

# Annual Governance Statement regarding defined contribution benefits held in The Oracle UK Pension Plan

## 1. Introduction

- 1.1. This Annual Governance Statement ("Statement") has been prepared by Dalriada Trustees Limited ("the Trustee"), the Trustee of The Oracle UK Pension Plan ("the Plan"). It reports on compliance with the defined contribution (DC) governance standards which are designed to help members achieve good outcomes from their pension savings.
- 1.2. The Plan was closed to future accrual on 31 December 2010. Prior to 1 June 2004, members' DC benefits were subject to a defined benefit (DB) underpin. Further details relating to the DB underpin are provided in section 2 of this Statement.
- 1.3. This Statement covers the Plan year 1 June 2022 to 31 May 2023.
- 1.4. The Trustee will publish this Statement on a publicly accessible website available here:

<https://myoraclepension.com/index.html>

## 2. The Plan's DC arrangements

- 2.1. The Plan's DC arrangements are held across two separate Sections, as follows:
  - 2.1.1. **Section 1:** this Section consists of two different types of funds held by members; Core Funds and Non-Core Funds.
    - **Core Funds:** these are subject to a DB underpin whereby if the value of an individual's fund is less than the cost of the Underpin Formula pension, a top up is applied to the Member's account and Underpin Formula pension is provided..
    - **Non-Core Funds:** these funds are treated as pure DC benefits.
  - 2.1.2. **Section 2:** all funds held through Section 2 of the Plan were accrued after June 2004 and are treated as pure DC benefits.

## 3. Default investment arrangements

- 3.1. Over the Plan year, the Plan had three default investment arrangements for the purposes of the Regulations. The default investment arrangement that applies varies between Section 1 and Section 2 of the Plan and depends upon the type and value of benefits each member holds. The design of these arrangements takes into consideration the potential needs of Plan members as well as the Trustee's own investment beliefs.

### [Review of the default investment arrangements](#)

- 3.2. The Trustee completes a strategic review of the default investment arrangements at least every three years.
- 3.3. A review of the default investment arrangement for **Section 1 Core Funds** was completed following the appointment of Isio as the Trustee's investment advisor in November 2020. This resulted in changes being made over the previous Plan year and these were reported in last year's Statement. The next review of the default investment arrangement for Section 1 Core Funds will be completed in 2024.
- 3.4. A review of the default investment arrangements for **Section 1 Non-Core Funds and Section 2 Funds** was completed in 2022. As part of this, the Trustee also reviewed the wider range of funds available to Plan members. The review resulted in changes being made to these default investment arrangements over the Plan year and these are described in 3.10 below. Changes were also made to the range of self-select

options which are described in 3.13 below. The next review default investment arrangements for Section 1 Non-Core Funds and Section 2 Funds will take place in 2025.

### Design of the default investment arrangements and changes over the Plan year

- 3.5. **Section 1 Core Funds:** the default investment arrangement for individuals that hold Core Funds through Section 1 of the Plan is the Oracle Diversified Growth Fund. This Fund invests in a portfolio of underlying funds and is designed to provide long-term investment growth, whilst limiting the degree to which it will fluctuate in value. It aims to ensure that the value of benefits promised to members at their Normal Retirement Age (NRA) can be provided. There were no changes made to this default investment arrangement over the Plan year.
- 3.6. **Section 1 Non-Core Funds and Section 2:** for these benefits, the Trustee has implemented two different default investment arrangements; the Drawdown Lifestyle Option and the Cash Lifestyle Option. These Lifestyle Options have been designed to be appropriate for the typical Plan member and the Lifestyle Option into which members benefits were invested was dependent upon the size of their fund.
- 3.7. Both Lifestyle Options invest across a portfolio of underlying investment funds. Each underlying fund is designed to provide exposure to different degrees of investment risk depending upon each member's term to their Normal Retirement Age (NRA) and will hold different asset classes in different proportions. The NRA of the Plan is set at age 65, however members can amend this should they wish.
- 3.8. When a member is more than 5 years from NRA, both Lifestyle Options invest exclusively in the Oracle Lifestyle Growth Fund. This aims to grow the value of each member's benefits whilst providing less exposure to investment volatility (but a potentially lower return) than investing solely in a portfolio of global equities.
- 3.9. From 5 years to NRA, the Lifestyle Options will automatically and gradually switch into a portfolio of funds which has been designed to be suitable for taking benefits either as cash or using drawdown, as follows:
- 3.9.1. **Drawdown Lifestyle Option:** this option aims to limit the extent to which members' benefits are exposed to large fluctuations in value in the approach to NRA, but to also provide the potential for future growth. At NRA a member's benefits will be invested:
- 60% in the Phoenix Oracle Lifestyle Growth Fund
  - 15% in the Phoenix Oracle Index Linked Gilts Fund
  - 25% in the Phoenix Oracle Cash Fund
- 3.9.2. **Cash Lifestyle Option:** this option aims to protect the value of a members' benefits at NRA. At NRA a member's benefits will be invested:
- 50% in the Phoenix Oracle Cash Fund
  - 50% in the Phoenix Oracle Active Bond Fund.
- 3.10. Over the Plan year, the Trustee made a number of changes to the underlying funds held by the Oracle Lifestyle Growth Fund, the Oracle Index Linked Gilts Fund and the Oracle Active Bond Fund and these are summarised in the table below. There were no changes made to the Oracle Cash Fund over the Plan year.

Fund name	Underlying funds before the change	Underlying funds after the change
Oracle Lifestyle Growth Fund	20% BlackRock Absolute Return Bond Fund 25% BlackRock Diversified Growth Fund 25% Invesco Perpetual Global Targeted Return Fund 30% BlackRock Aquila Life MSCI World Index Fund	30% LGIM Future World Global Equity Index Fund 25% BlackRock Diversified Growth Fund 25% LGIM Future World Multi-Asset Fund

Fund name	Underlying funds before the change	Underlying funds after the change
		20% LGIM Absolute Return Bond Fund
Oracle Index Linked Gilts Fund	50% LGIM Over 5yr Index Linked Gilts Fund 50% LGIM Under 15 Years Index Linked Gilt Fund	LGIM All Stocks Index Linked Gilts Fund
Oracle Active Bond Fund	BlackRock Absolute Return Bond Fund	LGIM Absolute Return Bond Fund

3.11. The Trustee's objective in making these changes was to improve potential member outcomes over the long-term and increase the extent to which Environmental, Social and Governance (ESG) related factors are integrated within the Plan's default investment arrangements.

### Alternative investment options and changes over the Plan year

3.12. Alongside the default investment arrangements described above, over the Plan year the Trustee made available a number of additional investment options from which members were able to self-select. These included:

3.12.1 An Annuity Lifestyle Option which invests in the same underlying funds as the Drawdown Lifestyle Option (albeit in different proportions) and was therefore subject to the same changes described in 3.10 above. At NRA this Lifestyle Option targets a portfolio of funds that is deemed to be suitable for those members who wish to purchase an annuity with their benefits.

3.12.2 A range of individual investment options which hold different asset classes and have different investment objectives.

3.13. Over the Plan year, the Trustee made a number of changes to the range of individual investment options. These included changes to the underlying funds used by certain investment options, the removal and addition of certain investment options and a change to the names of certain options to provide greater transparency and facilitate changes in the future.

3.14. The rationale for these changes included integrating sustainable investment themes across the whole range of investment options provided through the Plan, providing a greater choice of sustainable funds and offering a high-quality range with options across a broad range of asset classes.

### Timing of the investment changes

3.15. The Trustee implemented these changes over two phases. The first phase between 10 October 2022 to 24 October 2022 and the second between 14 November 2022 and 5 December 2022. A communication was issued to all members prior to the changes taking place and Trustee operated a blackout period to ensure the switches could be made efficiently.

3.16. When moving assets between different investment managers and/or funds, this will often give rise to implicit costs which are commonly referred to as "Transition Costs". These Transition Costs arise where assets are sold and purchased and will vary depending on the type of asset involved, the movement of markets and the inflows and outflows of money on any given day.

3.17. The Trustee worked closely with Phoenix (as its platform provider) and Isio to minimise these costs to members. The actual costs incurred were £197,165 (or 0.092% of the value of assets) and the Trustee has reviewed these costs in conjunction with Isio. The Trustee is comfortable that these costs are reasonable and overall believe the changes made should add value for members over the longer-term.

## Monitoring and review of the default investment arrangement and alternative options

- 3.18. The Trustee, together with its professional advisers, monitors the investment options offered through the Plan on a quarterly basis. This monitoring looks at the performance of the default investment arrangements as well as all of the alternative investment options offered through the Plan to ensure that they are consistent with their stated aims and objectives. It also considers any developments or changes with the fund managers.

## Further information on investments

- 3.19. Further information on the range of investment options provided through the Plan are set out in the Statement of Investment Principles (SIP) dated February 2023. This was reviewed during the Plan year to take account of the changes to the Plan's investment options described above.
- 3.20. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP sets out further details around the Trustee's investment objectives, and covers the following key matters in relation to the default investment strategies, including:
- 3.20.1. The Trustee's aims and objectives in relation to the investments held in the default investment arrangements.
  - 3.20.2. The Trustee's policies on issues such as the kinds of investments to be held, the balance between different kinds of investment, investment risks (including how such risks are measured and managed), the expected return on investments and the realisation of investments.
  - 3.20.3. An explanation of how these aims, objectives and policies are intended to ensure that assets are invested in the best interests of members.
- 3.21. A copy of the latest SIP is appended to this Statement as Appendix 1.

## 4. Core financial transactions

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
- 4.2.1. the investment of contributions, albeit no contributions were paid over the Plan year
  - 4.2.2. transfers into and out of the Plan
  - 4.2.3. investment switches within the Plan
  - 4.2.4. payments out of the Plan
- 4.3. Over the Plan year, the administration functions of the Plan were outsourced to, and completed by, Barnett Waddingham LLP. The scope of these administration functions are formally recorded in a service agreement between the Trustee and Barnett Waddingham which was agreed at outset. This service agreement is reviewed periodically to ensure that the range and type of services provided remain suitable.
- 4.4. To ensure the accuracy and timeliness of processing of all Plan core financial transactions, the Trustee has established robust reporting and monitoring processes which include the following:
- 4.4.1. The day-to-day monitoring of administration standards is undertaken by Oracle's in-house pensions team who scrutinise the performance of Barnett Waddingham. The in-house pensions team has regular contact with representatives of Barnett Waddingham to ensure any errors identified are rectified without member detriment. Where required, issues are escalated to the Trustee.
  - 4.4.2. Service Level Agreements (SLAs) have been agreed between the Trustee and Barnett Waddingham. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided

by Barnett Waddingham in respect of the Plan. The agreed SLAs for the core financial transactions identified in 4.2 above are as follows:

Core financial transaction	Service level
Transfer payments in	95% within 5 working days
Transfer payments out	95% within 3 working days
Investment switches	95% within 5 working days
Retirement payments out of the Plan	95% within 5 working days

4.4.3. Barnett Waddingham has SLAs in place for other services it provides including; assisting with member enquiries, amending member records and issuing information.

4.4.4. Barnett Waddingham provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. The Trustee considers these reports in detail as a regular item at its quarterly meetings.

4.4.5. Over the Plan year, the SLAs achieved for each of the core financial transactions outlined above were as follows:

Core financial transaction	Q1	Q2	Q3	Q4
Transfer payments in	N/A	N/A	N/A	N/A
Transfer payments out	84%	100%	100%	94%
Investment switches	100%	88%	100%	100%
Retirement payments out of the Plan	72%	94%	97%	100%

4.4.6. As part of its ongoing consideration of service standards, the Trustee noted the decline at the start of the Plan year. This was queried with Barnett Waddingham and it was noted that delays had been caused by additional checks required for Guaranteed Minimum Pension (GMP) equalisation. Recognising that overall, the services standards achieved by Barnett Waddingham had been broadly in line with the agreed targets for the Plan year and had shown an improvement (overall service standards had improved from 91% in Q1 to 98% in Q4) the Trustee was comfortable with Barnett Waddingham's overall performance. The Trustee will continue to keep SLAs under close review.

4.4.7. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham's internal controls are audited annually and this is evidenced to the independent auditor. The Trustee has received a demonstration of the cash handling systems to show how transactions are reconciled and approved.

4.4.8. Barnett Waddingham's processes are subject to internal controls procedures and adhere to AAF standards. Information about Barnett Waddingham's administration procedures and controls can be found in its AAF report which is published online: [www.barnett-waddingham.co.uk/aaf-0120-report/](http://www.barnett-waddingham.co.uk/aaf-0120-report/).

4.4.9. Administration is captured as part of the Plan's risk register which clearly documents the administrative risks associated with the operation of the Plan. This also includes details of the controls established by the Trustee to mitigate such risks. The risk registered is considered as part of the quarterly Trustee meeting process with a detailed review at least annually, the last review was carried out following the Trustee meeting in February 2023.

4.4.10. Monitoring of accuracy is undertaken via the external auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data.

## Assessment

4.5. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the Plan year, the Trustee believes that core financial transactions have been processed promptly and accurately.

## 5. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. **Charges:** these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. **Transaction costs:** these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

5.2. All administration, communication and governance costs in respect of the Plan's benefits are met by Oracle as the sponsoring employer.

5.3. The following tables provide details of the charges and transaction costs applied to each of the Plan's investment options over the Plan year. This data has been sourced from Phoenix, whose platform is used to access the Plan's investment funds.

5.4. As with previous years the Trustee requested cost and charge data for all funds offered through the Plan from Phoenix for the year to 31 May 2023 to align with the Plan year. However, Phoenix can only currently provide this data quarterly due to an absence of the required information from each of the underlying fund managers. The Trustee, in conjunction with its professional advisers, will continue to work with Phoenix provide the information required.

5.5. Due to the investment changes noted above (in section 3), not all of the Plan's investment options were in place for the full Plan year, however for reporting consistency all of the figures noted in the tables below cover the full year to 31 March 2023. Members will have only been subject to the charges and transaction costs for their period of investment in each fund and, for investment funds that were added or removed part way through the year, the impact of the charges and transaction costs will vary. Where charge and transaction cost data is not available, this has been noted.

5.6. In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated. Where negative costs have been quoted by Phoenix these have been included in the table as a zero cost.

## Lifestyle Options

- 5.7. The following table provides details of the combined TER's and transaction costs for the Lifestyle Options provided through the Plan. As the investments held by the Lifestyle Options change in the approach to NRA this is reflected in the range of charges provided.

Investment option	TER	Transaction costs (1yr) [1]
Drawdown Lifestyle Option	0.27% - 0.34%	0.167% - 0.244%
Cash Lifestyle Option	0.26% - 0.34%	0.154% - 0.244%
Annuity Lifestyle Option	0.14% - 0.34%	0.052% - 0.244%

## Current individual fund options

The following table provides details of the TER's and transaction costs for the current individual fund options provided through the Plan as well as the Oracle Diversified Growth Fund which is the default for Section 1 Core Funds.

Investment option	TER	Transaction costs (1yr)
Oracle Diversified Growth	0.24%	0.137%
Oracle Cash Fund	0.18%	0.013%
Oracle Sustainable Global Equity	0.15%	0.062%
Oracle Index Linked Gilt Fund	0.10%	0.090%
Oracle Active Bond Fund	0.33%	0.294%
Oracle Lifestyle Growth [1]	0.34%	0.244%
Oracle Active Positive Impact Equity	0.53%	0.124%
Oracle Islamic Equity Fund	0.35%	0.034%
Oracle Sustainable Growth Fund	0.32%	0.225%
Oracle Fixed Interest Gilts Fund	0.10%	0.158%
Oracle Corporate Bond	0.13%	0.254%
Oracle Passive UK Equity	0.10%	0.536%
Oracle Dynamic Growth	0.59%	0.440%
Oracle Property [2]	0.80%*	0.115%

[1] Phoenix have noted that data for all of the underlying pooled funds was not available for the Plan year. The Trustee, in conjunction with its professional advisers, will continue to work with Phoenix provide the information required.

[2] The figure quoted in the table above is the Total Expense Ratio. Phoenix have also quoted a Property Expense Ratio (PER) for the fund of 1.60%. The PER includes costs associated with investment in real property, such as lease renewal costs, rent review fees and letting costs.

## Closed individual fund options

The following table provides details of the TER's and transaction costs for the individual fund options that removed from the Plan's fund range as part of the investment changes noted in section 3 above.

Investment option	TER	Transaction costs (1yr)
MFS Meridian Global Equity Institutional Fund	0.72%	0.045%
LGIM Ethical UK Equity Index Fund	0.25%	0.205%
LGIM Over 15 Year Gilts Index Fund	0.10%	0.230%
Oracle Active UK Equity Fund	N/A [1]	N/A [1]
LGIM Global Equity Fixed Weights 50/50 Index	N/A [1]	N/A [1]
BNY Mellon Real Return	N/A [1]	N/A [1]
Invesco Global Target Return	N/A [1]	N/A [1]

[1] Charge and transaction cost data for all of the above funds was requested from Phoenix. However, Phoenix are only able to provide this information based on the Plan's holdings at the end of the reporting quarter. As these funds were removed from the Plan's fund range in 2022 Phoenix was not able to provide the charge and transaction cost data.

## Impact of costs and charges

- 5.8. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in Appendix 1.

## 6. Net investment returns

- 6.1. The Trustee is required to disclose returns, net of charges and transaction costs, for the default investment arrangement and for each fund that members are able, or were previously able, to select and in which members' assets were invested during the Plan year. All data provided in the tables below is for the period to 31 May 2023 and is therefore aligned to the Plan year.
- 6.2. For the default investment arrangements of Section 1 Non-Core Funds and Section 2 the underlying funds will change over time depending on each members term to NRA and this will impact the net returns. The net returns are therefore shown over various periods to the end of the Plan year for a member aged 25, 45 55 and 60 at the start of the period and assume an NRA of 65. As the Oracle Lifestyle Growth Fund was only Launched in 2019, returns are only currently available for the past three years, and this is reflected in the figures quoted.
- 6.3. Notes to the performance data: all data has been sourced from Phoenix and the Trustee is reliant on Phoenix and the underlying investment managers for the accuracy of this data. You should be aware that past performance is no guide to the future and the value of investments can go down as well as up. You should review your investment choices regularly to ensure they continue to meet your needs.

## Lifestyle Strategies

- 6.4. All Lifestyle strategies (including both of the default strategies for Section 1 Non-Core and Section 2 Funds) invest in the Oracle Lifestyle Growth Fund until five years before NRA. On this basis, the returns achieved will be identical. From age 60, each Lifestyle strategy will hold different underlying funds and there the net returns will vary:



Age of member at start of period	Annualised Return –1 year to 31 May 2023	Annualised Return – 3 years to 31 May 2023
25 (All lifestyle strategies)	4.2%	4.5%
45 (All lifestyle strategies)	4.2%	4.5%
55 (All lifestyle strategies)	4.2%	4.5%
60 (Drawdown Lifestyle Option)	2.4%	3.9%
60 (Cash Lifestyle Option)	3.4%	4.2%
60 (Annuity Lifestyle Option)	-1.6%	2.3%

### Current individual fund options

- 6.5. The following table provides the annualised net performance for the current individual fund options provided through the Plan as well as the Oracle Diversified Growth Fund which is the default for Section 1 Core Funds. As not all funds have performance covering the past 5 years, the table includes performance over a 1 year, 3 year and 5-year period:

Investment option	Annualised returns to 31 May 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Oracle Diversified Growth	3.56%	5.01%	4.47%
Oracle Cash Fund	2.70%	0.92%	0.79%
Oracle Sustainable Global Equity Fund	5.14%	11.58%	9.98%
Oracle Index Linked Gilt Fund	-20.57%	-10.34%	-3.80%
Oracle Active Bond Fund	1.93%	1.70%	-[2]
Oracle Lifestyle Growth	4.19%	4.47%	-[2]
Oracle Active Positive Impact Equity Fund	-[1]	-[1]	-[1]
Oracle Islamic Equity Fund	-[1]	-[1]	-[1]
Oracle Sustainable Growth Fund	-[1]	-[1]	-[1]
Oracle Fixed Interest Gilts Fund	-[1]	-[1]	-[1]
Oracle Corporate Bond	-8.51%	-6.48%	-1.76%
Oracle Passive UK Equity	1.48%	10.31%	3.08%
Oracle Dynamic Growth	1.05%	2.84%	2.77%

Investment option	Annualised returns to 31 May 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Oracle Property	-15.99%	3.84%	1.08%

[1] These funds were introduced to the Plan's fund range in Q4 2022 and therefore past performance information is not currently available.

[2] These funds were launched in 2019 and therefore past performance for the last 5 years is not currently available.

## Closed individual fund options

6.6. The following table provides the annualised net performance for the closed individual fund options.

Investment option	Annualised returns to 30 November 2022 [1]		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
MFS Meridian Global Equity Institutional Fund	-3.19%	6.95%	8.45%
LGIM Ethical UK Equity Index Fund	5.51%	2.68%	3.82%
LGIM Over 15 Year Gilts Index Fund	-36.11%	-11.89%	-4.50%
Oracle Active UK Equity Fund	-4.17%	1.38%	1.20%
LGIM Global Equity Fixed Weights 50/50 Index Fund	0.06%	5.56%	5.48%
BNY Mellon Real Return	-6.06%	2.40%	3.55%
Invesco Global Target Return	0.21%	-1.14%	-[2]

[1] These funds were closed during the Plan year and Phoenix was only able to provide performance information for the period to 30 November 2022.

[2] Fund performance for a 5 year period is unavailable for this fund, as the launch date of the fund was more recent.

## 7. Value for members

- 7.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 7.2. The Trustee undertook such analysis together with their professional advisers Isio with the findings and the Plan's position relative to its peers set out in a report. The Trustee has considered this report and confirmed its assessment of value for members, effective as at 31 May 2023, as set out below.
- 7.3. The Trustee has identified the following areas where they believe there is a benefit derived by members; these benefits can be financial or non-financial in nature:
  - 7.3.1. Plan charges
  - 7.3.2. Investment
  - 7.3.3. Retirement support
  - 7.3.4. Governance
  - 7.3.5. Administration

### 7.3.6. Education and Engagement

7.4. The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes in respect of the six core benefit categories identified above. The assessment for this Plan year was completed in August 2023.

#### 7.4.1. Plan charges

7.4.1.1. The Plan is ahead of the market in this area.

7.4.1.2. Based on the profile of the Plan arrangements, the Trustee believes that the Plan charges are competitive when compared to current market rates.

7.4.1.3. The charges paid by members for the default investment arrangements and the majority of self-select funds are below the statutory Charge Cap.

7.4.1.4. The Trustee regularly monitors transaction costs.

#### 7.4.2. Investment

7.4.2.1. The Plan is ahead of the market in this area; the investment choices available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind and are reviewed regularly.

7.4.2.2. The growth phase of the default strategies are well diversified.

7.4.2.3. There is a range of pre-retirement lifestyle options available to members.

7.4.2.4. There is a wide range of funds for members to self-select including main and alternative asset classes.

#### 7.4.3. Retirement support

7.4.3.1. The Plan is ahead of the market in this area for similar, closed schemes but the Trustee could consider reviewing the at retirement process to ensure members' needs are met and that members are well educated on retirement options.

7.4.3.2. Members have access to annuity broking via HUB Financial Solutions for Non-Core funds.

#### 7.4.4. Governance

7.4.4.1. The Plan is ahead of the market in this area.

7.4.4.2. The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes.

7.4.4.3. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet legal requirements and industry best practice.

7.4.4.4. Governance costs are met by the Employer.

#### 7.4.5. Administration

7.4.5.1. The Plan is ahead of the market in this area with most areas receiving the highest scoring possible.

7.4.5.2. The Trustee has appointed Barnett Waddingham to provide administration services to the Plan and is satisfied that Barnett Waddingham has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that, if administrative errors do occur, members are not disadvantaged as a result.

### 7.4.6. Education and Engagement

- 7.4.6.1. The Plan is broadly in line with the market in this area.
- 7.4.6.2. The Trustee has a communications strategy, regularly reviews member communications and makes good use of technology.
- 7.4.6.3. Members have access to information and modelling tools to aid their retirement journey although the tools are not bespoke to the Plan.
- 7.4.6.4. The Trustee could consider if it would be possible to provide additional support especially to deferred members not in service with the Employer although it is expected that their current employer and ongoing pension provider will have provision in place.

7.5. Overall, the Trustee is confident that the Plan provides good value for members.

## 8. Trustee knowledge and understanding

### The Trustee Board

8.1. Dalriada Trustees Limited (“Dalriada”) has been a Trustee of the Plan since 10 December 2013 and the sole independent professional trustee since 1 August 2017. Throughout its appointment, Dalriada has been represented by Adrian Kennett and Greig McGuinness. There have been no changes to the Trustee over the Plan year.

### Trustee knowledge and understanding requirements

8.2. Trustees are required to be conversant with a scheme’s main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

### Approach

- 8.3. As an independent professional Trustee, Dalriada brings a high degree of pension experience, knowledge and expertise to the management of the Plan and have the requisite knowledge and skills to undertake a trustee role effectively.
- 8.4. Dalriada representatives are familiar with the Plan’s governing documentation having overseen a consolidation review of the Plan’s Trust Deed & Rules. They have also been instrumental in the development and implementation of other existing Plan governance documents and policies.
- 8.5. As an independent professional trustee, representatives of Dalriada are subject to external audit with regards to the maintenance of knowledge and understanding that is both relevant and appropriate to their ongoing appointments. This includes the need to complete the Pensions Regulator’s (TPR) trustee toolkit which ensures a good level of knowledge around the law relating to pensions and trusts and the procedures and the principles of investment and funding.
- 8.6. Mr Kennett is a Fellow member, and Mr McGuinness an Associate member, of the Pensions Management Institute and both also hold membership of the Association of Professional Pension Trustees and both are Accredited Members of the Association of Professional Pensions Trustees. As such, they are required to comply with the Continuous Professional Development (CPD) requirements of these professional organisations. This ensures that the Dalriada representatives maintain their knowledge of the regulatory framework and are able to put this into practice when managing the Plan. This includes compliance with regulatory duties, overseeing service providers, taking and challenging advice from the Plans professional advisers and managing the Plan for the benefit of members.
- 8.7. The Dalriada representatives are also able to call on colleagues with specific expertise as and when required. In particular David Fogarty plays a key role with regards to investment and funding strategy. Activities over the Plan year

- 8.8. The Trustee is conversant with the Plan's Trust Deed and Rules as well as all other relevant Plan documentation, both through their overall experience in managing the Plan as well as its review of such documentation. Over the Plan year, the Trustee has reviewed the following Plan documentation:
- 8.8.1. The Trustee reviewed the Plan's SIP and this was updated in February 2023 to reflect the investment changes described in Section 3 of this Statement.
  - 8.8.2. The risk register is reviewed at least annually (the last detailed review was carried out in February 2023) to ensure that all relevant risks have been identified.
  - 8.8.3. The member communication materials are updated each tax year and reviewed by the Trustee. This included a communication to members in September 2022, outlined the changes to the Plan's range of investment options.
  - 8.8.4. The 2023 Annual Governance Statement.
  - 8.8.5. The 2023 Report & Accounts.
  - 8.8.6. The 2023 Implementation Statement.
  - 8.8.7. The Internal Dispute Resolution Procedure.
  - 8.8.8. Annual compliance calendar.
- 8.9. Training on aspects of investments, scheme management and regulation (both of a general nature and in relation to the Plan) is provided at Trustee meetings by the Trustee's professional advisers and Trustee training is a standing item agenda. Such training is complemented by attendance at pensions focussed conferences, seminars and courses as well as the wider CPD activities described above.
- 8.10. Over the Plan year, representatives of Dalriada have undertaken training and attended seminars which include, but are not limited to:
- 8.10.1. DC governance and future regulatory change and how these developments will need to be accommodated through the Plan.
  - 8.10.2. Developing regulations regarding the incorporation of Environmental, Social and Governance (ESG) factors and how such factors are integrated by the Plans investment managers.
  - 8.10.3. DC investment options, trends and communications.
  - 8.10.4. Developing regulations regarding the Pensions Regulator's General Code of Practice, the Funding code and Pensions Dashboards.
  - 8.10.5. Alternative funding strategies in a sustained high gilt yield environment.
  - 8.10.6. Pensions Legal updates.
  - 8.10.7. The Pensions Regulator's detailed guidance on equality, diversity and inclusion.
  - 8.10.8. Various external seminars, conferences, webinars and other virtual events.
- 8.11. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the Plan, and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.
- 8.12. The Trustee has appointed recognised and suitably qualified legal advisers and investment consultants, who provide advice on the operation of the Plan in accordance with the Plan's Trust Deed and Rules and

in compliance with legislation. The appointment and an assessment of the Trustee’s advisers is reviewed on an annual basis.

- 8.13. The Trustee consults with its professional advisers as and when required, for example, on investments, governance and legal matters. Its professional advisers alert the Trustee on relevant changes to pensions legislation.
- 8.14. During the Plan year, the trustee directors took professional advice on:
  - 8.14.1. Preparation of the actuarial valuation at 31 May 2022 by the Scheme Actuary
  - 8.14.2. Legal advice on miscellaneous member benefit matters
  - 8.14.3. Undertaking the annual value for members assessment
  - 8.14.4. Disclosure of costs, charges and investments
  - 8.14.5. Changes to the Section 1 Non-Core Funds and Section 2 Funds which were implemented over the Plan year.

### Assessment

- 8.15. The Trustee considers that the combined knowledge, skills and understanding of the Trustee Board, together with the advice available to the Trustee from its professional advisers, enables the Trustee to properly exercise its Trustee functions in the following ways:
  - 8.15.1. The Trustee is able to challenge and question advisers, service providers and other parties effectively
  - 8.15.2. Trustee decisions are made in accordance with the Plan rules and in line with trust law duties
  - 8.15.3. Trustee decisions are not compromised by such things as conflicts or hospitality arrangements

.....  
Adrian Kennett, for and on behalf of Dalriada Trustees Limited  
Chair of the Trustee

.....  
Date

## Appendix 1 – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance.

### Parameters used for the illustrations

A1.2. To determine the parameters used in these illustrations, the Trustee has analysed Plan members over the Plan year and has taken into consideration the range of investment options offered. As a result of this analysis the Trustee has elected to base these illustrations on the following variables:

A1.2.1. Pot size: pot sizes of £10,000, £50,000 and £75,000 have been used as the Trustee considers these to be broadly representative of the pot sizes of members invested across Section 1 and Section 2 of the Plan.

A1.2.2. Contributions: as all members of the Plan are no longer actively making pension contributions, the Trustee has decided to produce illustrations that assume no future contributions will be paid.

A1.2.3. Timeframe: the illustrations are shown over a 35-year time frame as this covers the approximate duration that the youngest member would take to reach NRA .

A1.2.4. Investment options: illustrations are provided for the three default investment arrangements and the highest and lowest charge self-select funds.

### Guidance to the illustrations

A1.3. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.4. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year. It is for this reason that real growth (after inflation) may be negative.

A1.5. The real-terms rates of growth used in the illustrations are calculated by reference to the Financial Reporting Council's AS TM1 and are in line with the assumptions used within the 2023 Statutory Money Purchase Illustrations.

A1.6. The projected growth rates (gross, i.e. before inflation) and costs and charges used are as follows:

Fund/strategy name	Nominal return	Real return	TER	Transaction cost (5yr average)*
Drawdown Lifestyle**	5.61%-6.30%	3.11%-3.80%	0.27% - 0.34%	0.191% - 0.291%
Cash Lifestyle**	4.82%-6.30%	2.32%-3.80%	0.26% - 0.34%	0.278% - 0.291%
Oracle Diversified Growth Fund	6.90%	4.40%	0.24%	0.250%
Oracle Index Linked Gilts Fund	4.00%	1.50%	0.10%	0.045%
Oracle Dynamic Growth Fund	6.50%	4.00%	0.59%	0.380%

\* The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. For the Oracle Lifestyle Growth Fund and Oracle Active Bond Fund, data is only available for the past four years and, for these funds the illustrations use four-year averages only. Five-year averages are available for all other funds and have been used to produce the illustrations.

\*\* Figures for the Lifestyle Options have been calculated as a weighted average of the underlying funds and the range provided reflects the change to asset allocation from 5 years to NRA.

A1.7. Values shown are estimates and not guaranteed.

A1.8. The starting date for the illustrations is 31 March 2023.

A1.9. The illustrations are presented in two different ways:

A1.9.1. For the lifestyle options, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

A1.9.2. For the Oracle Diversified Fund and self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

### Drawdown Lifestyle Strategy Option

Years from taking benefit	Starting pot size: £10,000 Future contributions: No		Starting pot size: £50,000 Future contributions: No		Starting pot size: £75,000 Future contributions: No	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£50,000	£50,000	£75,000	£75,000
1	£10,303	£10,255	£51,517	£51,276	£77,276	£76,914
5	£11,803	£11,493	£59,014	£57,463	£88,520	£86,195
10	£14,159	£13,383	£70,794	£66,914	£106,192	£100,371
15	£16,985	£15,584	£84,927	£77,919	£127,391	£116,878
20	£20,376	£18,147	£101,881	£90,733	£152,821	£136,100
25	£24,444	£21,131	£122,219	£105,655	£183,329	£158,483
30	£29,324	£24,606	£146,618	£123,032	£219,927	£184,548
35	£35,177	£28,653	£175,887	£143,266	£263,831	£214,899

A1.10. Note on how to read this table: If a member had £10,000 invested in this option on 31 March 2023, when they came to retire in 10 years the savings pot could grow to £14,159 if no charges are applied but to £13,383 with charges applied.

### Cash Lifestyle Strategy Option

Years from taking benefits	Starting pot size: £10,000 Future contributions: No		Starting pot size: £50,000 Future contributions: No		Starting pot size: £75,000 Future contributions: No	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£50,000	£50,000	£75,000	£75,000
1	£10,226	£10,172	£51,132	£50,862	£76,698	£76,293
5	£11,584	£11,263	£57,919	£56,315	£86,878	£84,472
10	£13,896	£13,115	£69,481	£65,576	£104,222	£98,365
15	£16,670	£15,272	£83,352	£76,361	£125,028	£114,542
20	£19,998	£17,784	£99,991	£88,920	£149,987	£133,380
25	£23,990	£20,709	£119,952	£103,544	£179,929	£155,315
30	£28,780	£24,115	£143,898	£120,573	£215,848	£180,859
35	£34,525	£28,080	£172,625	£140,402	£258,937	£210,603

A1.11. Note on how to read this table: If a member had £10,000 invested in this option on 31 March 2023, when they came to retire in 10 years the savings pot could grow to £13,896 if no charges are applied but to £13,115 with charges applied.



## Oracle Diversified Growth Fund

Years of investment from 31 March 2023	Starting pot size: £10,000 Future contributions: No		Starting pot size: £50,000 Future contributions: No		Starting pot size: £75,000 Future contributions: No	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£50,000	£50,000	£75,000	£75,000
1	£10,429	£10,381	£52,146	£51,907	£78,220	£77,861
5	£12,339	£12,059	£61,693	£60,293	£92,540	£90,440
10	£15,224	£14,541	£76,122	£72,706	£114,183	£109,059
15	£18,785	£17,535	£93,924	£87,673	£140,886	£131,510
20	£23,178	£21,145	£115,890	£105,723	£173,835	£158,584
25	£28,599	£25,497	£142,993	£127,487	£214,490	£191,231
30	£35,287	£30,747	£176,435	£153,733	£264,653	£230,599
35	£43,540	£37,076	£217,698	£185,381	£326,547	£278,072

A1.12. Note on how to read this table: If a member had £10,000 invested in this option on 31 March 2023, when they came to retire in 10 years the savings pot could grow to £15,224 if no charges are applied but to £14,541 with charges applied.

## Oracle Dynamic Growth Fund

Years of investment from 31 March 2023	Starting pot size: £10,000 Future contributions: No		Starting pot size: £50,000 Future contributions: No		Starting pot size: £75,000 Future contributions: No	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£50,000	£50,000	£75,000	£75,000
1	£10,390	£10,296	£51,951	£51,478	£77,927	£77,217
5	£12,110	£11,568	£60,548	£57,839	£90,822	£86,758
10	£14,664	£13,381	£73,321	£66,907	£109,981	£100,360
15	£17,758	£15,479	£88,788	£77,396	£133,183	£116,095
20	£21,504	£17,906	£107,519	£89,530	£161,278	£134,296
25	£26,040	£20,713	£130,201	£103,567	£195,301	£155,350
30	£31,534	£23,961	£157,668	£119,804	£236,501	£179,706
35	£38,186	£27,717	£190,929	£138,587	£286,393	£207,880

A1.13. Note on how to read this table: If a member had £10,000 invested in this option on 31 March 2023, after 10 years of membership the savings pot could grow to £14,664 if no charges are applied but to £13,381 with charges applied.

## Oracle Index Linked Gilts Fund

Years of investment from 31 March 2023	Starting pot size: £10,000 Future contributions: No		Starting pot size: £50,000 Future contributions: No		Starting pot size: £75,000 Future contributions: No	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£50,000	£50,000	£75,000	£75,000
1	£10,146	£10,132	£50,732	£50,661	£76,098	£75,991
5	£10,753	£10,679	£53,767	£53,393	£80,651	£80,090
10	£11,564	£11,403	£57,818	£57,017	£86,727	£85,526
15	£12,435	£12,177	£62,174	£60,887	£93,262	£91,330
20	£13,372	£13,004	£66,859	£65,019	£100,288	£97,529
25	£14,379	£13,886	£71,896	£69,432	£107,845	£104,148
30	£15,463	£14,829	£77,313	£74,144	£115,970	£111,216
35	£16,628	£15,835	£83,138	£79,176	£124,708	£118,765

A1.14. Note on how to read this table: If a member had £10,000 invested in this option on 31 March 2023, after 10 years of membership the savings pot could grow to £11,564 if no charges are applied but to £11,403 with charges applied.