

# *Societe Generale UK Group Money Purchase Scheme*

## *Charges and charges illustrations statement for 6 April 2020 to 5 April 2021*

### **Introduction**

Governance requirements apply to defined contribution (“DC”) pension arrangements, to help members achieve a good outcome from their pension savings (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses the investments from the options made available, but also bears the investment risk).

We, the Trustee Board of the Societe Generale UK Group Money Purchase Scheme (the “Scheme”), are required to produce a yearly DC governance statement (signed by the Chair of the Trustee Board) covering:

- the investment options in which members can invest (this means the default arrangements and other funds members can select or have assets in, such as “legacy” funds)
- the processing of core financial transactions (ie administration of the Scheme, such as investment of contributions)
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as “legacy” funds
- an illustration of the cumulative effect of these costs and charges
- how the value members obtain from the Scheme is assessed, and
- Trustee knowledge and understanding.

The Scheme is set up as a trust, which means that members’ Scheme savings are held separately from the assets of Societe Generale (the “Bank”) and the participating employers in the Scheme. The Trustee is a company: SG UK MP Trustee Company Limited, which is managed by the Trustee Directors.

A decision was made by the Bank to cease contributions to the Scheme from 31 March 2021 and to set-up a new pension arrangement from 1 April 2021. The Bank also indicated that it intended to wind up the Scheme thereafter.

A rigorous due diligence process was completed to select the Aegon Master Trust as the provider of the new pension arrangement. The new arrangement is a section of the Aegon Master Trust called the SG Retirement Savings Plan. It has been accepting contributions in respect of employees since 1 April 2021 and has also received the transfer of DC savings built-up by both active and deferred members in both the Scheme and the AVC arrangement with Utmost Life and Pensions Limited.

The majority of assets held in the Scheme and with Utmost Life and Pensions Limited were transferred to the Aegon Master Trust via bulk transfers in June 2021. The Trustee will work with the Bank to complete the wind-up of the Scheme in due course and secure all residual liabilities in the Scheme that were not transferred to the Aegon Master Trust.

Over the period covered by this Statement, the Trustee received DC and investment advice from Lane, Clark & Peacock LLP (“LCP”) and legal advice from Linklaters LLP. Specialist pensions administration services were provided by Towers Watson Limited (“WTW”). Investment platform services were provided by Fidelity Life Insurance Limited (“Fidelity”). Members had access to the Scheme’s investment options, provided by a range of different fund managers, through Fidelity’s investment platform services.

Prior to 1 April 2021, members could choose to invest their Scheme savings in one of three “pre-select strategies” (which automatically switch the investment of their Scheme savings between different investment funds as they approach their Target Retirement Age (“TRA”)) or in a range of “self-select” investment funds.

The points that we would like to highlight to members reading this Statement are that during the period before the switch to the Aegon Master Trust:

- we regularly monitored the investment arrangements, and we were satisfied that the default and other investment options remained suitable for the membership
- the administrator processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we were comfortable with the administrator's performance
- fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money available to grow with future investment returns
- fees for the investment options are set out in this Statement, and we remained comfortable that these fees were reasonable given the circumstances of the Scheme and represented value for the benefits members obtained, and
- we continued to look after your best interests as members, and we undertook training and received advice as appropriate so that we had sufficient knowledge and understanding to do so effectively.

A copy of the full DC governance statement for the period from 6 April 2020 to 5 April 2021 is available on request. Please contact the Scheme administrator, WTW:

- Telephone 01707 607610
- Email [societe.generale@willistowerswatson.com](mailto:societe.generale@willistowerswatson.com).
- Write to Societe Generale UK Group Money Purchase Scheme, Willis Towers Watson, PO Box 545, Redhill, Surrey, RH1 1YX

## **Member-borne charges and transaction costs**

The Trustee is required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; these charges are also 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 stated charges exclude the Scheme's governance and running costs, and the cost of administration services, that were not met by the members.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs were those incurred when the Scheme's fund managers bought and sold assets within investment funds, exclusive of any costs incurred when members invested in and switched between funds. The transaction costs were borne by members.

The charges and transaction costs were supplied by Fidelity, which was the Scheme's platform provider. Fidelity provided details of relevant transaction costs for all funds invested with it for the whole period covered by this Statement, with the exception of those noted below. Utmost made available transaction costs for the period to 31 March 2021 with the exception of the Secure Cash Fund which was available for the period to 31 December 2020 only. When preparing this section of the Statement the Trustee took account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost was negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

## **Default arrangements**

The main default arrangement was the Flexi-access investment strategy. It was a "pre-select strategy" which means that members' Scheme savings were automatically switched between different investment funds as they approached their TRA. This meant that the level of charges and transaction costs varied depending on how close members were to their TRA and in which fund or funds they were invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

#### Default arrangements – charges and transaction costs

Years to target retirement date	TER	Transaction costs
<b>Main Default</b>		
25 or more years to retirement	0.14%	0.02%
20 years to retirement	0.20%	0.06%
15 years to retirement	0.26%	0.10%
10 years to retirement	0.32%	0.15%
5 years to retirement	0.41%	0.19%
At retirement	0.42%	0.18%
<b>Cash Fund Default<sup>1</sup></b>	0.15%	0.00%

<sup>1</sup>Charges and transaction costs are not related to time to TRA.

#### Self-select and AVC options

In addition to the two default arrangements, members also had the option to invest in two other pre-select strategies: the Annuity investment strategy which was designed for members who planned to purchase an annuity and the All-cash investment strategy which was designed for members who planned to take all of their Scheme savings as a single cash lump sum.

For the period covered by this Statement, annualised charges and transaction costs for the self-select and AVC options are set out in the following tables.

#### Annuity investment strategy – charges and transaction costs

Years to target retirement date	TER	Transaction costs
25 or more years to retirement	0.14%	0.02%
20 years to retirement	0.20%	0.06%
15 years to retirement	0.26%	0.10%
10 years to retirement	0.32%	0.15%
5 years to retirement	0.21%	0.07%
At retirement	0.12%	0.00%

#### All-cash investment strategy – charges and transaction costs

Years to target retirement date	TER	Transaction costs
25 or more years to retirement	0.14%	0.02%
20 years to retirement	0.20%	0.06%
15 years to retirement	0.26%	0.10%
10 years to retirement	0.32%	0.15%
5 years to retirement	0.41%	0.19%
At retirement	0.15%	0.00%

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

#### Self-select fund charges and transaction costs

Fund name	TER	Transaction costs
UK Equity Tracker <sup>1</sup>	0.11%	0.05%
<b>Global Equity Tracker</b>	<b>0.14%</b>	<b>0.02%</b>
Global (ex UK) Equity Tracker	0.11%	0.00%
Emerging Markets Equity Tracker <sup>1</sup>	0.22%	0.01%
Ethical Global Equity Tracker	0.35%	-0.24%
Japanese Equity Tracker <sup>1</sup>	0.11%	0.00%
Pacific Rim (ex-Japan) Equity Tracker	0.11%	-0.13%
European (ex-UK) Equity Tracker	0.11%	0.00%
US Equity Tracker	0.11%	0.03%
Shariah Fund <sup>1</sup>	0.35%	-0.35%
Corporate Bond Tracker	0.11%	-0.02%
UK Gilt Tracker	0.11%	-0.04%
UK Inflation Linked Gilts Tracker	0.11%	-0.01%
Active Global Equity	0.72%	0.07%
UK Special Situations Equity <sup>2</sup>	0.83%	0.34%
Property (M&G) <sup>1</sup>	0.60%	-0.01%
Property (LGIM) <sup>3</sup>	0.67%	0.00%
<b>Cash<sup>1</sup></b>	<b>0.15%</b>	<b>0.00%</b>
<b>Diversified Growth</b>	<b>0.51%</b>	<b>0.27%</b>
<b>Lower Volatility Bond<sup>1</sup></b>	<b>0.50%</b>	<b>0.19%</b>

<sup>1</sup>Transaction costs shown are for the year to 31 December 2020 as Fidelity was unable to provide transaction costs covering the full Scheme Year at the time of writing.

<sup>2</sup>Transaction costs shown are for the year to 28 February 2021 as Fidelity was unable to provide transaction costs covering the full Scheme Year at the time of writing.

<sup>3</sup>Transaction costs shown are for the year to 1 March 2021 as Fidelity was unable to provide transaction costs covering the full Scheme Year at the time of writing.

As at Scheme year end, the Scheme had a small number of members who had AVCs invested with Utmost. They are closed to future contributions. The level of charges for each Utmost fund and the transaction costs are set out in the following table.

#### Utmost AVC fund charges and transaction costs

Fund name	TER	Transaction costs
Asia Pacific Equity	0.75%	0.43%
European Equity	0.75%	0.47%
US Equity	0.75%	0.18%
UK Equity	0.75%	0.54%
All Share Tracker	0.50%	0.11%
Gilt and Fixed Interest	0.50%	0.02%
Global Equity	0.75%	0.28%
Money market	0.50%	0.00%
Managed	0.75%	0.13%
Secure Cash <sup>1</sup>	0.50%	0.00%

<sup>1</sup>TER and transaction costs shown are for the year to 31 December 2020 for the Secure Cash Fund as Utmost was unable to provide TER and transaction costs covering the full Scheme Year at the time of writing. All other charges are shown for the year to 31 March 2021.

## Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Scheme year.
- The illustration is shown for the Default (the Flexi-access investment strategy) since this is the arrangement that had the most members invested in it, the Cash Fund as this was also treated as a default arrangement, as described in section 2 above, and four funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the Emerging Markets Equity Tracker Fund
  - the fund with the lowest before costs expected return – there are several funds with an expected return of 0.25% pa. For the purpose of the projections the Trustee has used the UK Inflation Linked Gilts Tracker Fund because it is the fund that meets this criteria with the most member assets invested as at 31 March 2021
  - the fund with highest annual member borne costs – this is the UK Special Situations Equity Fund
  - the fund with lowest annual member borne costs – this is the Corporate Bond Tracker Fund

### Projected pension pot in today's money

Years invested	Default option		Cash Fund default		Emerging Markets Equity Tracker		UK Inflation Linked Gilts Tracker Fund		UK Special Situations Equity Fund		Corporate Bond Tracker Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£3,180	£3,180	£3,030	£3,020	£3,210	£3,210	£3,030	£3,020	£3,200	£3,160	£3,050	£3,050
3	£3,360	£3,350	£2,890	£2,880	£3,460	£3,440	£2,890	£2,880	£3,410	£3,300	£2,960	£2,950
5	£3,550	£3,520	£2,760	£2,740	£3,720	£3,680	£2,760	£2,750	£3,630	£3,440	£2,870	£2,850
10	£4,060	£4,010	£2,470	£2,430	£4,470	£4,380	£2,470	£2,440	£4,260	£3,820	£2,660	£2,630
15	£4,650	£4,560	£2,200	£2,150	£5,380	£5,210	£2,200	£2,160	£5,000	£4,240	£2,470	£2,430
20	£5,280	£5,130	£1,960	£1,900	£6,460	£6,200	£1,960	£1,920	£5,870	£4,710	£2,290	£2,240
25	£5,910	£5,660	£1,750	£1,690	£7,770	£7,370	£1,750	£1,700	£6,890	£5,230	£2,120	£2,060
30	£6,530	£6,120	£1,560	£1,490	£9,340	£8,770	£1,560	£1,510	£8,080	£5,810	£1,970	£1,900
35	£6,950	£6,350	£1,400	£1,320	£11,230	£10,430	£1,400	£1,340	£9,480	£6,450	£1,820	£1,750
40	£6,990	£6,210	£1,250	£1,170	£13,500	£12,400	£1,250	£1,190	£11,130	£7,170	£1,690	£1,620

## Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £10 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual inflation is assumed to be 2.5%.
- The starting pot size used is £3,000. This is the approximate average (median) pot size for all members of the Scheme aged 25 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the Scheme's Normal Pension Age.
- The Scheme closed to new contributions on 31 March 2021 and so the projected pension pot values assume no further contributions will be paid.

- The projected annual returns used are as follows:
- Default pre-select option: 2.8% above inflation for the initial years, gradually reducing to a return of 0.4% below inflation at the ending point of the lifestyle.
- Cash Fund Default fund option: 2.3% below inflation
- Emerging Markets Equity Tracker Fund: 3.8% above inflation
- UK Inflation Linked Gilts Tracker Fund: 2.3% below inflation
- UK Special Situations Equity Fund: 3.3% above inflation
- Corporate Bond Tracker Fund: 1.5% below inflation
- An allowance of 0.5% for active management outperformance has been made, where relevant.

## Value for members assessment

The Trustee is required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members obtained value for money given the circumstances of the Scheme. The date of the last detailed review was 2 April 2020. We noted that value for money did not necessarily mean the lowest fee, and the overall quality of the service received was also considered in this assessment. Our investment advisers confirmed that the fund charges were competitive for the types of fund available to members.

The transfer of the Scheme's assets to the Aegon Master Trust has meant that we have taken a proportionate approach to reviewing value for members for the period covered by this Statement. In particular, a high-level value for members assessment for the Scheme was carried out. The assessment involved regularly reviewing the performance of the Scheme's investment fund range (after all charges) in the context of their investment objectives, fund charges, the quality of administration processes. As part of our consideration of the value for members, we were satisfied that this is provided by virtue of the following points:

- our oversight and governance, including ensuring the Scheme was compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that could impact members
- the design of the default arrangements and how this reflected the interests of the membership as a whole
- the range of investment options and strategies
- the quality of communications delivered to members - a number of ad-hoc communications were issued over the period covered by this Statement, covering subjects such as the asset transfer to the SG Retirement Savings Plan
- the quality of support services, such as the Scheme website where members can access fund information online, and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we were comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provided value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, for the period covered by this Statement, we believe that members of the Scheme were receiving good value for money for the charges and cost that they incur, for the reasons set out in this section.