

## Statement regarding DC governance

### What is this Statement for?

It's important that you can feel confident that your savings in the BOC Retirement Savings Plan ("the Plan") are being looked after and give good value.

This Statement sets out how the Trustee has managed the Plan in the last year and what they aim to do in the coming year.

A copy of this Statement, together with other key Statements about how the Plan is managed are posted online at [www.bocpensions.co.uk](http://www.bocpensions.co.uk).

### What's in this Statement?

We've included information on the following areas in this Statement:

- 1 How we manage your Plan – who the Trustee is and what guides our decision making.
- 2 Investment options – what we have done to check the performance and suitability of the Plan's investment options, especially those used by members who have not made an active investment choice (known as the "default arrangement").
- 3 Investment performance – what returns have the investment options given over the last year.
- 4 Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Plan over time.
- 5 Administration – how well the Plan has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed.
- 6 Value for Members - how the quality of the Plan's services (including the investment returns on your savings) which you pay for compare to another pension schemes.
- 7 Trustee knowledge – what we as the Trustee have done to maintain our level of knowledge and obtain the professional advice we need to look after the Plan for you.
- 8 Our plans for the next year – what key actions the Trustee took in the last year and what we aim to do in the coming year to continue to improve the Plan for all our members.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Plan in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions, please contact BOC Pension Services at: [pensions.uk@boc.com](mailto:pensions.uk@boc.com).

## Statement regarding DC governance (continued)

### Introduction

This Statement has been prepared in accordance with:

- Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996 No. 1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015 No. 879).
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018 No. 233).

This Statement has been prepared on behalf of the Trustee of the Plan and confirms the Plan's compliance with the governance standards required by legislation for defined contributions ("DC") arrangements during the period from 1 July 2020 to 30 June 2021.

This Statement is incorporated into the Trustee's annual report and accounts, which is available on request to members and beneficiaries of the Plan and members' appointed representatives. An electronic copy of the Trustee's annual report and accounts is also available in the publicly searchable area of the Plan's website, [www.bocpensions.co.uk](http://www.bocpensions.co.uk). Plan members' annual benefit statements also remind members that this statement and the Trustee's Statement of Investment Principles can be found on the Plan's website.

The appointed Chair of the Trustee Board will confirm the completion of this annual statement in the annual return to the Pensions Regulator.

### (a) How the Plan is managed

At 30 June 2021, the Trustee Directors of the Plan were:

Capital Cranfield Pension Trustees Ltd, represented by Andrew Cheseldine (Chair)

Jon Davies

Martin Gleeson

Jeffrey McMahon

Mark Poole

Daniel Waldron

Deborah Mant resigned as a Trustee Director on 30 September 2020.

The Statement of Investment Principles sets out the Trustee's investment policies which the Trustee, with the help of its advisers, reviews at least every three years. The last review was carried out in 2019. Subsequently, the Statement was also updated on 28 September 2020 to include additional information on Environmental, Social and Governance (ESG) considerations.

An implementation statement setting out how the Trustee complied with the Statement of Investment Principles during the year to 30 June 2021 will be published by 31 January 2022.

## Statement regarding DC governance (continued)

### (b) Default arrangement

From 1 July 2020 to 30 June 2021, members of the Plan who did not make an explicit choice regarding the investment of their funds were “defaulted” into a lifestyle strategy. Typically, a proportion of members will also actively choose the default option because they feel it is most appropriate for them. However, the majority who are invested in the default option have not made an active investment decision.

The Trustee is responsible for the governance of the default arrangement which includes setting and monitoring its investment strategy. The Annuity Lifestyle Strategy is the default investment option for the Plan, which means that members’ contributions are automatically moved between different funds as they approach their selected retirement date.

The investment principles underlying the default option are set out below in the form of the Trustee’s aims for the default option and the ways in which the Trustee seeks to achieve these aims. In outline these are:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk;
- To provide a strategy that reduces investment risk for members as they approach retirement;
- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan to buy a fixed annuity and take a 25% tax-free cash lump sum at retirement; and
- To comply with regulatory requirements around charges.

The Trustee’s policies in relation to the default option are:

- The default option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets.
- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Members are supported by clear communications regarding the aims of the default investment option and the access to alternative investment approaches.
- Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets.
- Within the default option, units across the underlying pooled funds are bought and sold according to Table 1 below.

## Statement regarding DC governance (continued)

Table 1: Default Lifestyle Strategy glide-path

Years to Retirement	Equity (%)	Diversified Growth (%)	Pre-retirement (%)	Cash (%)
>10	50.0	50.0	0.0	0.0
10	50.0	50.0	0.0	0.0
9	50.0	50.0	0.0	0.0
8 <sup>[Note 1]</sup>	50.0	50.0	0.0	0.0
7	37.5	50.0	12.5	0.0
6	25.0	50.0	25.0	0.0
5	12.5	50.0	37.5	0.0
4	0.0	50.0	50.0	0.0
3	0.0	37.5	62.5	0.0
2	0.0	25.0	67.0	8.0
1	0.0	12.5	71.5	16.0
0	0.0	0.0	75.0	25.0

Note 1: Members are invested in the BOC Growth Fund until 8 years before retirement, after which life-style rebalancing commences as shown above. The BOC Growth fund is made up of 50% BOC Equity fund and 50% BOC Diversified Growth fund.

The Trustee believes that environmental, social, and corporate governance (ESG) factors can 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, including climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee, therefore, considers how ESG including climate change and stewardship is integrated within managers' own corporate governance policies and investment processes when appointing new investment managers. Further, it also considers these areas when monitoring existing investment managers on an annual basis. ESG ratings are disclosed in the performance report received by the Plan's investment advisor which is reviewed by the Trustee regularly.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities but may consider this in the future.

Further detail on the above can be found in the current Statement of Investment Principles, which is attached as Appendix I. Please note that the Statement of Investment Principles covers all the Scheme's investments; however, the principles guiding the design of the default option are set out in the section entitled "Default Investment Option".

## Statement regarding DC governance (continued)

### Reviewing the default arrangement

The Trustee carried out a review of the Plan's default fund strategy during 2021 to determine its suitability for Plan members based on analysis, produced by its investment adviser, of the choices members make at retirement. It was agreed, in principle, that the drawdown lifestyle strategy should be the default arrangement for members going forwards as it better reflects members' at-retirement choices. The Trustee continues to monitor member behaviour to determine an appropriate time for change. In the normal course of events, the next full review will take place no later than 2024 or immediately following any significant change in investment policy or the Plan's member profile.

The Trustee has been satisfied that the funds which make up the default investment option contain highly rated funds and have performed broadly in line with their respective benchmarks over a one and a three-year time horizon.

To date the Trustee has been satisfied that the default arrangement is appropriate for the majority of the Plan's members. The Trustee has previously noted analysis on member behaviour since the introduction of DC pensions freedoms in 2015 and is currently taking advice and considering whether to amend the default investment strategy from targeting an annuity at retirement to targeting income drawdown or alternative flexible retirement approach.

The Trustee continues to monitor the appropriateness of the default arrangement and will review the feasibility and benefits of alternative default strategies to ensure that the Plan's default arrangement continues to meet members' needs and likely benefit choices at retirement.

### Other investment options

The Trustee recognises that the default arrangement will not be suitable for the needs of every member and so the Plan also offers members a choice of other investment options including alternative lifestyle options and self-select funds. The main objectives of these investment options are:

- To cater for the likely needs of members who intend to take all their pension assets as cash on retirement ('Cash' strategy) or take their assets to a drawdown provider at their selected retirement date ('Income Drawdown' strategy);
- To offer a wider range of asset classes and levels of risk and return with the self-select funds.

These options are typically (and have been) reviewed alongside the review of the default option as outlined above. The Trustee has been satisfied that these options are suitable for members.

On 1 June 2020, the BlackRock Fixed Income Global Opportunities Fund, a constituent fund of the BOC Global Bond Fund, was closed and the monies were temporarily transferred by the provider into a cash fund. As a consequence, the Trustee decided to close the BOC Global Bond Fund and transfer the monies into the BOC Corporate Bond Fund in August 2020. The Trustee sought compensation from Aegon for members who were negatively impacted by the closure and an acceptable settlement was reached during the period.

## (c) Investment performance

### Default arrangement

Over the year to 30 June 2021, the funds used in the Plan's default arrangement saw investment returns ranging from an increase in value by up to 27.21% for funds invested in the BOC Equity Fund (that is, a rise of £272.10 for every £1,000 invested in that fund) to a fall in value of 4.88% for funds invested in the Pre-retirement Fund (that is, a fall of £48.80 for every £1,000 invested in that fund).

## Statement regarding DC governance (continued)

The investment performance of the funds used in the default arrangement during the year to 30 June 2021 net of costs and charges expressed as a percentage were as set out in Table 2:

Table 2: Default Lifestyle Strategy constituent fund returns over one year

Fund	1 year
BOC Equity Fund	27.21%
BOC Diversified Growth Fund	14.69%
BOC Pre Retirement Fund	-4.88%
Aegon Blackrock DC Cash	-0.03%
BOC Growth Fund	20.83%

Source: Aegon

The high performance of the Equity, Growth and Diversified Growth funds can be attributed to a bounce back in the market following an initial fall in quarter 1 2020 as a result of the start of the COVID-19 pandemic.

### Other investment options

The Trustee is satisfied that all funds used by the other investment options have performed in line with their objectives.

### More information

Investment returns for all funds over several periods of time to 30 June 2021 are shown in Appendix IV.

Further information on the funds, how they are invested and their investment performance during the year, can be found on the Plan's website at [www.bocpensions.co.uk](http://www.bocpensions.co.uk) where you can find a link to RS Plan Fund factsheets provided by the fund manager.

### (d) Charges and transaction costs

The charges and costs borne by members and/or the Company for the Plan's services are:

Service	By members	By the Company
Investment management	✓	
Investment transactions	✓	
Administration		✓
Governance		✓
Communications		✓
Retirement	✓	

## Statement regarding DC governance (continued)

The Plan is divided into two sections known as the Retirement Savings (“RS”) Section and the Additional Voluntary Contribution (“AVC”) Section. Information on the investment options for members in these two sections is set out in the ‘Charges’ and ‘Transaction Costs’ sections below. The presentation of the charges and transaction costs, together with the illustrations of the impact of charges and costs, have taken into account the statutory guidance issued by the Department for Work and Pensions.

### Charges

The charges quoted below are the funds’ Total Expense Ratios (“TERs”). The TER consists of a fund’s Annual Management Charge (“AMC”) and Operating Costs & Expenses (“OCE”). OCEs include, for example, the fund’s custodian costs. While the AMC is usually fixed, the OCE and hence the TER, can vary slightly from day to day. The charges are deducted before the funds’ unit prices are calculated.

### Default arrangement

The Trustee monitors the default arrangement’s compliance with the charge cap basis described in the 2015 Regulations. The Plan is a qualifying scheme for auto-enrolment purposes and the Trustee confirms that the member borne charges for the default arrangement complied with the charges cap during the period covered by this Statement.

The charges paid by members on the default strategy depend on where they are in the lifestyle strategy and the number of years they have until their selected retirement date. Table 1 above shows the funds in which members invest under the default arrangement at each stage of the lifestyle strategy. Table 3 sets out the charges relating to the funds used in the default arrangement:

Table 3: Default Lifestyle Strategy constituent fund charges

Fund	Charge	
	TER (%)	£ per £1,000
BOC Equity Fund	0.19%	1.90
BOC Diversified Growth Fund	0.56%	5.60
BOC Pre Retirement Fund	0.17%	1.70
Aegon Blackrock DC Cash	0.13%	1.30
BOC Growth Fund <sup>[Note 2]</sup>	0.40%	4.00

Note 2: The TER for the BOC Growth fund is slightly higher than the TER of its constituent parts (the BOC Equity Fund and the BOC Diversified Growth Fund) due to an additional charge for managing the balanced fund.

The charges for the Plan’s default arrangement were less than the government’s charge cap for pension schemes used for auto-enrolment. During the period covered by this Statement, the current level of member-borne charges applying to members’ investments as they progress through the default arrangement ranged from 0.16% p.a. to 0.40% p.a. of the amount invested as shown in Table 4 below:

## Statement regarding DC governance (continued)

Table 4: Total expense ratios under Default Lifestyle Strategy

Years to Retirement	BOC Equity Fund (%)	BOC Diversified Growth Fund (%)	BOC Pre-retirement Fund (%)	Blackrock DC Cash (%)	Charge	
					TER (%)	£ per £1,000
>10	50.0	50.0	0.0	0.0	0.40%	4.00
10	50.0	50.0	0.0	0.0	0.40%	4.00
9	50.0	50.0	0.0	0.0	0.40%	4.00
8 <sup>[Note 3]</sup>	50.0	50.0	0.0	0.0	<sup>[Note 4]</sup> 0.40%	4.00
7	37.5	50.0	12.5	0.0	0.37%	3.70
6	25.0	50.0	25.0	0.0	0.37%	3.70
5	12.5	50.0	37.5	0.0	0.37%	3.70
4	0.0	50.0	50.0	0.0	0.37%	3.70
3	0.0	37.5	62.5	0.0	0.32%	3.20
2	0.0	25.0	67.0	8.0	0.26%	2.60
1	0.0	12.5	71.5	16.0	0.21%	2.10
0	0.0	0.0	75.0	25.0	0.16%	1.60

Note 3: Members are invested in the BOC Growth fund until 8 years before retirement, after which life-style rebalancing commences as shown above. The BOC Growth fund is made up of 50% BOC Equity fund and 50% BOC Diversified Growth fund.

Note 4: The TER for the BOC Growth fund is slightly higher than the TER of its constituent parts (the BOC Equity Fund and the BOC Diversified Growth Fund) due to an additional charge for managing the balanced fund.

### Other lifestyle strategies

In addition to the default arrangement, there are two alternative lifestyle strategies that are available to members to self-select; the 'Income Drawdown' strategy and the 'Cash' strategy. These arrangements also invest contributions in different funds according to how far each member is from retirement. The charges borne by each member can vary from one year to the next.

The two additional lifestyle arrangements make use of the same constituent funds as the default strategy (as set out in Table 3 above). As such, they constituent fund charges are the same, although actual charges levied will depend on the strategy.

1. The 'Cash' strategy is based on switching from the BOC Equity Fund and BOC Diversified Growth Fund to the Blackrock Cash Fund as the member nears retirement, with holdings in the BOC Pre-Retirement Fund during the switching phase.

The current level of member-borne charges applying to members' investments as they progress through the 'Cash' strategy ranged from 0.13% p.a. to 0.40% p.a. of the amount invested during the period as shown in Table 5 below:



## Statement regarding DC governance (continued)

Table 5: Total expense ratios under 'Cash' Strategy

Years to Retirement	BOC Equity Fund (%)	BOC Diversified Growth Fund (%)	BOC Pre-Retirement Fund (%)	Blackrock DC Cash (%)	Charge	
					TER (%)	£ per £1,000
>10	50.0	50.0	0.0	0.0	0.40%	4.00
10	50.0	50.0	0.0	0.0	0.40%	4.00
9	50.0	50.0	0.0	0.0	0.40%	4.00
8 <sup>[Note 5]</sup>	50.0	50.0	0.0	0.0	0.40%	4.00
7	37.5	50.0	12.5	0.0	0.37%	3.70
6	25.0	50.0	25.0	0.0	0.37%	3.70
5	12.5	50.0	37.5	0.0	0.37%	3.70
4	0.0	50.0	50.0	0.0	0.37%	3.70
3	0.0	37.5	37.5	25.0	0.31%	3.10
2	0.0	25.0	25.0	50.0	0.25%	2.50
1	0.0	12.5	12.5	75.0	0.19%	1.90
0	0.0	0.0	0.0	100.0	0.13%	1.30

Note 5: Members are invested in the BOC Growth fund until 8 years before retirement, after which life-style rebalancing commences as shown above. The BOC Growth fund is made up of 50% BOC Equity fund and 50% BOC Diversified Growth fund.

1. The 'Income Drawdown' strategy is based on switching from the BOC Equity Fund and BOC Diversified Growth Fund to the BOC Diversified Growth Fund, BOC Pre-Retirement Fund, and Blackrock Cash Fund as the member nears retirement.

During the period covered by this Statement, the current level of member-borne charges applying to members' investments as they progress through the 'Income Drawdown' strategy ranged from 0.35% p.a. to 0.40% p.a. of the amount invested as shown in Table 6 below:

## Statement regarding DC governance (continued)

Table 6: Total expense ratios under 'Income Drawdown' Strategy

Years to Retirement	BOC Equity Fund (%)	BOC Diversified Growth Fund (%)	BOC Pre-Retirement Fund (%)	Blackrock DC Cash (%)	Charge	
					TER (%)	£ per £1,000
>10	50.0	50.0	0.0	0.0	0.40%	4.00
10	50.0	50.0	0.0	0.0	0.40%	4.00
9	50.0	50.0	0.0	0.0	0.40%	4.00
8 <sup>[Note 6]</sup>	50.0	50.0	0.0	0.0	0.40%	4.00
7	44.0	50.0	6.0	0.0	0.37%	3.70
6	37.5	50.0	12.5	0.0	0.37%	3.70
5	31.0	50.0	19.0	0.0	0.37%	3.70
4	25.0	50.0	20.0	5.0	0.37%	3.70
3	19.0	50.0	20.0	11.0	0.36%	3.60
2	12.5	50.0	20.0	17.5	0.36%	3.60
1	6.0	50.0	20.0	24.0	0.36%	3.60
0	0.0	50.0	20.0	30.0	0.35%	3.50

Note 6: Members are invested in the BOC Growth fund until 8 years before retirement, after which life-style rebalancing commences as shown above. The BOC Growth fund is made up of 50% BOC Equity fund and 50% BOC Diversified Growth fund.

### Other funds available to RS Section members

Plan members are also able to self-select their own combination of funds from those listed in Table 7 below and Table 3 above.

During the period covered by this statement, the level of member borne charges applying to funds outside the default arrangement (and in which members' contributions were invested) ranged from 0.11% to 0.47%:

## Statement regarding DC governance (continued)

Table 7: RS Section self-select fund charges <sup>[Note 7]</sup>

Fund	Charge	
	TER (%)	£ per £1,000
Aegon Blackrock UK Equity Index	0.11%	1.10
Aegon Blackrock World (ex UK) Equity Index	0.14%	1.40
Aegon Blackrock 70/30 Global Equity Index <sup>[Note 8]</sup>	0.14%	1.40
Aegon Blackrock European Equity Index <sup>[Note 8]</sup>	0.14%	1.40
Aegon Blackrock Japanese Equity Index <sup>[Note 8]</sup>	0.14%	1.40
Aegon Blackrock Pacific Rim Equity Index <sup>[Note 8]</sup>	0.14%	1.40
Aegon BlackRock US Equity Index <sup>[Note 8]</sup>	0.14%	1.40
BOC Growth Fund	0.40%	4.00
Aegon Blackrock Over 15 Year Gilt Index	0.11%	1.10
Aegon Blackrock Over 5 Year Index-Linked Gilt Index	0.11%	1.10
BOC Corporate Bond Fund	0.47%	4.70

Note 7: These funds are available to self-selecting members in addition to those listed in Table 3.

Note 8: These funds were available only to members of the AVC Only Section (see next section for more information).

### Other funds available to AVC Only Section members

The Plan also offers a range of funds to AVC Only section members, which are set out below in Tables 8-9. In addition to the funds set out in these tables, AVC Only section members can invest in a selection of Aegon funds, which have been identified with a note in Table 7 (Note 8).

During the period covered by this statement, the level of member borne charges (expressed as a “Total Expense Ratio”) applying to funds outside the default arrangement (and in which members’ contributions were invested) were as follows:

## Statement regarding DC governance (continued)

Table 8: Friends Life (closed to new members but open to new money from existing members)

Fund (until June 2021 – see below)	Charge	
	TER (%)	£ per £1,000
UK Equity	At the time of producing this Statement, charges information for these funds had not been received from the providers for the current period and the Trustee is continuing to request this information.	
UK Index Tracker		
European Equity		
North American Equity		
Pacific Basin		
Global Equity		
Property		
Managed		
Stewardship		
Stewardship Managed		
Index-Linked Gilts		
Pre-Retirement Fixed Interest		
Cash		

## Statement regarding DC governance (continued)

Table 9: Prudential (closed to new members and closed to new money)

Fund (see below)	Charge	
	TER (%)	£ per £1,000
International Pension	1.00%	10.00
Global Select Pension	1.00%	10.00
European Select Pension	1.00%	10.00
Equity Pension	1.00%	10.00
Japan Pension	1.00%	10.00
US Equity Pension	1.00%	10.00
Asia Pacific Pension	1.08%	10.80
Recovery Pension	1.00%	10.00
UK Income Distribution	1.00%	10.00
UK Select Pension	1.00%	10.00
Managed Pension	1.06%	10.60
PPP	1.00%	10.00
Property	1.80%	18.00
Gilts & Fixed Interest	1.00%	10.00
Cash Pension	1.00%	10.00

After having undertaken a review, in 2018, of the legacy funds in Tables 8 & 9, the Trustee had concluded that the Plan's fund range provided by Aegon was subject to a higher level of governance and performance monitoring and could be offered to members at a significantly lower cost. Consequently, the Trustee decided that the legacy AVC funds should be closed to improve the quality of fund options to members and that existing savings should be transferred to the fund range provided by Aegon (as summarised in Tables 3 and 7 above).

There have been delays in obtaining the necessary information from the providers. However, in June 2021, the transfer of the Friends Life funds was completed. The transition of the Prudential funds was still ongoing as at the end of the period and was completed in September 2021.

### With-profits policies

The Plan has legacy AVC with-profits policies with Prudential Assurance Company Ltd and Aviva Life & Pensions UK Ltd. Typically, the charging structure of with-profits policies is not transparent as net investment returns are earned in the form of discretionary bonuses calculated by the provider. The charges and transaction costs

## Statement regarding DC governance (continued)

are deducted from the overall fund before bonus rates are set for all policyholders. As a result, it is not possible to determine the exact charges and costs borne by members.

Information about charges and transaction costs has been requested from both providers; however, this has not been received at the time of preparing this statement.

### Transaction costs

Transaction costs are in addition to the funds' TERs and can arise:

- when the fund manager buys or sells part of a fund's portfolio of assets; or
- when the platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on how each fund is invested and market conditions. They can include custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes) and are taken into account when the funds' unit prices are calculated. This means that transaction costs are not readily visible, but will be reflected in a fund's investment performance.

The FCA requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission). These transaction costs do not include costs members may incur from buying or selling units in the provider's funds as a result of the fund manager's fund price moving from a "bid" to "offer" basis (or vice versa).

### Transaction costs for the default arrangement

The transaction costs borne by members in the default arrangement during the year were in a range from 0.07% to 0.20% of the amount invested.

Further details on transaction costs are set out in Appendix II for each fund used in the default arrangement.

### Transaction costs for the investment options outside the default arrangement

The transaction costs borne by members outside of the default arrangement during the year were in a range from -0.01% to 0.31% of the amount invested for the funds offered by Aegon. Transaction costs information has not been provided by Prudential.

### Transaction costs for the With-Profits Funds

The transaction costs for the With-Profits funds have not been provided.

### Missing information

The Trustee has requested full information from Prudential and will continue to request this but has not obtained all the information requested. The Trustee notes the following limitations:

- At this point, limited data is available on industry-wide comparisons which has made it necessary to rely heavily on the market knowledge of its advisers.
- There is limited transaction costs data available to provide industry-wide comparisons.

## Statement regarding DC governance (continued)

The Trustee understands that these issues continue to affect many pension schemes and pension providers and that, the amount of comparative information available should improve over the next few years.

Given these limitations, the Trustee is satisfied that it has obtained as much information as it can on charges and transaction costs from the Plan's fund managers.

### Impact of costs and charges

The Trustee has asked the Scheme's investment adviser to illustrate the impact over time of costs and charges borne by members on projected values at retirement in today's money for a typical member.

The tables in Appendix III to this Statement show these figures for the four funds included in the default strategy together with a note of the assumptions used in these illustrations.

As an example, for a member aged 20 who is invested in the Default Lifestyle Strategy, the level of charges and costs seen in the last year would reduce the projected pot value at retirement in today's money from £154,696 to £134,791. This assumes that the member's starting salary is £20,000 a year and that a total contribution of 10% of their salary is paid towards their pension until they retire at 65.

Please note that these illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow.

### Security of assets

The Trustee has sought and considered information from its investment consultants to:

- Increase their understanding of the compensation available and the criteria for claiming compensation, for example, in the event of a fund manager default;
- Establish the adequacy of protection arrangements in the event of a business failure of an investment services provider; and
- Understand the extent to which compensation is available for each of the investments currently held by the Plan.

The Plan invests scheme assets predominantly in instruments admitted to trading on regulated markets, and the Plan's fund managers operate in a strong regulatory environment. Fund managers are required to meet regulatory capital requirements in respect of the policyholders' funds, and this regulatory capital position is published in their annual returns. Additionally, fund managers' administrative and risk management processes are required to comply with the requirements of the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

In the unlikely event that a fund manager did sustain a loss which meant they were unable to meet their obligation to individual policyholders, policyholders may be entitled to compensation under the UK Financial Services Compensation Scheme ("FSCS"), depending on the type of business and the circumstances of the claim.

## (e) Processing financial transactions

The administration of the Plan is carried out by BOC Pension Services, BOC's in-house pension administration team, on the Trustee's behalf.

## Statement regarding DC governance (continued)

The Trustee commenced monitoring the Plan's administration service against agreed service levels, having entered into a formal service contract with the administrator during the period. The Trustee recognises that maintaining high service standards is a key consideration in the successful management of the Plan. Appendix IV sets out the key areas covered by the administration agreement.

The Trustee commissioned a full independent review of the administrator's processes and Plan data, which was conducted in 2019. Following the review, the administrator has been working to improve processes to address matters raised in the review feedback and reduce the risks of errors. Changes are currently being implemented, including rectification work for previously identified errors.

Over the period no complaints have been received from members in connection with the administration of the Plan. The Trustee monitors the processing of core financial transactions to ensure the Plan administration service standards meet its reasonable expectations. The administrator provides reports on these transactions at each of the Trustee's meetings. The Trustee is aware that core financial transactions include the receipt and investment of contributions, transfers of members' assets into and out of the Plan, switches between investment options and the payment of benefits. It is worth noting that:

- All contributions deducted from members' pay by the participating employers are paid to the Plan's administrator on the same day as they are taken from members' pay.
- Transfers out, fund switches and payments out, both to and in respect of members, are processed by administrator on behalf of the Trustee. The promptness of processing these transactions is monitored by the Trustee through the administrator's performance reporting each quarter.

The administrator monitors its performance by producing and reviewing workflow reports and using a tool which monitors the receipt and investment of contributions.

The Coronavirus pandemic continued to impact the administration of the Plan through the period. Staff continued to work from home and reconfigured processes to accommodate these working arrangements.

Although the pandemic had initially resulted in some delays in the processing of core financial transactions, service levels improved during the period as the administrator adapted to new working practices.

Nevertheless, the Trustee is satisfied that the administrator throughout took reasonable steps to ensure key financial transactions took place and services were restored as soon as possible.

### Data quality

The Trustee recognises the importance of good data quality. The last audit of the Plan's common data (which is the key data needed by the Plan to calculate members' benefits such as dates of birth) was undertaken as at 30 June 2021. This showed that common data was present for 99% of membership data compared to 99% at the prior assessment as at 30 June 2020.

Over the next year the Trustee will carry out work to improve the quality of the Plan's data.

### Cyber Security

The Trustee is increasingly conscious of the growing threat of cyber-attacks on pension scheme information. As part of the implementation of the new administration contract, the Trustee discussed engaging with the Company to confirm the effectiveness of its cyber security arrangements incident reporting, bearing in mind the importance of being able to notify members quickly if there has been a security breach.



## Statement regarding DC governance (continued)

### (f) Value for Members

Each year, with the help of its advisers, the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members (VfM). Value is not simply about low cost – the Trustee also considers the quality of the services which members pay for.

Value assessment for Plan members can encompass areas such as administration, communications, investment, governance and the at-retirement process. The Pensions Regulator requires Value for Members to be assessed in relation to areas where members bear some or all of the costs which, for the Plan, means focusing on Plan investments and the at-retirement process. For the avoidance of doubt, there are no areas in which the Companies and Plan members share costs.

#### Approach

The Trustee adopted the following approach to assessing Value for Members for the last year:

- Services – considered the investment, administration, communication services where members bear or share the costs.
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement.
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons.
- Rating – each service was rated on the below basis.

#### Results for the Year ending 30 June 2021

The Plan gave **Good** Value for Members in the year ending 30 June 2021.

The rating criteria used in the assessment were:

## Statement regarding DC governance (continued)

Definition	VfM Rating
The Trustee considers the Plan offers excellent VfM. It provides better quality services within a top 20% quality/cost range, compared with typical options or schemes. Focus should be on maintaining the excellent rating.	<b>Excellent (5)</b>
The Trustee considers the Plan offers good VfM. It provides better quality services at similar cost, or similar services at lower cost, compared with typical options or schemes. Focus should be on maintaining the above average rating.	<b>Good (4)</b>
The Trustee considers the Plan offers average VfM. It provides similar quality services at similar cost, compared with typical options or schemes. A moderate priority for action to improve value (or high priority for categories with high weightings).	<b>Average (3)</b>
The Trustee considers the Plan offers below average VfM. It provides similar quality services at higher cost, compared with typical options or schemes. Improving value should be a higher priority objective.	<b>Below average (2)</b>
The Trustee considers the Plan offers poor VfM. It provides similar services at higher cost, or lower quality services for similar cost, compared with typical options or schemes. A high priority for action to improve value.	<b>Very poor (1)</b>

### Rating rationale

The table below outlines the rationale for the rating of each service, including the weightings the Trustee has attributed to each service where members bear the cost in part or in full:

## Statement regarding DC governance (continued)

Service and weighting	VfM Rating	Rationale
Investment (90%)	Good (4)	<p>The Trustee is satisfied that the investment options are suitable for the Plan's membership because there are no material concerns about the quality of the services and the charges are at the lower range of charges observed for comparable schemes. In addition, investment performance was in line with the funds' objectives.</p> <p>At this time, the Trustee is unable to provide a robust assessment of reasonableness of transaction costs experienced by the Plan and cannot comment on whether they are above or below average. However, they seem appropriate, given the various mandates.</p> <p>The Statement of Investment Principles was last updated on 28 September 2020, when further changes reflecting Environmental, Social and Governance (ESG) considerations were documented.</p>
Retirement (10%)	Average (3)	<p>The Trustee, with support from the Companies, has arranged for optional at-retirement services provided by Origen to help retiring members make the best choices. Members bear the full cost of using these services.</p> <p>The Trustee has considered the service offered by Origen (most recently in September 2020) and determined that more work may be needed to confirm that members receive better value from this service. As such the Trustee's view is that currently members derive average value.</p>

The Trustee has agreed an action plan for the following year to improve value where necessary and obtain any missing information. This action plan, along with details of the missing information and the value assessment limitations are detailed in other sections of this Chair's Statement.

### (g) Trustee knowledge and understanding

The Trustee is required to describe how the knowledge and understanding requirements of sections 247 and 248 of the Pensions Act 2004 have been met during the period and explain how the combined knowledge and understanding of the Trustee, together with the advice available to them, enables them to properly exercise their functions.

Section 247 and 248 of the Pensions Act 2004 require that each Trustee:

- Is conversant with the Plan's trust deed and rules, the Plan's SIP, and any other policy document relating to the Plan's administration; and
- Has appropriate knowledge and understanding of pensions and trusts law as well as the funding of occupational pension schemes and asset investment principles.

## Statement regarding DC governance (continued)

The Trustee Directors' current practices to maintain and develop each Trustee's level of knowledge and understanding of matters relating to the Plan are summarised below:

1. The Trustee has an induction process for newly appointed Trustee Directors, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee Director. The Trustee Toolkit is a free, online learning resource from The Pensions Regulator aimed at trustees of occupational pension schemes to help them meet the minimum level of knowledge and understanding requirements through learning modules and downloadable materials.
  - The Trustee has also developed a training agenda (to be delivered by its advisers) that will serve as additional introductory training for new Trustee Directors.
2. Each new Trustee Director is provided with a role description, which highlights the key requirements of the role, including the expectation that Trustee Directors will:
  - acquire a working knowledge of the Plan's Trust Deed and Rules (TD&R);
    - in practice, all formal Trustee's meetings are attended by the Trustee's legal adviser who attends with a copy of the TD&R – as a matter of course, all discussion of non-trivial matters requiring a decision is preceded by a reminder of the relevant provisions in the TD&R
  - have a working knowledge of the Plan's Statement of Investment Principles (SoIP) as well as the investment concepts relevant to the Plan;
    - the Trustee periodically reviews the Plan's default strategy and investment funds that are made available to Plan members; the current SoIP was updated on 28 September 2020 to include additional information on Environmental, Social and Governance (ESG) considerations
    - whenever a change to the SoIP is proposed, the updated document is circulated to each Trustee Director for reading prior to being formally presented to the Trustee at a meeting
    - the Trustee is also closely involved with the preparation of this statement for which the SoIP is highly relevant and therefore contributes further to the Trustee's awareness of the SoIP
  - build sufficient knowledge and understanding relating to the relevant principles of funding and investment that relate to the Plan;
    - the Trustee has benefited from the cumulative knowledge acquired from presentations given by the Plan's investment adviser in connection with the Plan's investment options (examples include reviewing the appropriateness of the range of member investment options and the annual review of value for members)

## Statement regarding DC governance (continued)

- build a working knowledge of the law and legislation relating to pension schemes and trusts, including the Pension Regulator's DC Code of Practice 13 and supporting Guides;
    - the Trustee's legal adviser attends all formal Trustee's meetings to offer guidance where needed, this is an established practice which also enables the Trustee Directors to maintain their collective understanding of the key legal considerations and focus on relevant factors only
    - the Trustee receives training from its legal adviser on all material changes in legislation affecting pension schemes to ensure it understands the implications for the Plan
  - undertake further study and qualifications which support their work as Trustees
    - although the Trustee Directors do not pursue further formal study and qualifications, they are encouraged to attend events which they identify as being useful for their role, including seminars, briefing sessions, networking events and attending webinars on topical issues
    - Trustee Directors are also asked to report any training attended and share any noteworthy learning points with the Trustee
    - the current Chair is an APPT accredited professional pension trustee, so is subject to minimum standards including a requirement to demonstrate Continued Professional Development
  - maintain and improve their familiarity with the Plan's documentation and policies
    - although the Trustee Directors do not formally record and demonstrate their knowledge on the Plan's documentation and policies, they have identified the key Plan documents that are used by the Trustee and agreed that they will be reviewed periodically at Trustee's meetings.
3. The Trustee has an ongoing programme of training to ensure it has appropriate knowledge and understanding to perform its duties. Its approach to training is set out in a training policy document which is regularly reviewed and updated for new areas of consideration.
- Formal training sessions are delivered during Trustee's meetings or over half-day training sessions as required.
  - In addition to the new Trustee Director training in (1) above, the Trustee will also run refresher training for existing Trustee Directors from time to time.
  - Trustee Directors do not maintain individual training logs, preferring instead to use the meeting minutes as the basis for recording training activities.
4. The Trustee has had a policy of informally reviewing individual Trustee Director's effectiveness, including their level of knowledge, through an annual one-to-one meeting with the Chair, who has Plan specific understanding, to:
- discuss their trusteeship and provide guidance; and

## Statement regarding DC governance (continued)

- benefit from the Chair's broader industry knowledge and understanding of the Pensions Regulator's expectations, which provide context for each Trustee Director's Plan specific needs.

This process helps to identify Trustee Directors' individual knowledge or skills gaps and how they might be addressed through additional training to help improve the overall management of the Plan.

The Trustee periodically arranges training to be attended by the Trustee Directors to address general trustee training matters as well as matters specific to the Plan. The Trustee also carried out a review of the effectiveness of the Trustee as a whole in January 2020, with the help of an external facilitator, and points raised during the review are periodically considered.

To support its management of the Plan, the Trustee locates all its current policy documents in one location. The Trustee's business plan makes provision for these policies to be reviewed from time to time. The Trustee is also aware that effective management of the Plan requires it to periodically check that the Company is meeting its obligation to pay contributions to the Plan accurately and on a timely basis and that these contributions are invested on a timely basis by the administrator.

The Trustee believes that its management of the Plan is strengthened by the appointment of an independent Chair, who benefits the Trustee as a whole by sharing broader industry insight that can lead to better decision making in general. The independent Chair has also become conversant with the Plan's documentation and developed a high level of Plan specific understanding that further benefits the Trustee in managing the Plan. The Trustee also confirms that it has appointed recognised and suitably qualified legal advisers, investment consultants and benefit consultants to:

- provide advice on the operation of the Plan in accordance with the Plan's Trust Deed and Rules and in compliance with legislation;
- provide regular training for the Trustee at Trustee meetings, including quarterly updates on topical issues that highlight considerations for the Plan and its members; and
- help ensure that the Trustee's discussion and overall effectiveness (and subsequent decision-making) are focussed on relevant factors.

The effectiveness of the Trustee's advisers is reviewed annually, and adviser appointments are reviewed on a periodic basis.

The Trustee received the following training during the last year:

## Statement regarding DC governance (continued)

Date	Topic	Aim	Trainer
10 November 2020	Administration training	Understand the importance of DC administration governance in the context of PASA guidance focussing on data quality & security, decumulation, controls & processes and well as management information and transition management.	Hymans Robertson
23 April 2021	Communications	Understand different ways in which to communicate and engage with member effectively.	Gallagher (formerly AHC)
23 April 2021	Investment	General investment considerations as well as understanding how Environmental, Social and Governance factors may be taken into account in investment.	Mercer
4 September 2020, 4 December 2020, 22 February 2021 & 25 May 2021	DC update	Keep the Trustee up to date on news in the DC marketplace.	Hymans Robertson
4 September 2020, 4 December 2020, 22 February 2021 & 25 May 2021	Regulatory update	Keep the Trustee up to date on changes to DC legislation and the actions of the Pensions Regulator.	Mayer Brown/Hymans Robertson

The Trustee undertook the following reviews during the last year:

Date	Review of
4 September 2020	The Plan's investment risks and controls
4 December 2020	The Plan's default investment fund

The Trustee is satisfied that during the period covered by this Statement the combination of individual Trustee Directors' knowledge and understanding together with access to suitable advice enabled it to exercise properly its functions as Trustee of the Plan.

### (h) Action plan for the next year

In recent years the Plan's members have benefited from a number of changes (over and above "business as usual") driven or welcomed by the Trustee. Each has improved VfM within the Plan. Over the last 12 months the Trustee undertook the following to improve value for members:

## Statement regarding DC governance (continued)

- 1 **Ongoing monitoring** – The Trustee regularly receives updates from the Plan’s investment adviser and the BOC Pensions Investment Team reflecting ongoing monitoring of markets and managers. Since the start of the COVID-19 pandemic, the Trustee has received enhanced analysis of fund performance broken down by members’ term to retirement to assess resilience to market volatility of the default strategy and the other funds. This has enabled the Trustee to communicate with members effectively regarding the impact of the pandemic.
- 2 **Consideration of fund manager performance** - The Trustee reviews regular updates on fund manager performance net of fees against the benchmark returns for the fund, with a more in-depth annual review in addition to this. Annual reviews include advice from the Trustee’s advisers on whether the fees charged on funds offered to members are competitive when assessed against consistent funds in the market. The Trustee has also set objectives as part of the CMA requirements for the investment consultant to provide advice that supports the Trustee’s aim to offer good value to members.
- 3 **Transaction costs** - Work with investment managers regarding the transparency of the underlying transaction costs charged to members.
- 4 **Review of default strategy** – The Trustee initiated a review of the Plan’s default strategy to assess whether it remains appropriate for Plan members.
- 5 **Unit-linked legacy AVC funds** - The Trustee improved Value for Members in relation to unit-linked legacy AVC funds with Friends Life and Prudential. It had agreed that these funds should be transferred, at no cost to members, into similar Plan funds on the Aegon platform that represent better value for members. The transition of the Friends Life funds was completed during the period in June 2021. The transitioning of the Prudential funds was ongoing at the year-end but was completed in September 2021.

### Improving VfM

Improving VfM is an evolving process and takes place over a period of time - the changes summarised above illustrate this. The Trustee has also identified a number of potential actions that would, in its view, contribute to improving value for members. These actions are under consideration although, unless stated otherwise, no decision has been made to implement each change. These are summarised below but it is important to note that the timing of any implementation will depend upon the materiality and urgency of the matter:

- 1 **Fund performance** - Review fund manager performance and the performance monitoring process to ensure the framework remains appropriate to the size of the Plan.
- 2 **At retirement** - Review the service provided by Origen to Plan members at retirement and the clarity of member communications to improve value both from the perspective of the service offered and members’ understanding of the value they can derive from the at-retirement service.

Progress on these potential actions will be reported to members in each year’s Chair’s Statement as and when each develops further.



## Statement regarding DC governance (continued)

Signed on behalf of the Trustee by:

A Cheseldine

Andrew Cheseldine, for Capital Cranfield Pension Trustees Limited  
Chair of the Trustee of the BOC Retirement Savings Plan  
31 January 2022

## Statement regarding DC governance (continued)

### Appendix I: Statement of Investment Principles

This has been removed from this section and has been shown as an Appendix to the Report and Accounts.

### Appendix II: Transaction Costs

#### Transaction costs

The table below summarises the transaction costs (provided by Aegon for the year to 30 June 2021) associated with the Plan's range of funds over the period. The Trustees requires this information as part of its Value for Members review requirements under the Pension Regulator's DC Code of Practice and legislative requirements of the annual Chair's Statement.

BOC RSP – DC SECTION	Transaction cost	
	% p.a.	£ per £1,000
BOC Equity Fund	0.03%	0.30
BlackRock DC Aquila UK Equity Index Fund	0.00%	-
BlackRock DC Aquila World (ex UK) Equity Index Fund	0.02%	0.20
BOC Diversified Growth Fund	0.31%	3.10
BOC Growth Fund	0.17%	1.70
BOC Pre-Retirement Fund	0.09%	0.90
BOC Corporate Bond Fund	0.05%	0.50
BlackRock DC Aquila Over 15 Years Gilt Index Fund	-0.01%	-0.10
BlackRock Aquila Life Over 5 Years Index-linked Gilt Index	0.00%	0.00
BlackRock DC Cash Fund	0.02%	0.20

Source: Aegon

Further information is set out in the remaining tables to illustrate how transaction costs vary within the default strategies.

#### Default Lifestyle transaction costs: "Annuity Lifestyle Strategy"

The table below sets out the variation in transaction costs under the Plan's default arrangement.

## Statement regarding DC governance (continued)

Years to Retirement	Equity (%)	Diversified Growth (%)	Pre-retirement (%)	Cash (%)	Transaction costs	
					% p.a.	£ per £1,000
>10	50.0	50.0	0.0	0.0	0.17%	1.70
10	50.0	50.0	0.0	0.0	0.17%	1.70
9	50.0	50.0	0.0	0.0	0.17%	1.70
8 <sup>[Note 9]</sup>	50.0	50.0	0.0	0.0	0.17%	1.70
7	37.5	50.0	12.5	0.0	0.18%	1.80
6	25.0	50.0	25.0	0.0	0.18%	1.80
5	12.5	50.0	37.5	0.0	0.19%	1.90
4	0.0	50.0	50.0	0.0	0.20%	2.00
3	0.0	37.5	62.5	0.0	0.17%	1.70
2	0.0	25.0	67.0	8.0	0.14%	1.40
1	0.0	12.5	71.5	16.0	0.10%	1.00
0	0.0	0.0	75.0	25.0	0.07%	0.70

Note 9: Members are invested in the BOC Growth fund until 8 years before retirement, after which life-style rebalancing commences as shown above. The BOC Growth fund is made up of 50% BOC Equity fund and 50% BOC Diversified Growth fund.

### Alternative Lifestyle transaction costs: "Income Drawdown Strategy"

The table below sets out the variation in transaction costs under the income drawdown strategy.

Years to Retirement	Equity (%)	Diversified Growth (%)	Corporates (%)	Cash (%)	Transaction costs	
					% p.a.	£ per £1,000
>10	50.0	50.0	0.0	0.0	0.17%	1.70
10	50.0	50.0	0.0	0.0	0.17%	1.70
9	50.0	50.0	0.0	0.0	0.17%	1.70
8	50.0	50.0	0.0	0.0	0.17%	1.70
7	44.0	50.0	6.0	0.0	0.17%	1.70
6	37.5	50.0	12.5	0.0	0.18%	1.80
5	31.0	50.0	19.0	0.0	0.18%	1.80
4	25.0	50.0	20.0	5.0	0.18%	1.80
3	19.0	50.0	20.0	11.0	0.18%	1.80
2	12.5	50.0	20.0	17.5	0.18%	1.80
1	6.0	50.0	20.0	24.0	0.18%	1.80
0	0.0	50.0	20.0	30.0	0.18%	1.80

## Statement regarding DC governance (continued)

### Alternative Lifestyle transaction costs: “Cash Strategy”

The table below sets out the variation in transaction costs under the Plan’s cash strategy.

Years to Retirement	Equity (%)	Diversified Growth (%)	Corporates (%)	Cash (%)	Transaction costs	
					% p.a.	£ per £1,000
>10	50.0	50.0	0.0	0.0	0.17%	1.70
10	50.0	50.0	0.0	0.0	0.17%	1.70
9	50.0	50.0	0.0	0.0	0.17%	1.70
8	50.0	50.0	0.0	0.0	0.17%	1.70
7	37.5	50.0	12.5	0.0	0.17%	1.70
6	25.0	50.0	25.0	0.0	0.18%	1.80
5	12.5	50.0	37.5	0.0	0.19%	1.90
4	0.0	50.0	50.0	0.0	0.20%	2.00
3	0.0	37.5	37.5	25.0	0.15%	1.50
2	0.0	25.0	25.0	50.0	0.11%	1.10
1	0.0	12.5	12.5	75.0	0.06%	0.60
0	0.0	0.0	0.0	100.0	0.02%	0.20

The Plan has holdings in a number of AVC policies with Prudential. With respect to the With-Profits policies, pay-outs on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, the actual performance received by members, net of charges, is only ever known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of ‘smoothing’.

The Trustee has sought to quantify the transaction costs associated with the holdings in these funds by requesting the information from these providers in line with the prescribed transaction cost disclosure methodology. Managers were not able to provide complete information to satisfy these requirements. The Trustee will continue to request this information each quarter to ensure the missing information is obtained.

### Appendix III: Impact of member borne costs and charges

In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, trustees and managers of relevant schemes must, amongst other things, provide an illustrative example of the cumulative effect of costs and charges on members’ savings as part of the Chair’s Statement.

The latest guidance, produced by the Department for Work & Pensions, sets out that trustees and managers should present the impact of costs and charges typically paid by a member as a figure in pounds, or pounds and pence. It should use realistic assumptions and be representative of membership in terms of pot size, contribution rates, expected investment returns in real terms, time period and actual charges and costs.

The guidance drafted by the Department for Work and Pensions notes that the illustrations should be produced, taking into account the following elements specific to the membership:

## Statement regarding DC governance (continued)

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

To illustrate the impact of costs and charges on a typical member's Retirement Account, we provided an example below for a young active Plan member. The illustration includes member-borne costs, including TERs and transaction costs but does not include costs involved with trading in and out of the funds.

Year End	Default Investment Option (Most Popular)		BlackRock UK Equity Fund (Highest Expected Return)		BlackRock DC Cash Fund (Lowest Expected Return)		BOC Diversified Growth Fund (Most Expensive)		BlackRock Over 15 Years Gilt Index Fund (Least Expensive)	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£3,056	£3,039	£3,058	£3,054	£2,967	£2,962	£3,054	£3,028	£2,966	£2,963
3	£7,348	£7,264	£7,363	£7,341	£6,798	£6,777	£7,335	£7,201	£6,797	£6,781
5	£11,894	£11,691	£11,932	£11,879	£10,498	£10,450	£11,859	£11,536	£10,494	£10,458
10	£24,469	£23,707	£24,623	£24,421	£19,199	£19,046	£24,328	£23,126	£19,186	£19,069
15	£38,984	£37,213	£39,356	£38,881	£27,170	£26,865	£38,643	£35,877	£27,143	£26,909
20	£55,738	£52,392	£56,459	£55,552	£34,472	£33,976	£55,079	£49,903	£34,428	£34,047
25	£75,076	£69,453	£76,314	£74,772	£41,162	£40,445	£73,950	£65,333	£41,098	£40,547
30	£97,397	£88,629	£99,363	£96,931	£47,291	£46,328	£95,616	£82,308	£47,204	£46,464
35	£123,162	£110,182	£126,122	£122,479	£52,906	£51,680	£120,492	£100,981	£52,794	£51,852
40	£148,036	£130,139	£157,185	£151,933	£58,049	£56,548	£149,053	£121,523	£57,912	£56,758
45	£154,696	£134,791	£193,246	£185,891	£62,762	£60,975	£181,845	£144,121	£62,597	£61,225

### Notes

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. The starting pot size is assumed to be £1,000, salary is assumed to start at £20,000 per annum and the member joined the Scheme at age 20.
4. Inflation and salary increases are assumed to be 2.5% per annum.
5. Fee information are those available as at 30 June 2020. Transaction costs have been included in the 'Pot size with Charges Incurred column' and are the average of the previous two years of costs available to 30 June 2020.
6. Where quoted transaction costs for a fund are negative, they have been assumed to be zero as a prudent assumption for these illustrations.
7. The contribution rate used is 10% per annum.
8. Contributions are assumed to be paid every year with no contribution holidays and increase in line with assumed earnings inflation of 2.5% p.a. only.
9. The projected gross growth rates for each fund are as follows:
 

Default investment option:	4.3% p.a. before inflation for members further than 8 years from retirement 1.65% p.a. before inflation for members at or beyond retirement
BlackRock DC Aquila UK Equity Fund:	5.5 % p.a. before inflation
BlackRock DC Cash Fund:	1.5% p.a. before inflation
BOC Corporate Bond Fund	2.5% p.a. before inflation
BlackRock DC Aquila Over 15 Years Gilt Index Fund	1.5% p.a. before inflation

## Appendix IV: Areas covered under the draft administration agreement

A formal service level agreement with the Plan's administrator has been agreed with the Company and covers service standards in the following key areas:

- Processing new joiner and regular contributions files and the allocation of contributions
- Provision of retirement pack and quotation of benefits

## Statement regarding DC governance (continued)

- Payments of benefits
- Provision of leaver option packs
- Processing transfers out of the Plan
- Processing individuals transferring into the Plan where permitted
- Arrangement of death benefits
- Processing ill-health benefits
- Response to members' enquiries
- Provision of statements upon request
- Processing of investment switches and lifestyling
- Issuing information and communications to members as required
- Processing complaints
- Analysing and maintaining data accuracy

## Appendix V: Investment performance

### Default Lifestyle fund performance: "Annuity Lifestyle Strategy"

The investment performance of the funds used in the default arrangement during periods up to 30 June 2021 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1 year	3 years	5 years
BOC Equity Fund	27.21%	9.35%	11.60%
BOC Diversified Growth Fund	14.69%	4.94%	4.80%
BOC Pre Retirement Fund	-4.88%	4.27%	3.30%
Aegon Blackrock Cash	-0.03%	0.41%	0.36%
BOC Growth Fund	20.83%	7.20%	8.22%

Source: Aegon

These funds are also the only funds used in the "Drawdown Lifestyle Strategy" and the "Cash Lifestyle Strategy", therefore the above performance figures also apply.

### Performance of other investment options

There are a range of investment options available to members. For the funds available in addition to those listed above, the investment performance during the periods up to 30 June 2021 net of all costs and charges expressed as an annual geometric compound percentage were:

## Statement regarding DC governance (continued)

Fund	1 year	3 years	5 years
Aegon Blackrock Over 15 Years Gilt Index	-11.23%	4.65%	3.18%
Aegon Blackrock Over 5 Years Index Linked Gilt	-4.52%	5.44%	5.04%
Aegon Blackrock UK Equity Index	21.29%	1.99%	6.44%
Aegon Blackrock World (ex-UK) Equity Index	25.22%	14.27%	15.04%
BOC Corporate Bond Fund	1.90%	4.90%	4.22%

Source: Aegon