

## **UNITED WIRE (2002) PENSION SCHEME**

### **ANNUAL GOVERNANCE STATEMENT**

**Year Ended 31 March 2021**

#### **Introduction**

Governance standards apply to defined contribution pension arrangements like the Scheme. These are designed to help members achieve a good outcome from their pension savings.

As Chair of the Trustees of the Scheme, I have to provide you with a yearly statement which explains what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards within the Scheme. The information included in my statement is set out in law and regulation.

This Statement covers the period from 1 April 2020 to 31 March 2021.

The Trustees are committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration. The Trustee board was reduced to two Trustees over the Scheme year due to the resignation of Gary Barker as a member-nominated Trustee and as Chair of the Trustees. We undertook a nomination exercise in the first half of 2021 with the aim of filling the vacant member-nominated Trustee position and will continue to review the vacancy over the Scheme year to 31 March 2022.

I have also attached in Appendix A information relating to the Crest Growth Pension Plan and Crest Secure Pension Plan (the 'Crest Plans'). As neither of the Crest Plans are being used as the relevant qualifying scheme for any members for the purposes of automatic enrolment, the Trustees have applied a proportionate approach to meeting the relevant governance standards for the Crest Plans. In particular, the Trustees have considered the Crest Plans within the assessment of Value for Member and Value for Money for the Scheme as a whole.

The worldwide spread of Coronavirus, or COVID-19, occurred during the Scheme year. Royal London moved their entire service operations out of their offices and into home-working within 6 days of the first lockdown in early 2020 and continue to support their administration teams with working from home.

Assisted by our advisers and through hosting virtual meetings, we are continuing to monitor the impact of the COVID-19 pandemic on the Scheme – for instance, on ongoing investment returns, member support service levels and the ability of the Company to pay contributions on time and fulfil other financial obligations. We are particularly monitoring administration standards, inviting Royal London to regular meetings to discuss the service levels being provided.

Following the Scheme year end, the pension savings of most deferred members within the Scheme were transferred to the Schlumberger UK Pension Master Trust, operated by Scottish Widows. The pension savings of active members, pensioner members and any deferred members with Crest Plan holdings were left within the Scheme. The background and impact of this change, along with any future plans for active members, pensioner members and any deferred members with Crest Plan holdings, will be covered in next year's governance statement. If you would like further information in the meantime, please visit <https://www.ukpensions.slb.com/>.

#### **Feedback**

I welcome this opportunity to explain what the Trustees do to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out in this Statement, or any suggestions about what can be improved, please do let us know.

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#### Default investment strategies

A default investment arrangement is set up by the Trustees and provided for members who do not choose an investment option for their contributions. Members can also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. Members can also self-select from a range of funds that the Scheme offers. We take professional advice from regulated investment advisers when setting the default investment strategy and the self-select fund range.

#### Setting an appropriate investment strategy

Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles. A copy of the latest statement of investment principles is attached to this statement.

The Scheme offers two lifestyle investment options for members:

1. The default strategy is the **Lifestyle Option for Annuities**. It is designed for those members who, at retirement, wish to buy a guaranteed pension income for life (an annuity). The strategy assumes that members will take 25% of the value of their retirement account as cash (currently tax free) with the balance of the retirement account being used to purchase an annuity.

If a member has selected the Lifestyle Option for Annuities (or this has been selected by default), the monies are moved to assets that are deemed more suitable should that member wish to take 25% of the value of their retirement account as cash (currently tax free) with the balance of the retirement account being used to purchase an annuity.

Under the Lifestyle Option for Annuities, a member's assets are automatically invested in line with a pre-determined strategy that gradually switches the investments from a 100% investment in the BlackRock Aquila UK Equity Index Pension Fund up to 10 years from retirement to a mix of the Royal London Fixed Interest Pension Fund, BlackRock Aquila Consensus Pension Fund and Standard Life Investments Global Absolute Return Strategies Fund at 6 years from retirement, before gradually switching the investments to an allocation of 25% in the Royal London Deposit Pension Fund and 75% in the Royal London Fixed Interest Pension Fund at the member's target retirement age.

2. The alternative lifestyle strategy is the **Lifestyle Option for Cash Lump Sums**. It is designed for those members who wish to take all of their retirement account as a cash lump sum (25% currently tax free) on their retirement date.

If a member has selected the Lifestyle Option for Cash Lump Sums, the monies are moved to assets that are deemed more suitable should that member plan to draw cash from their Retirement Account as a single cash lump sum.

Under the Lifestyle Option for Annuities, a member's assets are automatically invested in line with a pre-determined strategy that gradually switches the investments from a 100% investment in the BlackRock Aquila UK Equity Index Pension Fund up to 10 years from retirement to a mix of the Royal London Fixed Interest Pension Fund, BlackRock Aquila Consensus Pension Fund and Standard Life Investments Global Absolute Return Strategies Fund at 6 years from retirement, before gradually switching the investments to an allocation of 100% in the Royal London Deposit Pension Fund at the member's target retirement age.

When deciding on the investment strategy, the Trustees recognise that the majority of members do not take active investment decisions and instead invest in the default option.

Therefore, the Trustees' primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account their age and planned retirement date.

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When choosing the lifestyle strategies, it is the Trustees' policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustees also recognise that there are various investment and operational risks and give qualitative and quantitative considerations to such risks.

Both lifestyle options are structured to provide the potential for a level of growth over and above inflation in the long term. In addition, as members approach retirement the monies in the Lifestyle Options are gradually switched to less volatile investments that aim to protect members' potential income in retirement.

#### **Reviewing the default investment arrangement**

The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the Scheme membership when designing it.

The Trustees review the investment objectives on a regular basis. As part of any review, and to fulfil our fiduciary duty to act in members' best interests, we will first confirm our understanding of the current and expected membership. We will use this information to develop an understanding of members' needs, attitudes and expectations. This will enable us to make assumptions as to what members' reasonable expectations could be. We will then consider members' attitudes to risk and their retirement expectations to analyse different default strategies before deciding on what, if any, changes are appropriate at the time. The Trustees also consider the number of investment funds offered to members.

The Trustees' last review of the default investment arrangement was completed in April 2021, after keeping the investment strategy under review over 2020 and early 2021 in line with their legal requirements, but on the basis that the Trustees were in the process of agreeing and transferring deferred members' benefits to the Schlumberger UK Pension Master Trust. Following the agreement to transfer deferred members' benefits, it was agreed on 8 April 2021 that no changes should be made to the default investment strategy or self-select fund range at the current time. The Trustees will review the default investment arrangement following the change of membership that will have arisen as a result of the bulk transfer of deferred members (and any subsequent bulk transfer of active members, should this occur).

In addition to the three-yearly strategy review, the Trustees monitor the performance of the default arrangement once a year as part of the process of drafting the Trustee Report and Financial Statements and will formally review both this and the strategy at least every three years or immediately following any significant change in investment policy or the Scheme's member profile, taking advice from the Trustees' investment consultant and the investment manager.

The Trustees have requested from Royal London more regular investment monitoring reports going forward to monitor the performance of the default strategy and the self-select fund choices. In particular, the Trustees will monitor the impact of the COVID-19 pandemic on investment performance and volatility.

#### **Self-select investment choices**

In addition to the default lifestyle strategy and the alternative lifestyle strategy, the Trustees allow members to self-select from the following range of funds:

- Royal London Deposit Pension Fund
- Royal London Fixed Interest Pension Fund
- BlackRock Aquila Consensus Pension Fund
- BlackRock Aquila UK Equity Index Pension Fund
- BlackRock Aquila Global Equity Index (60:40) Pension Fund
- Standard Life Investments Global Absolute Return Strategies Fund

Members are expected to take independent financial advice before choosing between these funds. Any members considering switching funds should consider the risk involved and take any advice they feel is necessary. Free impartial guidance is available from MoneyHelper, the Government's free and impartial financial guidance service. Visit their website at <https://www.moneyhelper.org.uk>.

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#### Charges and transaction costs paid by members

The Trustees are required to explain the charges and transaction costs in the Scheme that are paid by members rather than the employer. As the Scheme is a 'bundled' scheme, the costs borne by the members include:

- the investment management and investment transactions costs associated with the funds that the member is invested in; and
- the other costs incurred by Royal London in running the Scheme, such as administration and the governance provided by Royal London.

The costs borne by the employer include the costs of providing secretarial services to the Trustees plus other costs associated with the Trustees (for instance, audit fees, adviser fees, group life premiums, etc). The investment management and transaction costs in particular can be explained as follows:

- The ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge and any additional fund expenses, as well as any other charges levied by Royal London for administering the Scheme. The charges for the default investment strategy are compared against the 0.75% charge cap set by legislation.
- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund or strategy. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike ongoing charges figures, transaction costs are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is typically net of these transaction costs. It should be noted that transaction costs are likely to vary from fund to fund and from year to year.
- In addition, there can be switching costs occurred as a result of the buying and selling of funds. This may relate either to member-driven trades (e.g. a self-select member switching their investment arrangements) or to automatic trades (e.g. those associated with fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the fund price used to place the trade and the price which would have applied to that fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.

The ongoing charges figures applicable to the funds during the Scheme year to 31 March 2021 and transaction costs during the 12 months to 31 December 2020 were confirmed by Royal London as being:

Fund	Ongoing charges figure	Transaction costs
Royal London Deposit Pension Fund	0.53%	0.03%
Royal London Fixed Interest Pension Fund	0.53%	0.01%
BlackRock Aquila Consensus Pension Fund	0.53%	0.09%
BlackRock Aquila UK Equity Index Pension Fund	0.53%	0.00%
BlackRock Aquila Global Equity Index (60:40) Pension Fund	0.53%	0.01%
Standard Life Investments Global Absolute Return Strategies Fund	1.31%	0.76%

The charges on the lifestyle strategies are the weighted averages of the charges on the above funds, using the allocation to each fund at each point in time. Both lifestyle strategies have ongoing charges figures that range between 0.53% per annum and 0.73% per annum depending on how far away the member is from their selected retirement date, with the charges being:

- 0.53% for any period up to 10 years from retirement; increasing to
- 0.73% maximum for the period from 7 years to 3 years from retirement; and
- 0.53% within a year of retirement.

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#### **Completeness of transaction cost information**

Where information about the member costs and charges is not available, we have to make this clear to you, together with an explanation of what steps we are taking to obtain the missing information.

Royal London had informed the Trustees in 2019 that they were working with an external third party who should be able to provide them with costs for all of the externally managed funds this year.

The Trustees' advisers also engaged with Royal London in April 2021 to commence gathering the information needed for this year's exercise, providing clear instructions on the data required and giving feedback on the data gaps and inefficiencies experienced when gathering last year's data.

As a result, the Trustees had hoped to receive full and complete transaction cost information this year.

However:

- The process to obtain the charges and transaction costs was similar to last year, in that it was still more involved than anticipated and desired by the Trustees. The Trustees' advisers had to have repeated conversations with Royal London over a number of months, dealing with multiple teams within Royal London between April 2021 and September 2021 and receiving contradictory or incorrect information.
- In the end, Royal London were still unable to provide transaction costs for the Scheme year to 31 March 2021, instead providing the transaction costs for the 12 months to 31 December 2020. As a result, the transaction costs for the Scheme year to 31 March 2021 may differ to the costs disclosed in the table on the previous page.
- While Royal London were able to provide the transaction costs for the Global Absolute Return Strategies ('GARS') Fund for the period to 31 December 2020, they were still unable to provide the transaction costs for this fund prior to 31 March 2019.
- Finally, transaction costs prior to 1 April 2018 were still unavailable.

As a set of Trustees, we will continue reviewing our processes for monitoring transaction costs. In particular, we had a meeting with representatives of Royal London in April 2021 to discuss their administration standards and their ability to provide accurate data in a timely manner (in particular as this was essential for the bulk transfer of deferred members to the Schlumberger UK Pension Master Trust).

The Trustees are having regular meetings with Royal London on an ongoing basis and will continue to discuss the above points with Royal London to understand how they plan to improve their processes and their ability to provide complete and historic information for these funds, in an efficient manner, for the relevant time periods.

#### **Examples of the impact of costs and charges**

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on members' savings.

We have prepared examples that can be found in Appendix B, having taken account of the statutory guidance issued by the Department of Work and Pensions<sup>1</sup> in preparing this section of our statement.

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<sup>1</sup> <https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes>

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#### Core financial transactions

The Trustees are required to report to you about the processes and controls in place in relation to 'core financial transactions'. The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets relating to members into and out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to, or on behalf of, members.

The Trustees must ensure that these important financial transactions are processed promptly and accurately. In practice, we delegate responsibility for this to Royal London.

There is a Service Level Agreement ('SLA') in place between the Trustees and Royal London to ensure accurate and timely processing of the core financial transactions for which it is responsible. Royal London is required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Scheme's trust deed and rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances. In order to monitor this service, the Trustees receive regular reports confirming the payment and allocation of contributions, as well as information on events such as cash management and pension payroll. The Trustees also monitor transactions made via the Trustees bank account on a regular basis. The Scheme Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

As administrator, Royal London provides the Trustees with administration reports on demand (typically requested six-monthly or annually) that sets out the general Service Level Agreements for the efficient processing of scheme events and the Trustees discuss these at the next Trustee meeting, noting any specific issues that have arisen with the administration services provided (covering both core financial transactions and member processing). There were no material administration service issues discussed in the last Scheme year which need to be reported here by the Trustees.

However, the Trustees did note that the proportion of tasks processed by Royal London (such as processing retirements, transfers out and regular payments) that met their SLAs had continued to drop:

- from the 93% observed during 1 April 2019 to 31 October 2019;
- to 61% observed during 1 October 2019 to 31 March 2020;
- to 44% observed during 1 April 2020 to 28 February 2021.

The average completion time for a Scheme event increased:

- from around 3 days during 1 April 2019 to 31 October 2019;
- to around 5 days during 1 October 2019 to 31 March 2020;
- to around 6 days during 1 April 2020 to 28 February 2021.

The Trustees will continue to monitor these statistics over the Scheme year to 31 March 2022 and discuss any continued underperformance with Royal London at the regular meetings with Royal London. Although Royal London has targets in place within the SLAs around such items as the monitoring of bank accounts, investment and banking transactions, investment switches, etc, improvements could also be made to the statistics provided on the actual targets and timescales and the level of service that is provided in comparison to these targets and timescales.

Overall, despite the underperformance against SLAs during 1 April 2020 to 28 February 2021, the Trustees are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly. As a result, I am confident that all core financial transactions have been processed accurately and within a reasonable time.

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#### **Trustee knowledge and understanding**

The law requires the Trustees to be conversant with the Scheme's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Scheme effectively.

As mentioned in the introduction, the Trustee board was reduced to two Trustees over the Scheme year due to the resignation of Gary Barker as a member-nominated Trustee and Chair of the Trustees. The current Trustees (George Stevens and Simon Smoker) meet all the knowledge and understanding requirements and understand the Scheme and its documents.

The Trustees are aware that they must have a working knowledge of the trust deed and rules of the Scheme, the statement of investment principles and the documents setting out the Trustees' current policies.

The Trustees are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regularly reviewing the relevant Scheme documents.

Over the Scheme year, for example, the Trustees continued updates to the Trust Deed and Rules and other legal documentation relating to the Scheme, taking legal advice from their legal advisers on their fiduciary duties, on due diligence and on the various legal documents required to make the bulk transfer of deferred members to the Schlumberger UK Pension Master Trust.

The Trustees have assessed the Scheme against the standards set out in the code of practice for trustees of pension schemes providing money purchase benefits (the DC code) via assessing themselves against the requirements of the Regulator's 21<sup>st</sup> Century Trusteeship campaign and related guides. As a result, the Trustees have put in place a business plan (covering strategic goals and interim objectives) and an action plan to ensure we can demonstrate that we are offering a quality scheme.

The Trustees take their training and development responsibilities seriously and keep a record of the training completed by each Trustee. The training log is reviewed at each Trustee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole. Simon Smoker has also confirmed that he has completed all of the essential learning modules within The Pensions Regulator's on-line trustee toolkit. George Stevens has yet to complete some of the essential modules but will complete these over the Scheme year to 31 March 2022.

The Trustees also receive "on-the-job" training. This means that as new topics arise, their professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests as well as training during the meeting, so that the Trustees may engage on such topics in an informed manner.

Relevant advisers attend Trustee meetings and are in frequent contact with the Trustees to provide information on topics under discussion, either specific to the Scheme or in respect of pension or trust law. During the Scheme year, the Trustees undertook training and development on topics like:

- Statement of Investment Principles – update on regulatory requirements; and
  - Bulk transfer of members – the legal aspects of such a transfer, including legislative requirements, options available to the Trustees, due diligence considerations; legal documentation, etc.
- as well as receiving technical updates on other topics during Trustee meetings.

As a result of the training activities that have been completed by the Trustees, individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees to the Scheme. The Trustees will continue to review the unfilled vacancy for a member-nominated Trustee over the Scheme year to 31 March 2022.

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**Assessing value for members and wider value for money**

**Introduction and main conclusions**

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which member-borne costs and charges within the Scheme represent good value for members when compared to other options available in the market.

Based on our assessment, we have concluded that

- the areas where the Scheme underperformed relative to the benchmarks used for this exercise prevent us from assessing the Scheme as offering ‘satisfactory’ or ‘good’ ‘value for members’ over the year to 31 March 2021, when measured against the definition required by legislation; however
- when we take into account the overarching governance provided by the Trustees and the wider elements of value that members receive as a result of costs paid by the employer, we have concluded that the Scheme offered satisfactory ‘value for money’ overall over the Scheme year.

Appendix C sets out the approach that the Trustees have taken, the conclusions we have reached (including our definition of ‘satisfactory’ and ‘good’) and an explanation of how and why we have reached those conclusions.

There are areas where overall ‘value for money’ could be improved for members. The most significant action that the Trustees have already taken was transferring deferred members to the Schlumberger UK Pension Master Trust in June 2021, which the Trustees believe will have improved the value to these members. The Trustees will perform further investigations for the remaining members (active members and any deferred members with Crest Plan holdings) and take action where appropriate over the year to 31 March 2022.

**Follow-on actions and investigations**

Over the year to 31 March 2022, the Trustees plan to continue:

- working with Schlumberger plc on existing plans to consolidate the Scheme into the Schlumberger UK Pension Master Trust (for any remaining deferred members) and the Schlumberger UK Pension Scheme (for active members), as well as working with Schlumberger plc to ascertain their plans for the pensioner members;
- reviewing the Trustees’ investment beliefs and the aims of the default strategy / self-select funds within the Scheme, following the change of Scheme membership after the bulk transfer of deferred members;
- reviewing the at-retirement tools/guidance/advice provided to members, as well as the options available within or outside the Scheme;
- reviewing whether to tailor communication messages/approaches to different segments of the membership, utilise alternative media, etc
- liaising with Royal London to ensure that complete and accurate disclosure of transaction costs is provided, in line with FCA rules; and
- receiving further regular reporting on Royal London’s service levels related to the processing of core financial transactions and meeting with Royal London regularly to discuss the service levels.

The Trustees will also discuss this analysis with the employer to obtain their views.

**Signed for and on behalf of the Trustees of the United Wire (2002) Pension Scheme  
by George Stevens, Chair of Trustees**

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Date .....

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**Appendix A – Crest Growth Pension Plan and Crest Secure Pension Plan**

Royal London also administers savings for Scheme members in respect of the above historic arrangements. Within the Crest Plans, members can choose to invest in a variety of Unit-Linked or with-profit funds, although they do not benefit from any discounts on standard annual management charges.

Neither of the Crest Plans are being used as the relevant qualifying scheme for any members for the purposes of automatic enrolment. As a result, the Trustees have applied a proportionate approach to meeting the relevant governance standards. In practice, this means that these plans have received more of a 'light touch' review, particularly in assessing value for members.

**Core financial transactions and trustee knowledge and understanding**

My comments under these headings in the main section of this Chair's Statement also apply to the Crest Plans, so I will not duplicate them here.

**Assessing value for members and wider value for money**

The Trustees have taken a proportionate approach to reviewing the investments based on the size of the funds invested compared to the size of the funds invested in the main Scheme and relatively small number of members who are invested in these arrangements.

The Crest Plans have been taken into account when assessing the extent to which member-borne costs and charges within the Scheme represent good 'value for members' or good 'value for money' when broader elements of value from the employer-financed costs are taken into account.

**Investment choices (including default arrangements) and charges and transaction costs paid by members**

None of the investment options in the Crest Plans are a default arrangement for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, because none are used as a qualifying scheme for automatic enrolment purposes. As a result, no default investment strategy review was undertaken during the Scheme year and there is no planned future date for such a review.

The self-select funds that members can invest in within the Crest Plans, plus the ongoing charges figures applicable to the funds during the Scheme year to 31 March 2021 and transaction costs during the 12 months to 31 December 2020, were confirmed by Royal London as being:

<b>Plan</b>	<b>Fund</b>	<b>Ongoing charges figure</b>	<b>Transaction costs</b>
<b>Growth</b>	Balanced Retirement Investment Strategy	1.00%	0.08%
	Royal London Deposit Pension Fund	1.00%	0.03%
	Royal London Fixed Interest Pension Fund	1.00%	0.01%
	Royal London Managed Pension Fund	1.00%	0.11%
	Royal London UK Equity Pension Fund	1.00%	0.08%
<b>Secure</b>	Secure Fund	1.45%	Not provided

As per the main Scheme investments, we have to make it clear to you if information about the member costs and charges is not available, together with an explanation of what steps we are taking to obtain the missing information. The transaction costs for the Secure Fund were not provided and all transaction costs prior to 1 April 2018 were unavailable.

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We have prepared the following examples of the impact of costs and charges, having again taken account of the statutory guidance issued by the Department of Work and Pensions:

'Typical' deferred Scheme member:

Age	Balanced Retirement Investment Strategy		UK Equity Fund		Secure Fund	
	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £
56	18,000	18,000	18,000	18,000	18,000	18,000
58	18,638	18,247	18,889	18,495	18,674	18,158
60	19,298	18,497	19,821	19,004	19,372	18,318
62	19,559	18,359	20,800	19,526	20,097	18,479
64	19,258	17,712	21,827	20,063	20,849	18,642
65	18,901	17,211	22,359	20,338	21,235	18,724

#### Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation and inflation is assumed to be 2.5% each year.
2. The starting pot sizes are assumed to be £18,000 for the 'typical' deferred Crest Plans member.
3. Starting ages are assumed to be 56 for the 'typical' deferred Crest Plans member.
4. For the Secure Fund, we have used assumed future transaction costs of 0.00% per annum in the absence of historic transaction cost information.
5. The projected growth rate for each fund (before total expense ratio and transaction costs are deducted), projected total expense ratio and transaction costs are as follows. The projected transaction costs are the average of the transaction costs provided for the calendar years 2018, 2019 and 2020:

Fund	Projected growth rate	Projected total expense ratio	Projected transaction costs
BRIS (growth phase, 9 years from retirement)	1.76% above inflation	1.00% per annum	0.10% per annum
UK Equity Fund	2.44% above inflation	1.00% per annum	0.10% per annum
Secure Fund	1.85% above inflation	1.45% per annum	0.00% per annum

As with the funds available within the main section of the Scheme, members are expected to take independent financial advice before choosing between these funds. Any members considering switching funds should consider the risk involved and take any advice they feel is necessary. Free impartial guidance is available from MoneyHelper, the Government's free and impartial financial guidance service. Visit their website at <https://www.moneyhelper.org.uk>.

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#### Appendix B – Examples of the impact of costs and charges

Each table in this section shows the projected pension savings (or ‘retirement pot’) in today’s money for a different representative member, using median statistics as at 31 March 2021 and using the Statutory Money Purchase Illustration (SMPI) assumptions as at 1 April 2021 that featured in the Scheme’s 2021 annual benefit statements (with the exception of three years’ worth of historic transaction costs being taken into account in the enclosed tables, when these are ignored within SMPI statements).

‘Typical’ active Scheme member:

	Lifestyle Option for Annuities		Lifestyle option for Cash Lump Sums		Blackrock Aquila UK Equity Index		Blackrock Aquila Consensus	
	The default Annuity Target lifestyle option with a 10 year lifestyling period		The Cash Lump Sum Target lifestyle option with a 10 year lifestyling period					
Age	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £
53	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
54	29,904	29,753	29,904	29,753	29,904	29,753	29,576	29,410
56	35,925	35,418	35,925	35,418	35,925	35,418	34,825	34,289
58	41,413	40,418	41,413	40,418	42,243	41,300	40,208	39,235
60	45,668	43,985	45,668	43,985	48,874	47,408	45,729	44,251
62	49,482	47,074	49,407	47,001	55,832	53,751	51,391	49,336
64	52,508	49,416	52,276	49,191	63,133	60,337	57,198	54,492
65	53,735	50,439	53,404	50,119	66,918	63,724	60,156	57,096

‘Typical’ youngest active Scheme member:

	Lifestyle Option for Annuities		Lifestyle option for Cash Lump Sums		Blackrock Aquila UK Equity Index		Blackrock Aquila Consensus	
	The default Annuity Target lifestyle option with a 10 year lifestyling period		The Cash Lump Sum Target lifestyle option with a 10 year lifestyling period					
Age	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £
27	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
29	10,134	10,052	10,134	10,052	10,134	10,052	9,955	9,867
31	14,998	14,779	14,998	14,779	14,998	14,779	14,524	14,295
33	20,101	19,688	20,101	19,688	20,101	19,688	19,209	18,785
35	25,457	24,785	25,457	24,785	25,457	24,785	24,015	23,337
40	40,031	38,400	40,031	38,400	40,031	38,400	36,571	34,996
45	56,471	53,361	56,471	53,361	56,471	53,361	49,944	47,065
50	75,017	69,801	75,017	69,801	75,017	69,801	64,186	59,558
55	95,937	87,864	95,937	87,864	95,937	87,864	79,356	72,489
60	111,337	99,591	111,337	99,591	119,536	107,713	95,511	85,875
65	115,183	100,477	114,439	99,809	146,157	129,523	112,718	99,730

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'Typical' deferred Scheme member:

Age	Lifestyle Option for Annuities		Lifestyle option for Cash Lump Sums		Blackrock Aquila UK Equity Index		Blackrock Aquila Consensus	
	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £
49	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
51	9,444	9,346	9,444	9,346	9,444	9,346	9,230	9,124
53	9,911	9,705	9,911	9,705	9,911	9,705	9,465	9,251
55	10,400	10,077	10,400	10,077	10,400	10,077	9,707	9,379
57	10,838	10,386	10,838	10,386	10,914	10,465	9,955	9,510
62	10,762	9,914	10,745	9,898	12,311	11,499	10,602	9,843
65	10,275	9,267	10,206	9,203	13,234	12,167	11,011	10,049

'Typical' youngest deferred Scheme member:

Age	Lifestyle Option for Annuities		Lifestyle option for Cash Lump Sums		Blackrock Aquila UK Equity Index		Blackrock Aquila Consensus	
	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £	Before charges £	After all charges & costs deducted £
27	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
29	8,920	8,826	8,920	8,826	8,920	8,826	8,717	8,617
31	9,360	9,166	9,360	9,166	9,360	9,166	8,939	8,737
33	9,822	9,518	9,822	9,518	9,822	9,518	9,168	8,858
35	10,307	9,883	10,307	9,883	10,307	9,883	9,402	8,981
40	11,627	10,860	11,627	10,860	11,627	10,860	10,013	9,297
45	13,116	11,933	13,116	11,933	13,116	11,933	10,665	9,623
50	14,795	13,112	14,795	13,112	14,795	13,112	11,358	9,961
55	16,690	14,407	16,690	14,407	16,690	14,407	12,097	10,311
60	17,499	14,600	17,499	14,600	18,827	15,831	12,884	10,673
65	16,488	13,249	16,378	13,157	21,238	17,395	13,722	11,048

#### Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. Inflation is assumed to be 2.5% each year.
2. For active members only, future contributions are assumed to be paid from assumed age to 65 and increase in line with assumed earnings inflation of 2.5% each year. Total contribution rates and pensionable salaries for the active member illustrations in the Scheme are assumed to be 9% and £25,000 respectively for the 'typical' active member and 9% and £24,000 respectively for the 'typical youngest' active member.
3. The starting pot sizes are assumed to be £27,000 for the 'typical' active member, £9,000 for the 'typical' deferred member, £5,500 for the 'typical youngest' active member and £8,500 for the 'typical youngest' deferred member.
4. Starting ages within the Scheme are assumed to be 53 for the 'typical' active member, 49 for the 'typical' deferred member, 27 for the 'typical youngest' active member and 27 for the 'typical youngest' deferred member.
5. The projected growth rate for each fund (before total expense ratio and transaction costs are deducted), projected total expense ratio and transaction costs are as follows. The projected transaction costs are the average of the transaction costs provided for calendar years 2018, 2019 and 2020:

Fund	Projected growth rate	Projected total expense ratio	Projected transaction costs
Default lifestyle (growth phase)	2.44% above inflation	0.53% per annum	0.02% per annum
Alternative lifestyle (growth phase)	2.44% above inflation	0.53% per annum	0.02% per annum
BlackRock Aquila UK Equity Index Fund	2.44% above inflation	0.53% per annum	0.02% per annum
Blackrock Aquila Consensus Fund	1.27% above inflation	0.53% per annum	0.06% per annum

## **UNITED WIRE (2002) PENSION SCHEME**

### **ANNUAL GOVERNANCE STATEMENT**

**Year Ended 31 March 2021**

#### **Appendix C – assessing value for member and wider value for money**

##### **Categorising costs/charges and how these impact on our assessment**

There is no legal definition of ‘good value’ and so the process of determining good value for members is a subjective one. We note that value for members does not necessarily mean the lowest charges, and the overall quality of the service received has been taken into account in the assessment of value to members.

In line with our legal duties and guidance issued by the Pensions Regulator, our first step has been to identify the services that members directly pay for, either through costs that only members pay, or costs that are shared with the employer.

As set out in the section entitled “Charges and transaction costs paid by members”, the costs of the Scheme are borne by the member or employer as follows.

Member charges cover such costs as:

- investment support and governance provided by Royal London (e.g. the costs of Royal London regularly reviewing and updating the funds available to members, etc);
- administration of the Scheme by Royal London (e.g. the costs of Royal London updating and maintaining member records, processing contributions and pension payments, dealing with member queries, producing annual financial statements, etc);
- member communications (e.g. the costs of Royal London producing and issuing materials for members, annual benefit statements, etc); and
- Royal London’s management and governance of the Scheme (e.g. any other expenses incurred by Royal London).

Employer charges cover the wider support provided to members and governance provided by the Trustees, such as:

- life assurance premiums on the group life cover in place for Scheme members through the Schlumberger Excepted Life Assurance Trust;
- at-retirement support, including the cost of support provided to members relating to the purchase of annuities at retirement, provided by Buck;
- investment support and governance provided by the Trustees (e.g. the costs of regularly reviewing the default investment strategy, etc);
- ad-hoc member training/communications from the Trustees (e.g. any training/communications issued to members by the Trustees, etc); and
- the Trustees’ management and governance of the Scheme (e.g. the costs associated with the Trustees exercising their fiduciary duties in respect of the Scheme, including all Trustee meeting or training costs, all costs levied by the Pensions Regulator, all legal/actuarial/audit/consultancy fees, etc).

As a result, the Trustees have undertaken two analyses:

1. First, we have assessed the ‘value for members’ arising from the benefits that members receive from the charges and transaction costs that they directly pay. This assessment is required by legislation but, for the Scheme, is limited to the services provided by Royal London versus the charges that members pay. As a result, it omits the overarching governance provided by the Trustees;
2. We have also assessed the overall ‘value for money’ offered to members of the Scheme, with the aim of capturing not only the value from member-borne costs but also the broader elements of value that members receive from the employer-financed costs (such as the overall governance provided by the Trustees), as well as wider factors such as the generosity of the employer contribution rates above the automatic enrolment minimum contribution levels.

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#### Our approach

Assisted by our advisers and in line with the Pensions Regulator's guidance, we have taken the following approach:

1. We have collated information on services that members receive and the total costs that members pay (including transaction costs where available) and the costs that the employer pays;
2. We have assessed the scope and quality of the services that members receive, in line with criteria agreed by the Trustees;
3. We have compared the value that members receive from the services against the cost of those services, on both the 'value for member' basis required by legislation and the wider 'value for money' basis; and
4. We have reflected on our key findings and suggested courses of action to maintain areas of good value and improve areas where value could be better.

Overall, the above approach ensures that not only are we comparing the level of charges in each fund with the levels of return they have delivered to members, we are also comparing the overall costs of membership of the Scheme against the *benefits* of membership (i.e. the services provided by the Scheme).

In attempting to compare these against other options available in the market, the Trustees have found that there are limited industry-wide benchmarks for each service area and so the Trustees have relied on the market knowledge of its advisers.

#### Preparation for the assessment

The Trustees received support from advisers around how to undertake assessments of value for member and value for money and also considered the statutory guidance.

A number of key decisions were made as part of these preparations:

- The Trustees will use a scoring system for each assessment;
- Individual areas of service were given scores by considering the scope and quality of the services under those areas;
- Two overall weighted scores ranging from 0% to 100% were produced, one for 'value for member' and one for 'value for money';
- The Trustees agreed that any score between 50% to 75% represented 'satisfactory' value and scores of 75% or over represented 'good' value; and
- Scores will be compared from year to year from now on, with a view to measuring and monitoring changes to the 'value for members' and wider 'value for money'.

## UNITED WIRE (2002) PENSION SCHEME

### ANNUAL GOVERNANCE STATEMENT

Year Ended 31 March 2021

#### Process followed for the assessment, including key factors considered

The Trustees, assisted by their advisers, then considered the services provided by the Scheme in the main areas where costs are borne (whether by members or by the employer), such as investment, communications, scheme management and governance, and administration.

While a number of factors contribute to whether a scheme is well run, the Trustees believe that two of the biggest factors that can influence retirement outcomes from the Scheme are the level of contributions paid into the Scheme and the level of investment performance net of fees.

As the level of contributions is not covered under the 'value for member' (amongst other factors), this means that different services and weightings are used for each assessment, as follows.

For the 'value for member' analysis, the assessment covers the following

Area	Examples	Weighting applied
<b>Investments / charges</b>	The historic return and volatility of the default fund versus a benchmark derived for this exercise, and the charges and transaction costs of that fund versus a benchmark derived for this exercise	70%
<b>Communications / member support</b>	Whether bespoke/tailored or event-driven communications are used by Royal London, the at-retirement communications/guides/modellers/support provided by Royal London, access to pension freedoms by Royal London, etc	20%
<b>Administration / online services</b>	Online fund values/switching provided by Royal London, use of service level agreements by Royal London, core administration team/helpline offered by Royal London, etc	10%

For the wider 'value for money' analysis, the assessment covers a larger set of services paid for by both members and the employer, including the following:

Area	Examples	Weighting applied
<b>Investments / charges</b>	As for 'value for member' plus the quality / governance of the default fund and alternative choices provided by the Trustees	50%
<b>Communications / member support</b>	As for 'value for member' plus the communications provided by the Trustees	10%
<b>Scheme management and governance</b>	The governance provided by the Trustees, such as their understanding of membership characteristics/attitudes/needs, compliance with the Pensions Regulator's Codes of Practice, Trustee Knowledge and Understanding practices, use of expert advisers, etc	5%
<b>Administration / online services</b>	As above plus any services financed by employer costs	5%
<b>Employer contribution to member funds</b>	The generosity of the employer contributions over and above the automatic enrolment minimum.	30%

## **UNITED WIRE (2002) PENSION SCHEME**

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#### **Explanation of the results of the assessment**

Our conclusion that the Scheme does not offer 'satisfactory' or 'good' value for members over the year to 31 March 2021 is based on aspects such as:

- The default investment strategy has underperformed the benchmark used for this exercise over the year to 31 March 2021, mainly as a result of the growth phase using UK equities rather than a mix of UK and overseas equities. The default investment strategy did, however, outperform the benchmark used for this exercise over the 5 years to 31 March 2021;
- The volatility of the default investment strategy over the 1 year and 5 years to 31 March 2021 was also higher than the benchmark used for this exercise;
- The service levels of the Royal London administration team continued to decline over the Scheme year and the at-retirement tools/guidance/advice provided to members is lower than can be available in the market; and
- The default investment strategy also has an annual charge of 0.53% throughout its growth phase (rising to 0.73% through the pre-retirement consolidation phase), compared to the 0.4% average charge for default funds within trust-based DC schemes that featured in the 2017 PLSA annual survey, while the costs for the Crest Growth Funds are high compared to the cost of funds within the Scheme, given the absence of the discount applied to Scheme funds.

Our conclusion that the Scheme offers satisfactory value for money over the year to 31 March 2021, taking into account employer-borne costs, is based on aspects such as:

- The contribution structure is generous compared to the automatic enrolment minimum, with most members receiving employer contributions that are at least double the employee contributions and approximately 50% above the government minimum;
- The Trustees typically meet around twice a year, discussing DC-specific matters at each Trustee meeting, with a Trustee training plan in place and ad-hoc training received before major decisions;
- The default investment strategy and self-select fund range were selected with reference to the membership profile of the Scheme and have their performance reviewed on an annual basis;
- The Trustees also have clear contracts with external advisers, whose fees are reviewed regularly and benchmarked against the market; and
- The level of transaction costs within the growth phase of the default strategy were low relative to the benchmark transaction costs used for this exercise.