and additional expenses incurred by the investment manager such as trading fees, legal fees, auditor fees and other operational expenses.

A new set of target date funds are introduced each year as the next group of members reach eight years from retirement. This also applies to the two additional lifestyle strategies.

The table in Appendix 1 shows the TERs of the funds as provided by the investment platform provider, Scottish Widows. The TERs are deducted through the unit prices of the various funds offered. All other governance expenses and running costs are paid by the Fund.

All of the funds have TERs that fall below the charge cap of 0.75% p.a. All TERs are as at 31 March 2024.

The Trustee confirms that, over the year covered by this statement, no performance-based fees were incurred by members in the default investment arrangement, any of the technical default investment arrangements or self-select investment options available to members.

### **3.2. Transaction costs**

Transaction costs are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. Transaction costs are taken into account by the fund managers when calculating the unit price for each of the funds.

The transaction costs over the year to 31 March 2024 are shown in Appendix 2. These transaction costs are calculated using the prescribed 'slippage cost' method. This compares the price of the investment being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be positive or negative.

The charges and transaction costs have been supplied by the investment platform provider, Scottish Widows.

### **3.3. Illustrations**

Based on the statutory guidance and in accordance with the regulatory requirements, the Trustee has prepared illustrations detailing the potential impact of the costs and charges typically paid by a member of the DC Section of the Fund on their retirement savings. These illustrations are in Appendix 3. In line with statutory guidance, the illustrations are for the default investment arrangement, technical defaults and the funds with the lowest and highest charges.

The illustrations represent the youngest active and deferred member and the average active and deferred member. All illustrations are for members who retire after December 2025, therefore picking up changes to the default investment arrangement's glidepath during the approach to retirement which were implemented in January 2023.

## **4. Net investment returns**

The Occupational Pensions Plans (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced new requirements for trustees of 'relevant' occupational pension schemes to calculate and publish the investment returns for a scheme's default investment arrangement, any additional technical default arrangements and those self-select investment options in which members were able to select over the year, after taking account of transaction costs and charges.

Appendix 4 provides the net investment return disclosures as at 31 March 2024. The Trustee has taken account of the statutory guidance when preparing these disclosures. As the transition to MWS was completed in May 2019, net investment returns have only been shown over one year, three years and since inception.

## **5. Value for members**

The Trustee has assessed the extent to which the charges and transaction costs set out above represent value for members.

Underpinning the Trustee's assessment of value is the belief that value is about using the resources at its disposal effectively to help members achieve good outcomes for life after work. Also, while some measures of value should be scrutinised carefully over the short-term (for example, the performance of the Fund administrator), the Trustee believes that others, such as the suitability and performance of investment funds, span several years. Additionally, some components of member value can be assessed quantitatively, but those that impact on members' experience of the Fund and its services often require a more qualitative assessment.

In conjunction with its professional advisers, the Trustee undertook a value for members assessment which covered the following aspects:

- Investment charges for the default investment and self-select funds, when benchmarked against comparable funds;
- Net of fees investment performance;
- Fund range;
- Manager research ratings assigned by the Trustee's investment adviser's regarding the outlook for the fund views on whether the fund can attain their stated objectives.

The Trustee has concluded that the Fund offers value for members in relation to member-borne deductions incurred.

The reasons for this conclusion include:

- Benchmarking by the Trustee's advisers has shown investment managers' charges for nearly all the Fund's investment options to be in the lower quartile when compared against similar funds available in the market. Although at this stage it is not possible to benchmark transaction costs against other arrangements, the transaction costs were broadly as expected and similar to those observed by other pension schemes.
- The Fund's current default arrangement and technical defaults comfortably comply with the charge cap of 0.75% per annum.
- Fund performance, after the deduction of costs and charges, has been assessed as 'reasonable', relative to benchmark/target over the periods considered. Over the three years to 31 March 2024, five funds underperformed their absolute return benchmark/target, including the Mercer Growth fund, which is the main fund used in the "growth" phase of the default investment arrangement and the two alternative lifestyles. Calendar years 2021, 2022 and 2023 were particularly challenging for financial markets due to a range of global and regional headwinds resulting in heightened market volatility and mixed performance impacting the longer-term periods reported. This impacted the longer-term performance of the risk profiled funds, in particular the impact of negative returns experienced by bond markets over this period. Overall, the Trustee, based on advice received from its DC investment adviser, is comfortable with the performance of the funds when considering the broader market context and experience. However, the Trustee will continue to monitor performance closely.
- Members are also in receipt of additional benefits, including:
  - The Trustee Board's advisory costs are borne entirely by the Fund.
  - Members bear the investment fees whilst the Fund meets other general running costs such as communication and administration costs.



- The MWS service includes access to a market-leading investment platform and highly rated investment funds. It also includes ongoing monitoring and oversight of the investment platform. In addition, the service includes the provision of annual reporting to the Trustee on the investment platform service delivery, its compliance with future regulatory changes and future proposition development plans.
- The efficiency of the administration processes and the Trustee and Company's governance of the services.
- The wide-ranging support and governance of the Fund from the Trustee, the Company pensions team and the Trustee's professional advisers.
- Access to OneView, an online portal that allows members to view their account balances, notify the Trustee of any change to their personal data, change their contribution rates and/or investment strategy and model future benefit outcomes.
- Member communication services including pension presentations and the production of notices, leaflets and other explanation material.

## **6. Trustee knowledge and understanding**

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and investment of scheme assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

The Trustee is also required to explain how the combined knowledge and understanding of its Directors, together with the advice which is available to the Trustee Board to properly exercise their duty as Trustee of the Fund.

During the year, the Trustee undertook a number of activities with regard to the DC Section that required the Trustee Directors to give detailed consideration to pensions law and the Fund's governing documents, including its Trust Deed and Rules and Statement of Investment Principles. These activities and the input from their advisers in relation to them helped the Trustee Directors to maintain their knowledge, understanding and conversance with these documents. Examples include:

- The Trustee has undertaken ongoing training within its regular meetings to keep abreast of relevant developments.
- In May 2023 the Trustees attended a training session facilitated by their adviser covering the Pensions Regulator's Trustee Toolkit. This session covered topics such as the Trustees' role, running a pension scheme, pensions law, an introduction to investment, how a DC scheme works and investment in a DC scheme.
- In June 2023 the Trustee received an update on the MWS annual investment strategy review and completed a review of the Fund's investment strategy.
- The Trustee reviewed its DC Section Statement of Investment Principles in September 2023 in conjunction with its DC investment adviser and updates were made to reflect changes to the default investment strategy glidepath and the introduction of the Mercer Shariah fund as a self-select option.

- The Trustee reviewed Fund documents such as the annual Chair's Statement, Value for Members assessment and Implementation Statement at a dedicated Trustee meeting on 13 September 2023. The Trustee also reviewed the Fund's Risk Register during the year.
- In September 2023 the Trustees completed an assessment of members' projected benefits at retirement against the Pension and Lifetime Savings Association's Retirement Living Standards and considered actions to support members to attain better outcomes.
- In December 2023 the Trustee received training in relation to the new AS TM1 version 5 guidance for setting SMPI assumptions.

In order to maintain their knowledge and understanding, the Trustee also has additional processes in place. Examples include:

- The Trustee Directors review their training needs regularly and maintain a group training log.
- A Trustee information pack is issued to all new Trustee Directors and all Trustee Directors are expected to complete The Pensions Regulator's Trustee Toolkit.
- The Trustee also receives advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.
- The Trustee meeting agendas are prepared by the Company pensions team with input from the Trustee's professional advisers who do so with a view to ensuring compliance and best practice.
- The Trustee receives detailed quarterly investment and administration reports from its professional adviser.
- The Trustee receives a briefing on pension legislation and relevant regulatory developments at each meeting.

The Trustee believes that the diversity of skills on the Trustee Board, combined with the expert resources available to it, enables it to exercise its functions and keep abreast of emerging risks, opportunities and best practices.

### **Chair's declaration**

I confirm that the above statement has been produced by DC Thomson & Co Pension Trustee Limited to the best of my knowledge.

Signature: *Christopher HW Thomson*

Name: Christopher HW Thomson

**Chairman of DC Thomson & Co Pension Trustee Limited  
September 2024**



**Appendix 1 - Total Expense Ratio (“TER”)**

The funds in bold below are used in the default investment arrangement.

Name	Total Expense Ratio
Mercer Defensive	0.310%
Mercer Moderate Growth	0.297%
<b>Mercer Growth</b>	<b>0.281%</b>
Mercer High Growth	0.305%
Mercer Diversified Growth	0.320%
Mercer Active Global Equity	0.720%
Mercer Active Money Market	0.170%
Mercer Active Sustainable Global Equity	0.650%
Mercer Passive Sustainable Global Equity	0.150%
Mercer Shariah	0.350%
<b>Mercer Drawdown Retirement Fund</b>	<b>0.333%</b>
<b>Mercer Target Drawdown 2025 Retirement Fund</b>	<b>0.336%</b>
<b>Mercer Target Drawdown 2026 Retirement Fund</b>	<b>0.353%</b>
<b>Mercer Target Drawdown 2027 Retirement Fund</b>	<b>0.348%</b>
<b>Mercer Target Drawdown 2028 Retirement Fund</b>	<b>0.337%</b>
<b>Mercer Target Drawdown 2029 Retirement Fund</b>	<b>0.325%</b>
<b>Mercer Target Drawdown 2030 Retirement Fund</b>	<b>0.314%</b>
<b>Mercer Target Drawdown 2031 Retirement Fund</b>	<b>0.303%</b>
<b>Mercer Target Drawdown 2032 Retirement Fund</b>	<b>0.293%</b>
Mercer Annuity Retirement Fund	0.202%
Mercer Target Annuity 2025 Retirement Fund	0.209%
Mercer Target Annuity 2026 Retirement Fund	0.219%
Mercer Target Annuity 2027 Retirement Fund	0.228%
Mercer Target Annuity 2028 Retirement Fund	0.246%
Mercer Target Annuity 2029 Retirement Fund	0.257%
Mercer Target Annuity 2030 Retirement Fund	0.267%
Mercer Target Annuity 2031 Retirement Fund	0.278%
Mercer Target Annuity 2032 Retirement Fund	0.289%
Mercer Cash Retirement Fund	0.220%
Mercer Target Cash 2025 Retirement Fund	0.230%
Mercer Target Cash 2026 Retirement Fund	0.230%
Mercer Target Cash 2027 Retirement Fund	0.231%
Mercer Target Cash 2028 Retirement Fund	0.231%
Mercer Target Cash 2029 Retirement Fund	0.241%
Mercer Target Cash 2030 Retirement Fund	0.256%
Mercer Target Cash 2031 Retirement Fund	0.271%
Mercer Target Cash 2032 Retirement Fund	0.284%

Source: Scottish Widows. Includes Scottish Widows and Mercer charges. Figures as at 31 March 2024

## Appendix 2 – Transaction Costs over the year to 31 March 2024

The funds in bold below are used in the default investment arrangement.

Name	Transaction Costs
Mercer Defensive	0.148%
Mercer Moderate Growth	0.125%
<b>Mercer Growth</b>	<b>0.113%</b>
Mercer High Growth	0.086%
Mercer Diversified Growth	0.183%
Mercer Active Global Equity	0.194%
Mercer Active Money Market	0.015%
Mercer Active Sustainable Global Equity	0.016%
Mercer Passive Sustainable Global Equity	0.169%
Mercer Shariah	0.004%
<b>Mercer Drawdown Retirement Fund</b>	<b>0.096%</b>
<b>Mercer Target Drawdown 2025 Retirement Fund</b>	<b>0.103%</b>
<b>Mercer Target Drawdown 2026 Retirement Fund</b>	<b>0.120%</b>
<b>Mercer Target Drawdown 2027 Retirement Fund</b>	<b>0.120%</b>
<b>Mercer Target Drawdown 2028 Retirement Fund</b>	<b>0.118%</b>
<b>Mercer Target Drawdown 2029 Retirement Fund</b>	<b>0.117%</b>
<b>Mercer Target Drawdown 2030 Retirement Fund</b>	<b>0.116%</b>
<b>Mercer Target Drawdown 2031 Retirement Fund</b>	<b>0.115%</b>
<b>Mercer Target Drawdown 2032 Retirement Fund</b>	<b>0.113%</b>
Mercer Annuity Retirement Fund	0.004%
Mercer Target Annuity 2025 Retirement Fund	0.013%
Mercer Target Annuity 2026 Retirement Fund	0.026%
Mercer Target Annuity 2027 Retirement Fund	0.039%
Mercer Target Annuity 2028 Retirement Fund	0.053%
Mercer Target Annuity 2029 Retirement Fund	0.067%
Mercer Target Annuity 2030 Retirement Fund	0.081%
Mercer Target Annuity 2031 Retirement Fund	0.095%
Mercer Cash Retirement Fund	0.015%
Mercer Target Cash 2025 Retirement Fund	0.035%
Mercer Target Cash 2026 Retirement Fund	0.060%
Mercer Target Cash 2027 Retirement Fund	0.086%
Mercer Target Cash 2028 Retirement Fund	0.112%
Mercer Target Cash 2029 Retirement Fund	0.117%
Mercer Target Cash 2030 Retirement Fund	0.116%
Mercer Target Cash 2031 Retirement Fund	0.115%

Source: Scottish Widows. Figures as at 31 March 2024

Transaction costs were not provided by Scottish Widows for the Mercer Target Annuity 2032 Retirement Fund or the Mercer Target Cash 2032 Retirement Fund. No members were invested in any of these funds over the year.

### Appendix 3 – Charges and Transaction Costs - Illustrations

To make the illustrations representative of the membership of the Fund, the illustrations have taken into account the following elements, based on membership data:

- DC pot size
- Pensionable Salary
- Contribution rates
- Real terms investment return gross of costs and charges
- Adjustment for the effect of costs and charges, including transaction costs
- Period of investment

#### Youngest active member

*The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. Furthermore, the illustrations are based on a number of assumptions, including salary growth and investment returns – these are NOT guaranteed fund values.*

*The illustrative fund values are expressed in today's terms. For example, a projected fund value after 44 years of £161,853 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £161,853 today.*

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£5,941	£5,916	£5,946	£5,889	£5,752	£5,741
5	£16,195	£15,958	£16,247	£15,705	£14,275	£14,185
10	£30,612	£29,812	£30,794	£28,981	£24,237	£23,972
15	£47,035	£45,267	£47,450	£43,468	£33,480	£32,969
20	£65,743	£62,508	£66,519	£59,278	£42,056	£41,242
25	£87,055	£81,743	£88,351	£76,530	£50,014	£48,846
30	£111,332	£103,202	£113,347	£95,356	£57,398	£55,838
35	£138,988	£127,141	£141,964	£115,901	£64,250	£62,266
40	£166,398	£149,967	£174,729	£138,321	£70,608	£68,176
44	£181,827	£161,853	£204,327	£157,721	£75,362	£72,558
<b>Breakdown at Year 44</b>						
Initial Pot Size	£3,540	£3,540	£3,540	£3,540	£3,540	£3,540
Total Employee Contributions	£31,680	£31,680	£31,680	£31,680	£31,680	£31,680
Total Employer Contributions	£68,640	£68,640	£68,640	£68,640	£68,640	£68,640
Gross Investment Returns	£77,967	£77,967	£100,467	£100,467	£-28,498	£-28,498
Impact of Costs and Charges	£0	£-19,974	£0	£-46,606	£0	£-2,804
Total Fund Value	£181,827	£161,853	£204,327	£157,721	£75,362	£72,558

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Growth		Mercer High Growth		Mercer Moderate Growth	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£5,941	£5,916	£5,940	£5,915	£5,848	£5,824
5	£16,195	£15,958	£16,185	£15,946	£15,220	£15,007
10	£30,612	£29,812	£30,574	£29,769	£27,258	£26,591
15	£47,035	£45,267	£46,948	£45,172	£39,666	£38,291
20	£65,743	£62,508	£65,582	£62,335	£52,456	£50,110
25	£87,055	£81,743	£86,786	£81,458	£65,637	£62,049
30	£111,332	£103,202	£110,915	£102,767	£79,224	£74,108
35	£138,988	£127,141	£138,373	£126,511	£93,227	£86,290
40	£170,493	£153,847	£169,619	£152,967	£107,661	£98,594
44	£198,825	£177,418	£197,693	£176,293	£119,526	£108,527
<b>Breakdown at Year 44</b>						
Initial Pot Size	£3,540	£3,540	£3,540	£3,540	£3,540	£3,540
Total Employee Contributions	£31,680	£31,680	£31,680	£31,680	£31,680	£31,680
Total Employer Contributions	£68,640	£68,640	£68,640	£68,640	£68,640	£68,640
Gross Investment Returns	£94,965	£94,965	£93,833	£93,833	£15,666	£15,666
Impact of Costs and Charges	£0	-£21,407	£0	-£21,400	£0	-£10,999
Total Fund Value	£198,825	£177,418	£197,693	£176,293	£119,526	£108,527

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Defensive		Mercer Diversified Growth		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£5,847	£5,824	£5,944	£5,913	£5,752	£5,741
5	£15,213	£15,002	£16,230	£15,932	£14,275	£14,185
10	£27,236	£26,571	£30,736	£29,729	£24,237	£23,972
15	£39,619	£38,251	£47,316	£45,091	£33,480	£32,969
20	£52,372	£50,041	£66,269	£62,195	£42,056	£41,242
25	£65,508	£61,942	£87,934	£81,239	£50,014	£48,846
30	£79,037	£73,956	£112,697	£102,444	£57,398	£55,838
35	£92,972	£86,083	£141,003	£126,053	£64,250	£62,266
40	£107,323	£98,326	£173,359	£152,340	£70,608	£68,176
44	£119,114	£108,203	£202,546	£175,501	£75,362	£72,558
<b>Breakdown at Year 44</b>						
<b>Initial Pot Size</b>	£3,540	£3,540	£3,540	£3,540	£3,540	£3,540
<b>Total Employee Contributions</b>	£31,680	£31,680	£31,680	£31,680	£31,680	£31,680
<b>Total Employer Contributions</b>	£68,640	£68,640	£68,640	£68,640	£68,640	£68,640
<b>Gross Investment Returns</b>	£15,254	£15,254	£98,686	£98,686	-£28,498	-£28,498
<b>Impact of Costs and Charges</b>	£0	-£10,911	£0	-£27,045	£0	-£2,804
<b>Total Fund Value</b>	£119,114	£108,203	£202,546	£175,501	£75,362	£72,558
<b>Assumptions</b>						
<ul style="list-style-type: none"> <li>- Future inflation assumed to be 2.5% p.a.</li> <li>- Salaries assumed to increase at 2.5% p.a.</li> <li>- The assumptions used for the youngest active member are as follows: <ul style="list-style-type: none"> <li>- Age 21</li> <li>- Salary £24,000 (based on sample of members)</li> <li>- Starting pot size £3,540 (based on sample of members)</li> <li>- Total contribution rate 9.5% (based on sample of members)</li> </ul> </li> <li>- The gross investment return is negative for the Active Money Market fund illustrations as the investment return is not expected to keep up with inflation i.e. a negative real return.</li> <li>- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65. <ul style="list-style-type: none"> <li>Average growth rate above inflation 2.43% p.a. (before charges).</li> <li>Average TER is assumed to be 0.24% and transaction costs are assumed to average 0.13% p.a.</li> </ul> </li> <li>- Mercer Active Global Equity Fund growth rate above inflation before charges is assumed to be 2.74% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.72% and transaction costs are assumed to average 0.24% p.a.</li> </ul> </li> <li>- Mercer Active Money Market Fund growth rate above inflation before charges is assumed to be -1.49% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.17% and transaction costs are assumed to average 0.01% p.a.</li> </ul> </li> <li>- Mercer Growth Fund growth rate above inflation before charges is assumed to be 2.64% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.28% and transaction costs are assumed to average 0.14% p.a.</li> </ul> </li> <li>- Mercer High Growth Fund growth rate above inflation before charges is assumed to be 2.62% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.31% and transaction costs are assumed to average 0.12% p.a.</li> </ul> </li> <li>- Mercer Moderate Growth Fund growth rate above inflation before charges is assumed to be 0.61% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.11% p.a.</li> </ul> </li> <li>- Mercer Defensive Fund growth rate above inflation before charges is assumed to be 0.59% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.31% and transaction costs are assumed to average 0.09% p.a.</li> </ul> </li> <li>- Mercer Diversified Growth Fund growth rate above inflation before charges is assumed to be 2.71% p.a. <ul style="list-style-type: none"> <li>Average TER is assumed to be 0.32% and transaction costs are assumed to average 0.20% p.a.</li> </ul> </li> </ul>						



### Average active member

The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. **Furthermore, the illustrations are based on a number of assumptions, including salary growth and investment returns – these are NOT guaranteed fund values.**

The illustrative fund values are expressed in today's terms. For example, a projected fund value after 25 years of £135,159 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £135,159 today.

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£25,130	£25,025	£25,154	£24,913	£24,193	£24,148
5	£42,002	£41,276	£42,168	£40,516	£35,804	£35,536
10	£65,721	£63,696	£66,198	£61,617	£49,374	£48,733
15	£92,741	£88,707	£93,710	£84,644	£61,966	£60,867
20	£121,746	£114,847	£125,208	£109,772	£73,649	£72,022
25	£145,422	£135,159	£161,270	£137,193	£84,490	£82,278
<b>Breakdown at Year 25</b>						
<b>Initial Pot Size</b>	£21,180	£21,180	£21,180	£21,180	£21,180	£21,180
<b>Total Employee Contributions</b>	£26,452	£26,452	£26,452	£26,452	£26,452	£26,452
<b>Total Employer Contributions</b>	£57,314	£57,314	£57,314	£57,314	£57,314	£57,314
<b>Gross Investment Returns</b>	£40,476	£40,476	£56,324	£56,324	-£20,456	-£20,456
<b>Impact of Costs and Charges</b>	£0	-£10,263	£0	-£24,077	£0	-£2,212
<b>Total Fund Value</b>	£145,422	£135,159	£161,270	£137,193	£84,490	£82,278

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Growth		Mercer High Growth		Mercer Moderate Growth	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£25,130	£25,025	£25,125	£25,020	£24,668	£24,569
5	£42,002	£41,276	£41,967	£41,237	£38,835	£38,194
10	£65,721	£63,696	£65,621	£63,586	£57,032	£55,380
15	£92,741	£88,707	£92,539	£88,488	£75,788	£72,740
20	£123,521	£116,610	£123,171	£116,236	£95,120	£90,276
25	£158,585	£147,738	£158,028	£147,154	£115,045	£107,989
<b>Breakdown at Year 25</b>						
<b>Initial Pot Size</b>	£21,180	£21,180	£21,180	£21,180	£21,180	£21,180
<b>Total Employee Contributions</b>	£26,452	£26,452	£26,452	£26,452	£26,452	£26,452
<b>Total Employer Contributions</b>	£57,314	£57,314	£57,314	£57,314	£57,314	£57,314
<b>Gross Investment Returns</b>	£53,639	£53,639	£53,082	£53,082	£10,099	£10,099
<b>Impact of Costs and Charges</b>	£0	-£10,847	£0	-£10,874	£0	-£7,056
<b>Total Fund Value</b>	£158,585	£147,738	£158,028	£147,154	£115,045	£107,989

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Defensive		Mercer Diversified Growth		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£24,665	£24,566	£25,146	£25,014	£24,193	£24,148
5	£38,813	£38,175	£42,115	£41,203	£35,804	£35,536
10	£56,974	£55,330	£66,045	£63,496	£49,374	£48,733
15	£75,680	£72,648	£93,398	£88,319	£61,966	£60,867
20	£94,945	£90,130	£124,665	£115,956	£73,649	£72,022
25	£114,788	£107,776	£160,405	£146,729	£84,490	£82,278
<b>Breakdown at Year 25</b>						
<b>Initial Pot Size</b>	£21,180	£21,180	£21,180	£21,180	£21,180	£21,180
<b>Total Employee Contributions</b>	£26,452	£26,452	£26,452	£26,452	£26,452	£26,452
<b>Total Employer Contributions</b>	£57,314	£57,314	£57,314	£57,314	£57,314	£57,314
<b>Gross Investment Returns</b>	£9,842	£9,842	£55,459	£55,459	-£20,456	-£20,456
<b>Impact of Costs and Charges</b>	£0	-£7,012	£0	-£13,676	£0	-£2,212
<b>Total Fund Value</b>	£114,788	£107,776	£160,405	£146,729	£84,490	£82,278
<b>Assumptions</b>						
<ul style="list-style-type: none"> <li>- Future inflation assumed to be 2.5% p.a.</li> <li>- Salaries assumed to increase at 2.5% p.a.</li> <li>- The assumptions used for the average active member are as follows: <ul style="list-style-type: none"> <li>- Age 40</li> <li>- Salary £35,270</li> <li>- Starting pot size £21,180</li> <li>- Total contribution rate 9.5%</li> </ul> </li> <li>- The gross investment return is negative for the Active Money Market fund illustrations as the investment return is not expected to keep up with inflation i.e. a negative real return.</li> <li>- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65.</li> <li>Average growth rate above inflation 2.26% p.a. (before charges).</li> <li>Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.13% p.a.</li> <li>- Growth rate above inflation before charges, TER and transaction cost assumptions for the Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund are the same as set out in the youngest active member illustration above.</li> </ul>						

### Youngest deferred member

*The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. Furthermore, the illustrations are based on a number of assumptions, including investment returns – these are NOT guaranteed fund values.*

*The illustrative fund values are expressed in today's terms. For example, a projected fund value after 43 years of £5,891 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £5,891 today.*

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£2,597	£2,586	£2,599	£2,575	£2,492	£2,488
5	£2,882	£2,822	£2,897	£2,761	£2,348	£2,326
10	£3,283	£3,149	£3,316	£3,013	£2,178	£2,138
15	£3,740	£3,513	£3,797	£3,288	£2,021	£1,966
20	£4,261	£3,919	£4,347	£3,588	£1,875	£1,807
25	£4,853	£4,372	£4,977	£3,915	£1,740	£1,662
30	£5,529	£4,877	£5,698	£4,273	£1,615	£1,528
35	£6,297	£5,440	£6,524	£4,662	£1,498	£1,405
40	£6,913	£5,837	£7,469	£5,088	£1,390	£1,291
43	£7,072	£5,891	£8,101	£5,362	£1,329	£1,228
<b>Breakdown at Year 43</b>						
Initial Pot Size	£2,530	£2,530	£2,530	£2,530	£2,530	£2,530
Gross Investment Returns	£4,542	£4,542	£5,571	£5,571	-£1,201	-£1,201
Impact of Costs and Charges	£0	-£1,181	£0	-£2,739	£0	-£101
<b>Total Fund Value</b>	<b>£7,072</b>	<b>£5,891</b>	<b>£8,101</b>	<b>£5,362</b>	<b>£1,329</b>	<b>£1,228</b>

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Growth		Mercer High Growth		Mercer Moderate Growth	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£2,597	£2,586	£2,596	£2,585	£2,545	£2,535
5	£2,882	£2,822	£2,879	£2,819	£2,608	£2,556
10	£3,283	£3,149	£3,276	£3,141	£2,688	£2,581
15	£3,740	£3,513	£3,728	£3,500	£2,770	£2,608
20	£4,261	£3,919	£4,243	£3,900	£2,855	£2,634
25	£4,853	£4,372	£4,828	£4,346	£2,943	£2,661
30	£5,529	£4,877	£5,494	£4,842	£3,033	£2,688
35	£6,298	£5,441	£6,252	£5,395	£3,126	£2,715
40	£7,175	£6,070	£7,114	£6,012	£3,222	£2,742
43	£7,758	£6,482	£7,688	£6,415	£3,281	£2,759
<b>Breakdown at Year 43</b>						
<b>Initial Pot Size</b>	£2,530	£2,530	£2,530	£2,530	£2,530	£2,530
<b>Gross Investment Returns</b>	£5,228	£5,228	£5,158	£5,158	£751	£751
<b>Impact of Costs and Charges</b>	£0	-£1,276	£0	-£1,273	£0	-£522
<b>Total Fund Value</b>	£7,758	£6,482	£7,688	£6,415	£3,281	£2,759

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Defensive		Mercer Diversified Growth		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£2,545	£2,535	£2,599	£2,585	£2,492	£2,488
5	£2,606	£2,554	£2,892	£2,817	£2,348	£2,326
10	£2,684	£2,578	£3,306	£3,136	£2,178	£2,138
15	£2,764	£2,602	£3,779	£3,492	£2,021	£1,966
20	£2,847	£2,627	£4,319	£3,888	£1,875	£1,807
25	£2,932	£2,652	£4,937	£4,329	£1,740	£1,662
30	£3,020	£2,677	£5,643	£4,820	£1,615	£1,528
35	£3,111	£2,702	£6,451	£5,367	£1,498	£1,405
40	£3,204	£2,728	£7,374	£5,976	£1,390	£1,291
43	£3,261	£2,743	£7,989	£6,374	£1,329	£1,228
<b>Breakdown at Year 43</b>						
<b>Initial Pot Size</b>	£2,530	£2,530	£2,530	£2,530	£2,530	£2,530
<b>Gross Investment Returns</b>	£731	£731	£5,459	£5,459	-£1,201	-£1,201
<b>Impact of Costs and Charges</b>	£0	-£518	£0	-£1,615	£0	-£101
<b>Total Fund Value</b>	£3,261	£2,743	£7,989	£6,374	£1,329	£1,228
<b>Assumptions</b>						
<ul style="list-style-type: none"> <li>- Future inflation assumed to be 2.5% p.a.</li> <li>- The assumptions used for the youngest deferred member are as follows: <ul style="list-style-type: none"> <li>- Age 22</li> <li>- Starting pot size £2,530 (based on sample of members)</li> </ul> </li> <li>- The gross investment return is negative for the Active Money Market fund illustrations as the investment return is not expected to keep up with inflation i.e. a negative real return.</li> <li>- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65. <ul style="list-style-type: none"> <li>Average growth rate above inflation 2.42% p.a. (before charges).</li> <li>Average TER is assumed to be 0.29% and transaction costs are assumed to average 0.13% p.a.</li> </ul> </li> <li>- Growth rate above inflation before charges, TER and transaction cost assumptions for the Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund are the same as set out in the youngest active member illustration above.</li> </ul>						

### Average deferred member

The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. **Furthermore, the illustrations are based on a number of assumptions, including investment returns – these are NOT guaranteed fund values.**

The illustrative fund values are expressed in today's terms. For example, a projected fund value after 27 years of £12,355 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £12,355 today.

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£7,729	£7,697	£7,737	£7,663	£7,418	£7,404
5	£8,578	£8,400	£8,621	£8,217	£6,987	£6,923
10	£9,772	£9,372	£9,870	£8,967	£6,483	£6,365
15	£11,131	£10,455	£11,301	£9,785	£6,016	£5,851
20	£12,647	£11,631	£12,938	£10,678	£5,582	£5,379
25	£13,713	£12,321	£14,813	£11,653	£5,179	£4,946
27	£13,872	£12,355	£15,637	£12,067	£5,027	£4,782
<b>Breakdown at Year 27</b>						
Initial Pot Size	£7,530	£7,530	£7,530	£7,530	£7,530	£7,530
Gross Investment Returns	£6,342	£6,342	£8,107	£8,107	£-2,503	£-2,503
Impact of Costs and Charges	£0	£-1,517	£0	£-3,570	£0	£-245
<b>Total Fund Value</b>	<b>£13,872</b>	<b>£12,355</b>	<b>£15,637</b>	<b>£12,067</b>	<b>£5,027</b>	<b>£4,782</b>

Year End	Technical Default		Technical Default		Technical Default	
	Mercer Growth		Mercer High Growth		Mercer Moderate Growth	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£7,729	£7,697	£7,727	£7,695	£7,576	£7,545
5	£8,578	£8,400	£8,569	£8,390	£7,761	£7,606
10	£9,772	£9,372	£9,751	£9,349	£7,999	£7,683
15	£11,131	£10,455	£11,096	£10,417	£8,245	£7,761
20	£12,681	£11,664	£12,627	£11,608	£8,498	£7,839
25	£14,445	£13,012	£14,369	£12,934	£8,759	£7,919
27	£15,218	£13,594	£15,131	£13,506	£8,866	£7,951
<b>Breakdown at Year 27</b>						
<b>Initial Pot Size</b>	£7,530	£7,530	£7,530	£7,530	£7,530	£7,530
<b>Gross Investment Returns</b>	£7,688	£7,688	£7,601	£7,601	£1,336	£1,336
<b>Impact of Costs and Charges</b>	£0	-£1,624	£0	-£1,625	£0	-£915
<b>Total Fund Value</b>	£15,218	£13,594	£15,131	£13,506	£8,866	£7,951



Year End	Technical Default		Technical Default		Technical Default	
	Mercer Defensive		Mercer Diversified Growth		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£7,575	£7,544	£7,734	£7,694	£7,418	£7,404
5	£7,756	£7,601	£8,607	£8,384	£6,987	£6,923
10	£7,988	£7,673	£9,839	£9,335	£6,483	£6,365
15	£8,227	£7,746	£11,246	£10,394	£6,016	£5,851
20	£8,474	£7,819	£12,855	£11,573	£5,582	£5,379
25	£8,727	£7,893	£14,694	£12,885	£5,179	£4,946
27	£8,831	£7,923	£15,501	£13,451	£5,027	£4,782
<b>Breakdown at Year 27</b>						
<b>Initial Pot Size</b>	£7,530	£7,530	£7,530	£7,530	£7,530	£7,530
<b>Gross Investment Returns</b>	£1,301	£1,301	£7,971	£7,971	-£2,503	-£2,503
<b>Impact of Costs and Charges</b>	£0	-£908	£0	-£2,050	£0	-£245
<b>Total Fund Value</b>	£8,831	£7,923	£15,501	£13,451	£5,027	£4,782
<b>Assumptions</b>						
<ul style="list-style-type: none"> <li>- Future inflation assumed to be 2.5% p.a.</li> <li>- The assumptions used for the average deferred member are as follows: <ul style="list-style-type: none"> <li>- Age 38</li> <li>- Starting pot size £7,530</li> </ul> </li> <li>- The gross investment return is negative for the Active Money Market fund illustrations as the investment return is not expected to keep up with inflation i.e. a negative real return.</li> <li>- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65. <ul style="list-style-type: none"> <li>Average growth rate above inflation 2.29% p.a. (before charges).</li> <li>Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.13% p.a.</li> </ul> </li> <li>- Growth rate above inflation before charges, TER and transaction cost assumptions for the Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund are the same as set out in the youngest active member illustration above.</li> </ul>						

## Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further to reflect the effect of future inflation.
2. The starting pot size, salary and contribution is the average value appropriate to the youngest / average member respectively.
3. The future contributions are based on the average salary and contribution rate appropriate to the relevant member (youngest / average).
4. Values shown are purely **illustrative** and are **not guaranteed**.
5. The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements.

## Appendix 4 – Net Investment Returns

### (i) Default investment arrangement – Target Drawdown Retirement Path

Default strategy - Target Drawdown Retirement Path	Annualised returns to 31 March 2024		
	Age of member at start of period	1 year	3 year
<b>25</b>	8.3%	3.1%	4.9%
<b>45</b>	8.3%	3.1%	4.9%
<b>55</b>	8.3%	3.1%	4.7%

\* Inception was May 2019

Source: Scottish Widows.

### (ii) Alternative lifestyle investment strategy – Target Annuity Retirement Path

Target Annuity Retirement Path	Annualised returns to 31 March 2024		
	Age of member at start of period	1 year	3 year
<b>25</b>	8.3%	3.1%	4.9%
<b>45</b>	8.3%	3.1%	4.9%
<b>55</b>	8.3%	3.0%	3.5%

\* Inception was May 2019

Source: Scottish Widows.

### (iii) Alternative lifestyle investment strategy – Target Cash Retirement Path

Target Cash Retirement Path	Annualised returns to 31 March 2024		
	Age of member at start of period	1 year	3 year
<b>25</b>	8.3%	3.1%	4.9%
<b>45</b>	8.3%	3.1%	4.9%
<b>55</b>	8.3%	3.1%	4.3%

\* Inception was May 2019

Source: Scottish Widows.

**(iv) Self-select funds which were available to members over the year to 31 March 2024  
(including technical default investment arrangements)**

Self-select fund	Annualised returns to 31 March 2024		
	1 year	3 year	Since inception*
Mercer Defensive	3.1%	-0.5%	0.8%
Mercer Moderate Growth	5.9%	1.4%	3.6%
Mercer Growth	8.3%	3.1%	4.9%
Mercer High Growth	10.1%	4.0%	6.1%
Mercer Diversified Growth	8.8%	3.4%	4.4%
Mercer Active Global Equity	21.7%	8.6%	11.8%
Mercer Active Money Market	5.0%	2.4%	1.6%
Mercer Active Sustainable Global Equity	16.3%	-	6.3%**
Mercer Passive Sustainable Global Equity	26.4%	-	7.3%**
Mercer Shariah	-***	-***	23.1%***

\* Inception was May 2019 unless noted otherwise

\*\* Inception was June 2021

\*\*\* Inception was April 2023

Source: Scottish Widows.

## Appendix 5 – Asset Allocation

In line with the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2023 (“the 2023 Regulations”), for the first scheme year that ends after 1 October 2023, trustee boards are required to disclose the asset allocation of their default arrangements. The tables below include the percentage asset allocation of investments within the Fund’s default investment arrangement and technical default arrangements across each of the main asset classes.

### (i) Default investment arrangement – Target Drawdown Retirement Path

Asset class	Target Drawdown Retirement Path			
	% Allocation			
	Average 25 year old <sup>1</sup>	Average 45 year old <sup>1</sup>	Average 55 year old <sup>1</sup>	Average at retirement <sup>2</sup>
<b>Cash</b>	<b>0.21%</b>	<b>0.21%</b>	<b>0.21%</b>	<b>25.59%</b>
<b>Bonds</b>	<b>24.73%</b>	<b>24.73%</b>	<b>24.73%</b>	<b>44.37%</b>
Corporate Bonds	9.06%	9.06%	9.06%	17.78%
Government Bonds	15.43%	15.43%	15.43%	26.41%
Other Bonds	0.24%	0.24%	0.24%	0.18%
<b>Listed Equity</b>	<b>68.56%</b>	<b>68.56%</b>	<b>68.56%</b>	<b>26.29%</b>
<b>Private Equity</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Infrastructure</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Property/Real Estate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Private Debt/Credit</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Other</b>	<b>6.50%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>3.75%</b>

<sup>1</sup> These asset allocations represent the Mercer Growth fund as members are invested in this fund until 8 years before their Target Retirement Age (assumed to be age 65), so the allocation at age 25, 45 and 55 is the same.

<sup>2</sup> The “at retirement” allocation reflected in the table represents the asset allocation for a 65 year old retiring before 2026. For members retiring after 2026, the asset allocation will change to reflect a smaller allocation to cash at retirement. The default Target Retirement Age is 65. Whilst members can actively change their Target Retirement Age, the “at retirement” asset allocation would remain the same. Likewise, if a member remained invested past their Target Retirement Age.

**(ii) Technical Default Investment Arrangements**

The asset allocations do not change depending on age/term to retirement, therefore these are shown in a different format than the default investment arrangement.

Asset Class	% Allocation					
	Mercer Growth	Mercer High Growth	Mercer Moderate Growth	Mercer Defensive	Mercer Diversified Growth Fund	Mercer Active Money Market
<b>Cash</b>	<b>0.21%</b>	<b>0.48%</b>	<b>0.57%</b>	<b>3.99%</b>	<b>0.49%</b>	<b>100.00%</b>
<b>Bonds</b>	<b>24.73%</b>	<b>22.72%</b>	<b>48.83%</b>	<b>74.57%</b>	<b>35.29%</b>	<b>0.00%</b>
Corporate Bonds	9.06%	13.86%	16.83%	20.89%	15.44%	0.00%
Government Bonds	15.43%	8.86%	31.76%	48.47%	18.71%	0.00%
Other Bonds	0.24%	0.00%	0.24%	5.21%	1.14%	0.00%
<b>Listed Equity</b>	<b>68.56%</b>	<b>73.81%</b>	<b>45.50%</b>	<b>16.48%</b>	<b>55.66%</b>	<b>0.00%</b>
<b>Private Equity</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Infrastructure</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Property/Real Estate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Private Debt/Credit</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Other</b>	<b>6.50%</b>	<b>2.99%</b>	<b>5.10%</b>	<b>4.96%</b>	<b>8.56%</b>	<b>0.00%</b>

The following describes the types of investments covered by the above asset classes:

- **Cash**  
Cash and assets that behave similarly to cash e.g. treasury bills. It only includes invested cash and not the cash balance held in the Trustee's bank account.
- **Bonds**  
Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
- **Listed Equity**  
Shares in companies that are listed on global stock exchanges. Owning shares makes shareholders a part owner of the company, entitled to a share of the profits (if any) payable as dividends.
- **Private Equity**  
Unlisted equities that are not publicly traded on stock exchanges.
- **Property**  
Real estate, potentially including offices, retail buildings which are rented out to businesses.
- **Infrastructure**  
Physical structures, facilities, systems, or networks that provide or support public services including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals and prisons.
- **Private Debt**  
Other forms of loan that do not fall within the definition of a 'Bond'.
- **Other**  
Any assets that do not fall within the above categories.

**Appendix 6 - Statement of Investment Principles effective September 2023**

# **The Thomson-Leng Provident Fund (DC Section)**

## **Statement of Investment Principles**

### **1. Introduction**

The Trustee of the Thomson-Leng Provident Fund DC Section (“the DC Section”) has prepared this Statement of Investment Principles (“the Statement”) to comply with the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
- Subsequent legislation.

The Statement sets out the principles that govern the decisions about the investment of the DC Section’s assets. A separate document entitled “Investment Policy Implementation Document” detailing the specifics of the DC Section’s investment arrangements is available upon request.

In preparing this Statement, the Trustee has consulted with the sponsoring employer, DC Thomson & Company Limited, and obtained and considered written professional advice from Mercer Limited (“Mercer”), the DC Section’s investment consultant, regarding the DC Section’s investment strategy. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The DC Section is a contracted-in defined contribution arrangement with Mercer Workplace Savings (“MWS”), via the Trustee’s long-term insurance contract with Scottish Widows, the DC Section’s investment platform provider.

The Trustee believes that the objectives and policies set out in this Statement ensures that the DC Section’s assets are invested in the best interests of the members and beneficiaries of the DC Section.

### **2. Investment Objectives**

The Trustee recognises that members have differing investment needs and that these may change during the course of a member’s working life. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.

In order to encompass these factors the Trustee has agreed the following objectives:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.

- To offer funds which allow diversification of risk and long term capital growth.
- To provide a default investment option for members who do not make their own investment decisions.

MWS has selected funds on the Scottish Widows platform, to provide a range of funds for the members to invest their contributions. Mercer, as the delegated investment manager, is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying investment managers.

### 3. Risk Management

The Trustee recognises that there are a number of risks facing members of the DC Section and have taken these into consideration when determining the range of funds to offer to members. The Trustee has considered risk from a number of perspectives. These are:

Type of Risk	Description	How is the risk monitored and managed
Market risks	<p>The management of the market risks below are all monitored and managed in line with the principles stated here.</p> <p>Specific monitoring and management is set out below.</p>	<p>Members are able to set their own investment allocations, in line with their risk tolerances.</p> <p>MWS governed funds are considered to have adequate diversification across asset class, region and within each asset class. Management of these funds is the responsibility of MWS and Mercer.</p> <p>Within active funds, management of many of these risks is the responsibility of the external investment manager. The Trustee monitors the MWS governed funds.</p> <p>The Trustee regularly reviews performance of the funds.</p>
	<p>Inflation risk</p> <p>The risk that investment returns do not keep pace with inflation and does not, therefore, secure an adequate pension.</p>	<p>The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.</p> <p>The Trustee considers the real returns expected from the various asset classes. The default investment option has an explicit allocation to assets which are expected to outperform inflation over the longer term.</p>



Type of Risk	Description	How is the risk monitored and managed
Market Risks (cont.)	Currency risk	<p>The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms.</p> <p>The Trustee provides diversified investment options that invest in local and overseas markets and currencies.</p>
	Credit risk	<p>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.</p> <p>Within active funds, management of this risk is the responsibility of the external investment manager. The Trustee monitors the MWS governed funds.</p>
	Equity, property and other risks	<p>Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company.</p> <p>Within active funds, management of many of these risks is the responsibility of the external investment manager. The Trustee monitors the MWS governed funds.</p>
Environmental, Social and Corporate Governance risk	<p>The risk that environmental, social or corporate governance factors (including climate change) have a material financial impact on the return of DC Section assets.</p>	<p>See Section 6 of this Statement for the Trustee's responsible investment and corporate governance statement.</p>
Investment Manager risk	<p>The risk that an investment manager underperforms the expectations of the Trustee, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.</p>	<p>For the external funds the Trustee considers advice from their investment adviser.</p> <p>MWS takes responsibility for the management of this risk for the MWS governed funds.</p> <p>The Trustee monitors the performance of the investment vehicles on a quarterly basis to ensure the Investment Managers are meeting expectations.</p>

Type of Risk	Description	How is the risk monitored and managed
Liquidity risk	The risk that the pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity.	<p>This is measured by the dealing and pricing frequencies of pooled funds.</p> <p>The Trustee accesses pooled funds via an investment platform, which is expected to provide daily pricing and liquidity.</p>
Pension Conversion risk	The risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	<p>The Trustee makes available three lifestyle strategies for members which automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.</p> <p>The asset allocation and management of these lifestyle strategies is the responsibility of MWS.</p> <p>Members can select a strategy in accordance with their personal preferences and retirement objectives.</p> <p>For members retiring before 2026, the default investment option is a lifestyle strategy which automatically switches member assets as they approach retirement age into investments expected to be appropriate to support a flexible income and taking upto a 25% cash lump sum. Due to changes in the de-risking glidepath design of the default investment option, for members retiring in 2026 onwards, at the member's selected retirement date, 90% of assets will be invested in the specialist diversified retirement fund and 10% in the money market fund.</p> <p>As part of the triennial default review, the Trustee ensures the default destination remains appropriate.</p>

The risks identified in the table above are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that a number of retirement strategies targeting the various outcomes at retirement have been made available to members.

## 4. **Investment Strategy**

### 4.1 Range of Funds

The Trustee is responsible for deciding the range of funds to offer, but has no influence on the investment aims of each fund or how the investment managers choose the underlying investments within the funds as the assets are pooled with other investors. Notwithstanding how the assets are managed, the Trustee has taken investment advice regarding the suitability of the relevant investment vehicles.

The Trustee makes available a range of funds for the DC Section which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Each fund used in the DC Section has a benchmark and/or target return that the Trustee considers to be the expected return for that fund. Members themselves determine the fund(s) in which they choose to invest. As members are able to make their own investment decisions the balance between the different kinds of investments can be their decision. This balance will determine the expected return on a member's assets.

Members who do not make a decision are invested in the default investment option which is a lifestyle strategy designed for members intending to take their benefits at retirement via income drawdown. Members' assets are de-risked as they approach retirement via the use of target date funds. More information on the default strategy is included in section 4.2.

In addition, two alternative lifestyle strategies are available to members that reflect the alternative ways in which members might take their benefits at retirement (annuity or cash). Assets will be switched into investments which seek to more closely match how the member wishes to access their pension savings as they approach retirement.

The Trustee also offers members a choice of funds. The Trustee believes that the fund range offered to members is consistent with the investment objectives outlined in section 2 and the risks outlined in section 3. The funds offered are classified as High Growth, Growth, Diversified Growth, Moderate Growth, Defensive, Active Global Equity, Active Sustainable Global Equity, Passive Sustainable Global Equity, Shariah and Active Money Market. The underlying asset allocation of these funds will vary but many include UK equities, global equities, fixed income bonds, index-linked bonds, cash and alternative assets, such as property. The delegated investment manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in these funds. Details of the funds, including benchmarks and targets, are set out in the document entitled "Investment Policy Implementation Document".

The Trustee regularly obtains professional advice, and monitors and reviews the suitability of the funds provided. As a result, the Trustee may change the investment options from time to time.

## 4.2 Default Investment Option

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default investment option** which includes automatic de-risking of investments. The default investment option is currently the Target Drawdown Retirement Path. It is designed to be suitable for members who plan to access their benefits via income drawdown at retirement.

### *Aims and Objectives of the default investment option*

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

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

*The default investment option's growth phase invests in equities and other growth-seeking assets. These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion.*

- To provide a strategy that reduces investment risk for members as they approach retirement.

*As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustee believes the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.*

*In view of the above, the Trustee considers the level of risk within the default investment option in the context of the variability of returns relative to cash rates.*

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to access their benefits via a flexible drawdown product and to take up to 25% as tax free cash.
- For members retiring before 2026, at the member's selected retirement date, 75% of the member's assets will be invested in a specialist diversified retirement fund that aims to provide a degree of growth and protection against changes in market values, allowing members to remain invested beyond retirement, and 25% in a money market fund. Due to changes in the de-risking glidepath design of the default investment option, for members retiring in 2026 onwards, at the member's selected retirement date, 90% of assets will be invested in the specialist diversified retirement fund and 10% in the money market fund.

*Policies in relation to the default investment option*

- The default investment option manages investment and other risks throughout a member's lifetime via a strategic asset allocation consisting of equities, a diversified retirement fund, growth fixed income, corporate bonds and cash. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In selecting the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Assets in the default investment option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used within the DC Section and the default investment option operate daily dealing cycles.
- Assets are invested mainly on regulated markets.
- The Trustee has considered investment risk from a number of perspectives. The risks (and how they are measured and managed) set out in Section 3 of this Statement are also applicable to the default investment option.
- The items set out in Section 3 of this Statement are also those that the Trustee considers to be financially material considerations in relation to the default investment option. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.
- The Trustee's policy in relation to Environmental, Social and Corporate Governance factors, stewardship and Climate Change for the default is in line with the main DC Section and is set out in section 6.

*Suitability of the default investment option*

- Based on the Trustee's understanding of the DC Section's membership, an investment strategy that targets flexible drawdown at retirement is expected to be broadly appropriate to meet a typical member's requirements for income in retirement. This is because:
  - o Members seeking an adequate income in retirement will likely need to achieve real investment returns for most of their period as pension savers. The use of a fund with significant weightings in global equities during the accumulation phase addresses that requirement.
  - o The Trustee believes that most members who save into a pension plan wish to be able to access their assets flexibly at retirement, giving the member the choice of how and when they choose to withdraw their pension savings.

- The default arrangement is aimed largely at members who do not feel confident in taking investment decisions. Again, the Trustee believes that drawdown at retirement is likely to be the preferred course for such members.
- Almost all members withdraw tax free cash at retirement. The use of the money market fund as part of the lifestyle strategy addresses that requirement.

This does not mean that members have to take their benefits in this format at retirement, it merely outlines the investment strategy that will be in place prior to retirement. Members who intend to take their retirement savings in other forms have the option of choosing their own investment strategy.

The Trustee believes that the current default investment option is appropriate and will continue to review this regularly, and more strategically at least triennially, or after any significant changes to the DC Section membership, if sooner.

The Trustee reviews investment performance and risk on a quarterly basis, and takes professional advice as appropriate.

The Trustee believes that this strategy meets the investment objective outlined in section 2 and controls the risks identified in section 3.

#### 4.3 Additional Default Arrangements

The Trustee made a number of changes to the self-select fund range in May 2019 as part of the transition to the MWS fund range. As a result of the fund mapping exercise that accompanied these changes and since the Trustee did not obtain consent from members for these switches, the following funds are also default arrangements:

Mercer Growth Fund  
Mercer High Growth Fund  
Mercer Moderate Growth Fund  
Mercer Defensive Fund  
Mercer Diversified Growth Fund  
Mercer Active Money Market Fund

The Trustee's policies in relation to these Additional Default Arrangements are in line with the risks (where applicable) set out in Section 3.

## 5. **Day-to-Day Management of the Assets**

### 5.1 Main Assets

The day-to-day management of the funds offered to members is delegated to professional investment managers selected and monitored by MWS. Details of the day-to-day management of the assets are set out in the document entitled "Investment Policy Implementation Document".

## 5.2 Additional Voluntary Contributions (AVCs)

Members of the DC Section are able to invest AVCs within the same investment funds as the main DC Section assets.

The Trustee has also delegated the responsibility for the investment arrangements of the AVC assets to MWS.

## 5.3 Monitoring the DC Section Provider

The Trustee uses Mercer's Investment Consulting business as investment consultants to advise on investment strategy, provider appointments, provide assistance in monitoring the funds available, both in the form of written reports and attendance at meetings.

Long term returns are expected to be in line with the performance objectives of each of the funds open to members.

## 5.4 Realisation of Investments

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

## 6. **Responsible Investment and Corporate Governance (Voting and Engagement)**

The Trustee applies the following beliefs to the whole DC Section including the Default Investment Option.

### 6.1 Financially material considerations

The Trustee believes that environmental, social, and corporate governance ("ESG") factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee has delegated manager selection and monitoring to MWS who in turn delegates responsibility for day-to-day management of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Managers' engagement policies are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying managers in the monitoring process. The Trustee believes that Mercer has the necessary expertise and framework

in place to effectively manage and monitor investments in line with these areas, and this is implemented through their four pillar framework: integration, stewardship, thematic investment and screening. The funds for the DC Section incorporate these four pillars as far as is practical. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon footprint for equities and/or climate scenario analysis for diversified portfolios.

## 6.2 Member views – Non-financial matters

The views of members and other beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life, are taken into account regarding the range of funds made available within the DC Section and the Trustee may offer funds in line with the members' views in the future.

## 7. **Arrangements with asset managers**

The Trustee accesses the Investment Manager's products (or funds) through the Scottish Widows investment platform. The delegated investment manager appoints underlying investment managers and the Trustee may select funds from external investment managers based on their capabilities, and therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustee invests in pooled or multi-client investment vehicles they accept that they have no ability to influence the Investment Managers to align their decisions with the Trustee's policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.

The Trustee and delegated investment manager expects all underlying investment managers to incorporate the consideration of longer term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered by the delegated investment manager during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The delegated investment manager engages with underlying investment managers on this activity and if dissatisfied will look to replace the manager.

The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance of funds available to members on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustee and the delegated investment manager also rely upon Mercer's manager research capabilities. The remuneration for Investment Managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for member assessment to ensure they continue to represent value for members. If fund performance is not satisfactory, the Trustee will request an explanation of performance and process from MWS. If not satisfied with this, the Trustee may request further action be taken, including a review of fees.



Portfolio turnover costs for each of the funds are considered on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for member's assessments. Importantly, performance is reviewed net of portfolio turnover costs.

The Trustee is a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments. The delegated investment manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate. The fund range is formally reviewed on at least a triennial basis.

**8. Review of this Statement**

The Trustee will review this Statement at least once every three years and after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed: .....CHW Thomson.....

For and on behalf of DC Thomson & Co Pension Trustee Limited

Dated: .....2<sup>nd</sup> November 2023.....