

Date: September 2024

# Purmo Group UK Pension Scheme

## 1 Introduction

This statement has been prepared by the Trustees of the Purmo Group UK Pension Scheme – Defined Contribution (DC) Section (the “Scheme”) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (“the Administration Regulations”) 1996 (as amended). It explains how the Trustees have met the statutory governance standards in relation to:

- The default arrangement(s);
- Requirements for processing financial transactions;
- Assessment of charges and transaction costs
- Disclosure of net performance returns; and
- The requirement for trustee knowledge and understanding,

between 1 April 2023 and 31 March 2024, the 2023/24 Scheme year (“the Scheme Year”).

## 2 Default arrangements

The following arrangements were the Scheme’s “default arrangements” for the purposes of Administration Regulations:

- Standard Life Sustainable Multi Asset Strategy, comprising:
  - Standard Life Sustainable Multi Asset Growth
  - Standard Life Sustainable Multi Asset Pre Retirement
  - Standard Life Sustainable Multi Asset At Retirement

During the growth phase (15 years before the intended retirement date) members’ funds are invested in a multi-asset fund, which includes investments in equities, bonds and property. Over a 15 year period prior to retirement, the members’ assets are gradually switched to a mix of lower risk investments funds. The goal of the Pre Retirement and At Retirement funds are to provide an appropriate investment strategy to members who have yet to decide how they are going to draw their benefits or wish to take a flexible income. To achieve this these funds also hold a wide range of diversified assets but, importantly, these investments are made at lower levels of risk than during the growth phase.

### *i. Statement of Investment Principles*

The most recent Statement of Investment Principles (“SIP”) is appended to this statement along with the Investment Implementation Document (“IID”) which governs the Trustees’ decisions about investments including its aims, objectives and policies for the Scheme’s default arrangements. In particular, it covers the Trustees’ policies on risk, return and ethical investing and how default arrangements are intended to ensure that assets are invested in the best interests of the members.

## ***ii. Review of Defined Contribution section***

The Trustees formally review the appropriateness of the default arrangement every three years with an earlier review undertaken if there are any significant changes in investment policy or member demographics.

The Trustees will undertake a review of the strategy and performance of the Default arrangement annually. The Trustees will also review on an annual basis the performance of the other lifestyle arrangements and all the funds available under the wider fund range. Performance of each fund is compared not just against its benchmarks but also more importantly against its objectives.

The last review was carried out in April 2022, with the next one due in 2025.

## **3 Requirements for processing financial transactions**

The Trustees' annual Report and Accounts (including financial transactions) are independently audited by the Scheme auditor, PKF Cooper Parry.

### ***i. Service Level Agreements***

During the Scheme Year, the Trustees, as part of ongoing monitoring, have reviewed the existing service agreement with its provider Standard Life. The agreement contains service levels setting out the required accuracy and turnaround times of all core financial transactions.

The Trustees continue to monitor Standard Life's performance and will take any action as appropriate.

### ***ii. Monitoring***

The Trustees regularly monitor the provider's compliance with the required service levels in respect of core financial transactions. These include the investment of contributions, fund switches and transfers into and out of the Scheme.

During the Scheme Year, the Trustees ensured that such core financial transactions were processed promptly and accurately by:

- monitoring provider service levels outlined in quarterly reports from the Scheme's provider against those required by its service level agreement; and
- monitoring the end to end process for the investment of monthly contribution payments.

These checks demonstrated that on the whole the provider was operating good procedures and controls, and acting within the agreed Scheme administration service level agreement.

In addition, the Trustees commenced a small-sample review of key member events (including transfers-out and new joiners). This review concluded that of those member cases reviewed all have been actioned correctly and in accordance with the agreed SLAs. It is intended that this review will be undertaken on an annual basis.

### ***iii. Accuracy of record keeping and data security***

The Trustees monitor the quality of the Scheme's common and conditional data with any missing or incomplete member records investigated and resolved with the provider.

#### 4 Assessment of member-borne charges and transaction costs in the Scheme

##### i. Level of member-borne charges and transaction costs

Fund	2024 TER (% pa) <sup>1</sup>	2020 t-cost (%)	2021 t-cost (%)	2022 t-cost (%)	2023 t-cost (%)	2024 t-cost (%)	Average cost (% pa)
Standard Life Sustainable Multi Asset Growth Pension Fund	0.27	N/A	N/A	N/A	0.04	0.06	0.05
Standard Life Sustainable Multi Asset Pre Retirement Pension Fund	0.27	N/A	N/A	N/A	0.09	0.19	0.14
Standard Life Sustainable Multi Asset At Retirement Pension Fund	0.27	N/A	N/A	N/A	0.13	0.16	0.14
Standard Life Passive Plus IV	0.27	0.06	0.12	0.10	0.07	0.17	0.10
Standard Life BlackRock Managed (50:50) Global Equity Fund	0.29	0.05	0.15	0.07	0.04	0.03	0.07
Standard Life International Equity Pension Fund	0.29	0.10	0.11	0.12	0.17	0.09	0.12
Standard Life Managed	0.29	0.11	0.16	0.12	0.20	0.10	0.14
Standard Life Deposit and Treasury	0.29	0.06	0.07	0.02	0.04	0.08	0.05
Standard Life Index Linked Bond	0.29	0.05	0.11	0.03	0.07	0.04	0.06
Standard Life UK Equity	0.29	0.07	0.15	0.41	0.16	0.00	0.16
Standard Life Multi Asset Managed (20-60% Shares)	0.29	0.09	0.15	0.16	0.20	0.11	0.14
Standard Life Global Equity 50:50	0.29	0.23	0.41	0.07	0.08	0.03	0.16
Standard Life Money Market Pension Fund	0.29	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> TER (Total Expense Ratio) is the total annual running costs expressed as a percentage of a member's fund value, including annual management and fund administration charges.

<sup>2</sup> Where the transaction cost is a negative number, this means the returns on the fund have been positively affected by the transaction costs. Where the transaction cost is a negative number, we have assumed zero costs in our calculations.

<sup>3</sup> In the illustrations in the Appendix to this Statement, the average transaction costs for each fund over the last 5 years have been used in the calculations.

<sup>4</sup> The Standard Life Sustainable Multi Asset strategy (Growth, Pre Retirement, At-Retirement) was launched in May 2022, as such the transactions for the funds as at 2020,21 & 22 are not available.

The funds above represent only those funds which were invested in by members of the Scheme as at 31 March 2024. Transaction costs are based on the year to 31 March 2024.

Members invest in a number of the above funds through the AVC arrangement of the Final Salary section of the Purmo Group UK Pension Scheme. In addition, Final Salary AVCs are also invested in the Standard Life Pension With Profits One 2006 Fund. The charges for this fund are not explicitly stated, however deductions are made for running the fund and for the cost of guarantees. The transaction costs for this fund are 0.04%.

**ii. *Illustrations of the effect of costs and charges on members' retirement outcomes***

In order to achieve greater transparency about costs, new regulations came into force on 6 April 2018 which require the Trustees to provide members with additional information in relation to investment charges and core transaction costs. These must be set out as example member illustrations that have been prepared with regard to the relevant statutory guidance: Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes.

The illustrations for Scheme members are set out and explained in the appendices of this Chair's Statement.

**iii. *Value for member assessment***

As the Scheme has total assets of below £100m, under the 2021 Regulations, the Trustees are required to carry out a more detailed Value for Member assessment. This includes using three comparator schemes for the purpose of comparing the costs and charges and net performance returns of the Scheme with other larger DC schemes.

The comparator schemes chosen include a bundled DC arrangement and an unbundled DC arrangement, both with DC assets in excess of £100m. The third comparator is a Master Trust arrangement capable of taking on the benefits and assets of the Scheme.

The Appendix highlights that for three of the four age profiles, the charges applied to members policies within the Scheme are lower than the comparator schemes in terms of the Default Investment Strategy. In addition, the net Investment returns of the Default Investment Strategy of the Scheme are greater than those of the comparator schemes over the periods assessed.

Although the comparator schemes' defaults are not identical to the current default strategy and so do not represent a true a like for like comparison, on the basis of costs and charges and net investment returns alone, they suggest that the Scheme does provide good value for members relative to the comparator schemes.

In addition, the Trustees are required to carry out a self-assessment of scheme governance and administration against certain criteria, which are prescribed in the 2021 Regulations. The Trustees' assessment of the Scheme's governance and administration against the areas prescribed in the 2021 Regulations has highlighted a small number of areas that the Trustees will look to improve over the coming 12 months; however suggests that the Scheme does provide good value for members on the whole relative to the comparator schemes.

**iv. *Final Pay section – defined contribution AVCs***

In addition to the Defined Contribution section of the Scheme, the Purmo Group UK Pension Scheme also provides defined contribution benefits in the Final Pay section via Additional Voluntary Contributions ('AVCs').

The Trustees hold assets invested separately from the assets of the Final Salary section in the form of individual policies securing additional benefits on a defined contribution basis for those members who elected to pay AVCs during active service in the Final Pay section prior to closure in 2005. The performance of these investment funds are monitored on an annual basis with actions undertaken as required.

## 5 Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new disclosure requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustees calculated the return on investments, as far as they were able to do so.

Below are the annualised net investment returns to 31 March 2024 for members where lifestyling takes place.

### Default Lifestyle (Sustainable Multi Asset Strategy):

Time period		
Age of member at beginning of period (years)	1 Year (%) 31 Mar 2023 – 31 Mar 2024	5 Years (% p.a.) 31 Mar 2019 – 31 Mar 2024
25	16.52	N/A
45	16.52	N/A
55	13.63	N/A

Below are the annualised net investment returns to 31 March 2024 for all other funds i.e. where no lifestyling takes place:

Time period	1 year (%) 31/03/2023- 31/03/2024	5 years (% p.a) 31/03/2019-31/03/2024
Standard Life Sustainable Multi Asset Growth Pension Fund	16.52	N/A
Standard Life Sustainable Multi Asset Pre Retirement Pension Fund	13.63	N/A
Standard Life Sustainable Multi Asset At Retirement Pension Fund	10.29	N/A
Standard Life Passive Plus IV	14.34	6.62
Standard Life BlackRock Managed	14.34	6.62

(50:50) Global Equity Fund		
Standard Life International Equity Pension Fund	18.20	10.45
Standard Life Managed	10.60	5.54
Standard Life Deposit and Treasury	4.84	1.35
Standard Life Index Linked Bond	-6.87	-6.96
Standard Life UK Equity	5.98	3.98
Standard Life Multi Asset Managed (20-60% Shares)	6.49	2.86
Standard Life Global Equity 50:50	14.02	7.81
Standard Life Money Market Pension Fund	4.99	1.48

Source: Standard Life. All returns shown are cumulative performance using an annual geometric average, with gross vhs income reinvested unless otherwise stated. Fund returns are net of all transaction costs and charges, adjusted for any scheme specific rebates or employer variations. Note, the Standard Life Sustainable Multi Asset strategy (Growth, Pre Retirement, At-Retirement) was launched in May 2022, as such the five year return figures are not available.

## 6 Asset Allocation of the default arrangement

Following new guidance from the DWP, for the first scheme year ending after 1 October 2023, trustees of occupational pension schemes must disclose their full asset allocations of investments from their default arrangements. This disclosure should be included in Chair Statements for scheme year ends after 1 October 2023.

The Trustees are required to disclose a breakdown of the asset allocation of the default investment strategy for the Scheme. The below table sets out the asset allocation of the default strategy across the core asset classes noted as:

- Cash
- Bonds
- Listed Equities
- Private Equities
- Infrastructure
- Property
- Private debt
- Other (any assets which do not fall into the above)

Within the below table, the Trustees have provided a further breakdown within some of these broader categories.

Asset Class	Strategic asset allocation (%) – as at 31/03/2024			
	25 years old	45 years old	55 years old	1 day prior to State Pension Age
Cash	0.0	0.0	0.0	5.0
Bonds	14.5	14.5	38.0	56.4
<i>Fixed Interest Government bonds</i>	0.7	0.7	1.1	4.1
<i>Index-linked government bonds</i>	0.7	0.7	2.2	1.5
<i>Investment grade bonds</i>	8.5	8.5	26.0	40.8
<i>Non-investment grade bonds</i>	4.6	4.6	8.7	10.1
<i>Securitised credit</i>	-	-	-	-
Listed equities	79.3	79.3	56.6	34.0
<i>UK equities</i>	7.9	7.9	5.7	3.4
<i>Developed Market equities</i>	66.9	66.9	47.7	28.7
<i>Emerging markets</i>	4.5	4.5	3.2	1.9
Private equities	-	-	-	-
<i>Venture capital</i>	-	-	-	-
<i>Growth equity</i>	-	-	-	-
<i>Buyout / Leveraged funds</i>	-	-	-	-
Infrastructure	-	-	-	-
Property	6.2	6.2	5.4	4.6
Private debt	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Asset allocations based on fund holdings of the default strategy as at 31/03/2024.

## 7 Trustee knowledge and understanding ('TKU')

The law requires the Trustees to possess sufficient knowledge and understanding to enable them to properly exercise their functions as Trustees including (in relation to a DC scheme) that they must be conversant with:

- The Trust Deed and Rules of the scheme
- The Statement of Investment Principles ('SIP')
- Any other scheme administration policies or scheme documents.

And must have appropriate knowledge and understanding of:

- The law relating to pensions and trusts; and
- The principles relating to:
  - The funding of occupational pension schemes.
  - Investment of the assets of such schemes.

The Trustees' own knowledge and understanding, together with the advice which is available to them through their advisers enables them to properly exercise their functions as Trustees of the Scheme. The Trustees receive bespoke training as required.

The Trustees' approach to meeting the TKU requirements during the Scheme year included:

- Regular training sessions within the Trustee meetings, which included the opportunity for discussion with advisers, to enable the Trustees to learn about and discuss current legislative and regulatory requirements;
- All of the Trustees are making progress towards, the Pension Regulator's trustee toolkit certificate at the Scheme Year end. A record of completed training is maintained within the Governance Scorecard. The Trustees have agreed to complete all modules;
- The Trustees are aware and have an understanding of the Scheme's Trust Deed and Rules, SIP and other documents which are used to govern the Scheme. The Trustees use

this knowledge along with the support of their advisers in order to make appropriate decisions as required during the year.

For these reasons, the Trustees believe that their combined knowledge and understanding, together with the advice that is available to the Trustee directors, enable it to properly exercise its functions as the Trustees of the Scheme.

During the Scheme Year, the Trustees have worked towards meeting the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding).

Linda Currie

Chair of Trustees



## APPENDIX

### Illustrations of the effect of costs and charges

#### *Background*

The next few pages contain the required illustrations about the cumulative effect of costs and charges on member savings within the Scheme over a period of time. The illustrations have been prepared having regard to statutory guidance.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees have had to make a number of assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

#### *Key points to note*

The tables below illustrate the potential impact that costs and charges might have on different investment options provided by the Scheme. Not all investment options are shown – the Trustees have chosen illustrations which it believes will provide an appropriate representative sample of the different investment choices that members can make. The Trustees have focussed on the Scheme default and the selected investment range within the illustrations.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and also because buying and selling the stocks and shares which drive the funds' performance also has a cost. The "After all costs and charges deducted" column reflects the performance of the funds after these costs have been deducted.

In the illustrations, we have shown the projections for the following:

1. The default lifestyle strategy (Sustainable Multi Asset Strategy)
2. The selected investment range fund with the highest charges (Standard Life Global Equity 50:50 Pension Fund)
3. The selected investment range fund with the lowest charges (Standard Life Deposit & Treasury Fund)
4. The selected investment range with the highest expected return (Standard Life BlackRock Managed (50:50) Global Equity Fund)
5. The selected investment range fund with the lowest expected return (Standard Life Money Market Pension Fund)

## Member projections – the default lifestyle arrangement

The table below sets out how the pension pot of members currently aged 25 and 52 will increase over time, with and without charges. Please see the Notes below for more details.

Active member – ongoing contributions assumed invested in the default lifestyle strategy				
	25 year old member		52 year old member	
Years from 31/03/24	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	10,286	10,256	39,804	39,668
3	14,719	14,609	51,577	51,076
5	19,236	19,015	63,220	62,251
10	30,903	30,271	90,170	87,667
13	40,637	39,528	104,004	100,405
20	55,937	53,847		
25	69,357	66,189		
30	83,418	78,727		
35	95,381	88,888		
40	102,547	94,397		

### NOTES

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £8,100 for the 25 year old member and £34,000 for the 52 year old member.
4. Inflation is assumed to be 2.5% each year.
5. Gross contributions for the 25 year old member are assumed to be £2,000 each year, based on a salary of £21,000. The 52 year old member is assumed to contribute £5,500 each year, this is based on a salary of £39,000. Contributions are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates (gross of fees, reduced for inflation) for the default strategy at various periods to retirement are:
  - 4.5% for periods up to 15 years to retirement
  - 2.5% when a member is 10 years from retirement
  - 1.5% when a member is at their retirement age, 0 years from retirement

The projected growth rate is not shown for every period to retirement above. The projected growth rate which would apply at a point in time is the weighted average of the underlying funds held by the member.

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

**Individual fund projections – the funds with the lowest and highest charges and the lowest and highest expected returns**

25 year old member (Highest and lowest charges)				
Years from 31/03/24	Standard Life Global Equity 50:50 Pension Fund		Standard Life Money Market Fund	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	10,429	10,387	10,063	10,036
3	15,262	15,103	13,900	13,805
5	20,340	20,013	17,623	17,440
10	34,188	33,195	26,454	25,973
15	46,566	44,746	33,053	32,265
20	67,583	63,924	42,233	40,891
25	87,639	81,786	49,272	47,398
30	110,331	101,551	55,799	53,342
35	136,005	123,422	61,851	58,774
40	165,053	147,624	67,462	63,736

52 year old member (Highest and lowest charges)				
Years from 31/03/24	Standard Life Global Equity 50:50 Pension Fund		Standard Life Money Market Fund	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	40,378	40,211	38,909	38,802
3	53,616	53,017	48,507	48,150
5	67,524	66,353	57,819	57,165
10	105,453	102,153	79,905	78,330
13	130,563	125,439	92,377	90,140

### 25 year old member (Highest and lowest returns)

Years from 31/03/24	Standard Life UK Equity Pension Fund		Standard Life Deposit and Treasury Fund	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	10,611	10,570	10,063	10,031
3	15,978	15,815	13,900	13,788
5	21,838	21,494	17,623	17,407
10	38,959	37,830	26,454	25,887
15	55,643	53,447	33,053	32,125
20	86,881	82,057	42,233	40,654
25	120,013	111,698	49,272	47,070
30	161,303	147,850	55,799	52,915
35	212,757	191,944	61,851	58,241
40	276,878	245,724	67,462	63,094

### 52 year old member (Highest and lowest returns)

Years from 31/03/24	Standard Life UK Equity Pension Fund		Standard Life Deposit and Treasury Fund	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	41,111	40,947	38,909	38,783
3	56,309	55,697	48,507	48,085
5	72,905	71,667	57,819	57,048
10	121,388	117,608	79,905	78,049
13	156,033	149,885	92,377	89,744

The tables above show the projected pots for a member aged 25 and a member aged 52 invested in the above funds. The Standard Life Global Equity 50:50 Pension Fund has the highest charge and Standard Life Money Market Fund has the lowest charge. The Standard Life UK Equity Pension Fund had the highest expected returns of the selected investment fund range, while the Standard Life Deposit and Treasury Fund had the lowest expected returns of the selected investment fund range.

#### NOTES

1. The illustrations show the how the pots grow for a 25 year old member (which is the youngest member of the Scheme) and a 52 year old member (which is the median age of Scheme members). The projections are to age 65 (i.e. in 40 and 13 years' time respectively).
2. The starting pot size for the 25 year old member is assumed to be £8,100 which is the expected starting pot for a member who has just joined the Scheme. For the member aged 51, we have used the median sized pot which is currently £34,000.

3. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
4. Inflation is assumed to be 2.5% each year.
5. For the 25 year old member, the illustrations assume ongoing contributions of £2,000 each year; this is based on a salary of £21,000. For the 52 year old member, the illustrations assume ongoing contributions of £5,500 each year; this is based on a salary of £39,000.
6. Salary is assumed to increase each year at the same rate as inflation.
7. Values shown are estimates and are not guaranteed.
8. Transaction costs are based on data provided by Standard Life.
9. The projected growth rates (gross of fees, reduced for inflation) for each fund are shown in the table below. These are consistent with the rates used in the Statutory Money Purchase Illustration (SMPI) Assumptions when preparing the annual benefit statements.

Fund	Return assumption above inflation (p.a.)
Standard Life Global Equity 50:50 Pension Fund	2.5%
Standard Life Money Market Fund	-1.5%
Standard Life UK Equity Pension Fund	4.5%
Standard Life Deposit and Treasury Pension Fund	-1.5%