

Premier Farnell UK Pension Scheme

Chair's annual statement regarding governance

This statement has been prepared by the Trustee of the Premier Farnell UK Pension Scheme ("the Scheme") to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended. It describes how, between 6 April 2021 and 5 April 2022, the Trustee has met the statutory governance standards in relation to:

- the default arrangements and the net return on investments for each default arrangement and self-select fund;
- requirements for processing core financial transactions;
- assessment of charges and transaction costs;
- reviewing the findings of the value for members assessment; and,
- the requirement for trustee knowledge and understanding.

The Trustee has decided that the "charges year" for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 shall run between 6 April and 5 April.

The Trustee has also decided to extend this report to explain how the Trustee meets its governance duties in relation to the Additional Voluntary Contributions arrangements in the Final Salary Section.

The Trustee delegates most Money Purchase issues to a designated Sub-Committee (the "DCSC") which meets at least three times a year (in 2021/22 the DCSC met on four occasions) to discuss and agree issues and changes for presentation at the Trustee meetings.

In June 2022 the Company wrote to the Trustee to confirm its intention to transfer the DC Section of the Scheme to a Master Trust replacement scheme. The Trustee has since been working with the Company on the process for appointing the Master Trust to ensure the members' interests are protected.

Default investment arrangements

Money Purchase Section

The Money Purchase Section of the Scheme is a qualifying scheme for the purpose of Auto-enrolment.

Default arrangements

Appended to these accounts is the Scheme's latest Statement of Investment Principles (the "SIP") relating to the 'default arrangements', as defined under The Occupational Pension Scheme (Charges and Governance) Regulations 2015. Pages 1 to 5 of this document govern the Trustee's decisions about investments, including its aims, objectives and policies for the Scheme's default investment arrangements, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. It covers:

- The Trustee's investment policies on risk, return, ethical investing, financial material considerations and the extent to which non-financial matters are considered; and
- How the default investment arrangements are intended to ensure that assets are invested in the best interests of members and beneficiaries.

There are two main default arrangements (as defined under the 2015 Regulations) one for 'Money Purchase' members (the PF UK Pension Scheme Standard Retirement Pathway), and one for the contributions paid before 1 August 2009 for a section of members referred to as 'DC Link' members. In addition the annuity targeting lifestyle and the Utmost Cash Fund (see AVCs section) are classed as default arrangements for some members following past investment changes where members' funds have been transferred without members expressing a choice. The first three of these defaults are lifestyle strategies. The objectives of the lifestyle strategies are to provide an appropriate level of growth when a member is younger and protection against movements in investment markets when approaching retirement. They largely invest in equities and bonds during the growth phase and as members approach their selected retirement date, the assets gradually switch into cash or a combination of gilt, bond and cash funds.

Members who join the Scheme and who do not choose an investment option are placed into the PF UK Pension Scheme Standard Retirement Pathway.

Changes to the default arrangements

There were no changes to the default arrangements during the Scheme year.

Governance and monitoring

The Trustee believes the aims and objectives set out in the Statement of Investment Principles for the default arrangements have been met during the Scheme year. The Trustee reviews the performance of the default arrangements, the funds underlying the default arrangements and the self-select funds available under the wider fund range in the DCSC meetings (of which there were four during the Scheme year). The Trustee was satisfied that the performance of the funds making up the default arrangements and self-select fund range were in line with expectations.

The Trustee periodically, and on no less than a three-yearly cycle, reviews the appropriateness of the default arrangements. The Trustee reviewed the demographics of the membership in December 2021 and the appropriateness of the current default arrangements (excluding the Utmost Cash Fund) and the self-select fund range in March 2022. The arrangements and funds were deemed appropriate and no changes were made. A review of the Utmost Cash Fund is scheduled for Autumn 2022 and the next triennial investment review is scheduled for 2024/2025.

AVCs

Members can pay AVCs through the Money Purchase Section of the Scheme and there are also two other AVC arrangements that continue to form part of the Scheme. The Trustee undertakes an annual review of these two policies to ensure they remain appropriate and the 2021 review concluded this was the case.

As part of the transfer of the with-profits policies to Utmost Life and Pensions in 2020, Equitable Life uplifted members' policy values in exchange for the guarantees that applied, and the assets were transferred into the Utmost Secure Cash Fund as a temporary measure. Assets previously held in the Equitable Life Money Fund were transferred into the Utmost Money Market Fund. Having taken advice the Trustee approved a switch of assets from the Utmost Secure Cash Fund to the Utmost Money Market Fund. This transition took place gradually over the period from 1 January to 30 June 2020. The Utmost Money Market Fund is classed as a 'default arrangement' under the 2015 Regulations. The objective of this default is to protect the capital value of members' assets.

Processing of core financial transactions

Money Purchase Section

The Trustee ensured that core financial transactions have been processed promptly and accurately during the Scheme year by requiring the Scheme's administrator to comply with a service level agreement (SLA) which covers the accuracy and timeliness of all core financial transactions (such as the processing of contributions, investment switches, retirements and transfers), and by regularly monitoring the administrator's performance against the SLA. Processes adopted by the administrator to help process and monitor core financial transactions include:

- Straight through processing for the investment of contributions
- UK and overseas payments are made electronically to member/third party bank accounts
- Automated workflow systems that process transactions as soon as these have been checked and authorised within the administration team. Full details of any payments are updated and recorded
- A checking and authorising hierarchy is built to the system to ensure all transactions are checked and authorised at the appropriate level
- Dedicated contributions processing and investment processing teams.

The Scheme's accounts are audited annually by the Scheme's appointed auditors Sagars Accountants Ltd.

The Trustee, having considered the reports received from Willis Towers Watson and the appointed auditors, has concluded that the administrator is operating appropriate procedures, checks and controls, and the Scheme's core financial transactions have been processed promptly and accurately during the Scheme year with no material administration errors. There was one upheld complaint relating to a delay in a transfer quotation, although not connected to the Money Purchase Section. The Trustee is satisfied the processes and resourcing of the administration team are sufficiently robust and that this was a one- off incident.

The Trustee is unaware of any other issues relating to core financial transactions, except that it was identified that the investment changes made in 2019 were implemented incorrectly for some of the DC Link members. This has now been corrected, with no financial loss to members. Those affected have been written to, in order to explain the error and clarify the correction process.

During the period, the Trustee carried out its annual review of the Scheme against the Pensions Regulator's DC Code of Practice 13 and concluded that the Scheme is being administered in line with the legal requirements of the Code and most of its expectations.

AVCs

There are limited financial transactions associated with the AVCs. The Trustee nevertheless ensures that such transactions are properly monitored via the annual review and the Trustee Report and Accounts audit process, where not monitored as part of the main Money Purchase Section activities.

Assessment of charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this Statement, which are the annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs. This is known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this Statement, the transaction costs shown below are those incurred when the Scheme’s fund managers buy and sell assets within investment funds.

When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance.

Money Purchase Section

Member charges

Members of the Money Purchase Section of the Scheme are charged for the investment funds used. Administration costs are met by the Company and are excluded from the figures below.

Three of the Money Purchase Section defaults are lifestyle strategies, where members’ assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date. During this period the TER applied to the default arrangements were a maximum of 0.22% pa (if members are invested entirely in the Global Equity Fund - 10 Years from Target Retirement Age). The TER is significantly below the statutory charge cap of 0.75% a year that applies to default arrangements.

In addition to the default lifestyle arrangements, members also have the option to invest in lifestyles targeting drawdown, cash withdrawal or annuity purchase and several other self-select funds. The TERs applied to all other (non-default arrangements) used by members of the Scheme range from a total of 0.10% pa to 0.47% pa.

A full list of the funds available during the period and the charges is shown below:

Fund name	Total expense ratio (%pa)	Transaction costs (%pa)	Total charge (%pa)
Global Equity Fund*	0.22	0.04	0.26
LGIM All Stocks Index Linked Gilts Index Fund*	0.10	0.02	0.12
Diversified Fund*	0.22	-0.03	0.19
Pre-Retirement Fund*	0.15	0.00	0.15
LGIM World Emerging Markets Equity Index Fund	0.47	0.03	0.50
Cash Fund	0.13	0.02	0.15
HSBC Islamic Global Equity Index Fund**	0.30	0.02	0.32

**Funds that make up the two main default arrangements.*

***All transaction costs are sourced from LGIM other than for the HSBC Islamic Global Equity Index Fund which are sourced from HSBC.*

AVCs

The AVC funds accessed through the Money Purchase Section have the same range of charges as the main Money Purchase Section. Over the Scheme year, the Final Salary Section AVCs contained unit-linked funds which had charges of 0.50% p.a. All other holdings are held in a with-profits fund. The charges and transaction costs for the with-profit fund are implicit within the bonus rate declared or the interest rate received.

Illustration of the effect of costs and charges

Over a period, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement.

The tables below show the effect that charges, and transaction costs can have on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupation pension schemes" on the projection of example members' pension savings. We have included three examples to show a range of member ages.

As each member has a different amount of savings and varying investment funds and therefore the future costs and charges cannot be known in advance, the Trustee has made several assumptions. The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

We have shown the effect if the example members are invested in:

- The Money Purchase default strategy, alongside
- The Global Equity Fund, as the fund with the joint highest projected growth rate
- The LGIM World Emerging Markets Equity Index as the fund with the highest charges
- The LGIM All Stocks Index Linked Gilts Index as the fund with the lowest projected growth rate and lowest charges.

Please read in conjunction with the notes that follow.

Illustration of costs and charges on various example members pots over time

Example Member	Projection period (years)	Lifestyle (default)		Global Equity Fund		LGIM World Emerging Markets Equity Index		LGIM All Stocks Index Linked Gilts Index	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£1,400	£1,400	£1,400	£1,400	£1,400	£1,400	£1,300	£1,300
	3	£4,300	£4,200	£4,300	£4,200	£4,300	£4,200	£4,000	£4,000
	5	£7,400	£7,300	£7,400	£7,300	£7,400	£7,300	£6,600	£6,600
	10	£16,100	£15,900	£16,100	£15,900	£16,100	£15,700	£12,800	£12,800
	15	£26,500	£25,900	£26,500	£25,900	£26,500	£25,500	£18,800	£18,600
	20	£38,800	£37,700	£38,800	£37,700	£38,800	£36,900	£24,500	£24,100
	25	£53,400	£51,400	£53,500	£51,400	£53,500	£50,000	£29,800	£29,300
	30	£69,500	£66,300	£70,900	£67,500	£70,900	£65,300	£35,000	£34,200
	35	£86,200	£81,700	£91,600	£86,400	£91,600	£83,000	£39,800	£38,900
	40	£100,500	£94,800	£116,100	£108,500	£116,100	£103,600	£44,500	£43,300
44	£108,800	£102,300	£139,000	£128,900	£139,000	£122,400	£48,000	£46,600	
Average member	1	£26,800	£26,700	£26,800	£26,700	£26,800	£26,600	£25,700	£25,600
	3	£33,700	£33,500	£33,700	£33,500	£33,700	£33,300	£30,000	£29,900
	5	£41,100	£40,600	£41,200	£40,700	£41,200	£40,400	£34,200	£34,000
	10	£60,800	£59,600	£62,300	£61,000	£62,300	£60,100	£44,500	£44,000
	15	£81,600	£79,500	£87,400	£84,700	£87,400	£82,900	£54,300	£53,500
	20	£100,200	£97,200	£117,100	£112,500	£117,100	£109,400	£63,600	£62,400
	23	£109,400	£105,800	£137,600	£131,400	£137,600	£127,200	£68,900	£67,500
Approaching retirement	1	£62,600	£62,600	£64,400	£64,200	£64,400	£64,100	£61,700	£61,600
	2	£69,500	£69,300	£73,400	£73,000	£73,400	£72,800	£67,700	£67,500

Notes to illustration of costs and charges

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. Amounts are rounded to the nearest £100 for simplicity
3. Contributions and costs/charges that are shown as a monetary amount and reductions are made halfway through the year.
4. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
5. Charges and costs are deducted before applying investment returns.
6. Switching costs are not considered in the lifestyle strategy.
7. Inflation is assumed to be 2.5% each year.
8. Contributions are assumed to be paid from 21 to 65 for the youngest member, 42 to 65 for the average member, and 63 to 65 for the member approaching retirement.
9. Salaries (and contributions) increase in line with assumed earnings inflation of 0% per year (in real terms).
10. Values shown are estimates and are not guaranteed.
11. Illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
12. The real (in excess of inflation) projected growth rates for each fund are as follow:
 - Lifestyle (default) – from 0.375% to 3.5% (adjusted depending on term to retirement)
 - Global Equity Fund – 3.5%
 - LGIM World Emerging Markets Equity Index – 3.5%
 - LGIM All Stocks Index Linked Gilts Index – -1.0%
13. Transactions costs and other charges have been provided by LGIM and are an average of the Scheme years covered by the period 1 April 2018 to 31 March 2022. The data over periods to 31 March is a proxy for actual Scheme year ending 5 April.
14. Pension scheme's normal retirement age is 65.
15. Example members
 - Youngest: age 21, total initial contribution: £1,350, starting fund value: nil.
 - Average: age 42, total initial contribution: £2,450, starting fund value: £23,450.
 - Approaching retirement: age 63, total initial contribution: £6,650, starting fund value: £55,650.

Value for Members Assessment

Money Purchase Section

In the Scheme year, in accordance with the Pensions Regulator's Code of Practice No. 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits) and with the relevant legislation, the Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value" and therefore the Trustee carries out this assessment following advice from their advisers and in the line with the Regulator's Guidance. Value does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

The Trustee reviews all member-borne charges and transaction costs annually with the aim of ensuring that all members are receiving good value for the charges they pay. The 2021/2022 assessment was carried out on 8 March 2022. The Trustee has concluded that members receive excellent value for the services they pay for, based on the following:

- Charges for the Scheme's default arrangements are well below the charge cap of 0.75% pa and are competitive when benchmarked against other schemes
- The low-level charges borne by members is the result of the Company bearing several expenses that could otherwise be charged to members.
- The level of transaction charges and costs are reasonable.
- Members have access to various asset classes and lifestyle strategies, all of which have competitive fund management charges.
- The investment funds are performing in line with the stated objectives and those of the Trustee as set out in the SIP. Please see performance below.
- The default investment strategies have been updated to include the latest innovations
- Members have access to a wide range of services through the Scheme
- There have been no material changes to the charges and fees and members receive additional services, notably via the member presentations.

The services which members do not pay, such as Trustee governance, retirement services, administration, communications, employer contributions and online facilities, were also assessed and it was concluded that members receive good value for these additional services.

Net investment returns

The Trustee is required to report on the net investment returns for their default arrangements and for each fund which Scheme members are, or have been able to, select, and in which members have assets invested during the Scheme year. Net investment returns refer to the returns on funds minus all transaction costs and charges.

PF UK Pension Scheme Standard Retirement Pathway

Age of member at 6 April 2021 (years)	Investment return p.a. over 5 years (to 31 March 2022)	Investment return p.a. over 3 years (to 31 March 2022)	Investment return over 1 year (to 31 March 2022)
25	9.73%	10.80%	6.50%
45	9.73%	10.80%	6.50%
55	5.62%	6.49%	5.89%

Source: LGIM. Returns shown as at 31 March 2022

LINK default lifestyle (pre 2009 contributions)

Age of member at 6 April 2021 (years)	Investment return p.a. over 5 years (to 31 March 2022)	Investment return p.a. over 3 years (to 31 March 2022)	Investment return over 1 year (to 31 March 2022)
25	9.73%	10.80%	6.50%
45	9.73%	10.80%	6.50%
55	7.68%	8.65%	6.20%

Source: LGIM. Returns shown as at 31 March 2022

Annuity Focussed Lifestyle

Age of member at 6 April 2021 (years)	Investment return p.a. over 5 years (to 31 March 2022)	Investment return p.a. over 3 years (to 31 March 2022)	Investment return over 1 year (to 31 March 2022)
25	9.73%	10.80%	6.50%
45	9.73%	10.80%	6.50%
55	5.62%	6.49%	5.89%

Source: LGIM. Returns shown as at 31 March 2022

Drawdown Focussed Lifestyle

Age of member at 6 April 2021 (years)	Investment return p.a. over 5 years (to 31 March 2022)	Investment return p.a. over 3 years (to 31 March 2022)	Investment return over 1 year (to 31 March 2022)
25	9.73%	10.80%	6.50%
45	9.73%	10.80%	6.50%
55	5.62%	6.49%	5.89%

Source: LGIM. Returns shown as at 31 March 2022

Cash Focussed Lifestyle

Age of member at 6 April 2021 (years)	Investment return p.a. over 5 years (to 31 March 2022)	Investment return p.a. over 3 years (to 31 March 2022)	Investment return over 1 year (to 31 March 2022)
25	9.73%	10.80%	6.50%
45	9.73%	10.80%	6.50%
55	5.62%	6.49%	5.89%

Source: LGIM. Returns shown as at 31 March 2022.

Note: in the tables above, the figures assume no new contributions or changes to asset allocations during the reporting period and therefore does not represent the actual investment performance experienced by members.

When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

In addition to the above the net investment returns for the self-select funds available through the Scheme are shown below:

Fund name	Investment return p.a. over 5 years (to 31 March 2022)	Investment return p.a. over 3 years (to 31 March 2022)	Investment return over 1 year (to 31 March 2022)
Global Equity Fund*	9.73%	10.80%	6.50%
LGIM All Stocks Index Linked Gilts Index Fund*	3.01%	3.08%	5.02%
Diversified Fund*	5.62%	6.49%	5.89%
Pre-Retirement Fund*	1.38%	0.42%	-6.68%
LGIM World Emerging Markets Equity Index Fund	4.91%	5.09%	-4.00%
Cash Fund	0.23%	0.17%	-0.01%
HSBC Islamic Global Equity Index Fund**	16.01%	20.23%	19.64%

*Funds that make up the two main default arrangements.

**Performance figures are sourced from LGIM other than for the HSBC Islamic Global Equity Index Fund which are sourced from HSBC

AVCs

The Trustee considered the value for members received in respect of the AVC arrangements, through its annual review. It has concluded that the AVC arrangements represent sufficient value for money for members, particularly given the ability to use AVCs as the first port of call for the Pension Commencement Lump Sum and when comparing against charges for similar arrangements.

Trustee Knowledge and Understanding (TKU)

The comments in this section relate to the Trustee Board as a body dealing with the whole Scheme and are not restricted to the Money Purchase Section.

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding, known as “TKU” and the law relating to pensions and trusts and the principles relating to investing the assets of the Scheme. The Trustee Directors have an established TKU process in place, which, together with the advice available to them, enables the Trustee to maintain appropriate levels of knowledge and understanding to run the Scheme effectively.

During the Scheme year, the Trustee's approach to meeting the TKU requirements included:

- Receiving training sessions from its advisers during meetings to ensure the Trustee maintains an appropriate level of knowledge and understanding of current and general issues. During the Scheme year, this included: the market outlook and characteristics of master trust, investment disclosures, simpler annual benefit statements, the pensions dashboard.
- Assessing the training requirements as part of the business plan via annual Trustee self-assessments to identify any knowledge gaps.
- Individual Trustee Directors are encouraged to complete the relevant modules on the Pensions Regulator's Trustee Toolkit.
- Training is recorded on a training log.

The Trustee Directors also need to demonstrate they are conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment Principles and any other documents setting out the Trustee's current policies. This has been demonstrated through: -

- A working knowledge of the trust deed and rules, the Statement of Investment Principles, and any documents setting out the Trustee's current policies. The Trustee Directors always have access to these documents.
- Sufficient knowledge and understanding of the law relating to pensions and trusts, the principles relating to the funding and investment of occupational DC schemes.
- Use of pensions and legal advisers where required. Each DC sub-committee meeting is attended by the DC Consultant, Willis Towers Watson. Advisers are reviewed by the Trustee periodically and the performance of the Investment Adviser is reviewed annually in line with the CMA review recommendations.

This is demonstrated through the way the Trustee Directors have considered and managed all Trustee business that has arisen during the Scheme year, referring to such documentation, law or principles and being generally aware of their powers, duties and responsibilities, taking advice where appropriate and questioning, probing and challenging that advice.

The SIP is reviewed at least every three years (in line with investment reviews) or when any legislative changes require. The SIP was not updated during the Scheme year and was last updated in September 2020.

The TKU processes described above also cover the AVC arrangements that form part of the Scheme.

Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional

advisers, the Trustee Directors believe they are well placed to exercise their functions as Trustee Directors of the Scheme properly and effectively.

Signed by the Chair on behalf of the Trustee of the Premier Farnell UK Pension Scheme:

Stephen Canham