Statement regarding DC governance

for the year ended 5 April 2020

Introduction

Regulations effective from 6 April 2015 require the Trustee to prepare a statement showing how they have met governance standards in relation to defined contribution benefits under the Plan. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The statement covers five principal areas:

1. The default investment arrangement
2. Core financial transactions
3. Charges and transaction costs
4. Value for Members assessment, and
5. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements.

As the current Chair of the Trustee, it is my pleasure to report to you on how we and the previous Trustee embedded these standards over the period from 6 April 2019 to 5 April 2020 in relation to the Money Purchase Section of the Plan and the Additional Voluntary Contributions ("AVCs") within the Defined Benefit ("DB") Section. Members who have paid AVCs in the DB Section are able to invest in the funds available through the Money Purchase Section with Aviva. It should be noted that following the Plan year end, the Firth Rixson Retirement Benefit Plan undertook a significant restructuring and all assets and liabilities are being transferred out of the Plan.

The Firth Rixson Pension Plan was established by Trust Deed in December 2019 and consists of two parts, a DB section and a DC section. In May and June 2020, the majority of assets and liabilities corresponding to both sections were assigned / transferred into the Firth Rixson Pension Plan from the Plan.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local independent financial advisers can be obtained on-line at www.unbiased.co.uk. If you choose to use a financial adviser, please be sure to check their area of expertise and their charges before making any commitments.

This statement will be published on a publicly available website (https://www.firthrixson-pensions.co.uk/howmet/dc.html) and the information with regards to cost disclosures will be signposted in the annual benefit statements.

Default Investment Arrangement in the Money Purchase Section

The Plan's latest Statement of Investment Principles ("SIP") has been prepared in accordance with Section 35 of the Pensions Act 1995, regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. The SIP covers our aims and objectives in relation to the default investment arrangements as well as our policies relating to matters such as risk and diversification. In addition to the default funds and the wider fund range, the SIP covers alternate investment choices under the Plan, covering a range of funds that our members can choose, which was designed with their needs in mind and is available on a public website (https://www.firthrixson-pensions.co.uk/firth-rixson/dc.html).

From 1 October 2019, the Department of Work and Pension's (DWP's) updated investment regulations came into force, which required Trustees to clarify and strengthen their investment duties in relation to stewardship and Environmental, Social and Governance (ESG) considerations. In June 2019, new regulations were laid to meet the EU's Shareholder Rights Directive and improve transparency of information on how Trustees engage with their asset managers. It encourages investors and asset managers to have a more long-term investment focus.

The Plan's SIP was updated in September 2019 to include policies in relation to: financially material considerations (including ESG considerations and explicitly climate change), the extent to which non-financial matters are taken into account, as well as the approach to the stewardship (including engagement) of investments.

In 2017 (March to November), the Trustee reviewed the default investment arrangement and on the 1st December 2017 agreed to move the Plan's existing pension arrangement from Aviva to the Mercer Workplace Savings ("MWS") platform. The fund transfers took effect from 1st January 2018. This is the last default review undertaken and no review was undertaken in the scheme year to which this statement relates due to the transfer of the Plan to a new Trust which took place shortly after the scheme year-end to which this statement relates. Following the completion of the transfer of the Plan's assets to the Firth Rixson Pension Plan, the new Plan Trustee is undertaking a full default investment arrangement review.

As part of the move to the MWS platform, the Trustees undertook an investment review of the default investment strategy and self-select options offered to members, with advice from their investment adviser, Mercer. This review culminated in the Trustee adopting the Mercer Target Cash Path as the Plan's default investment strategy.

The default investment arrangement follows a pre-set investment route that transitions members' savings over the eight years prior to the specified retirement date from the Mercer Growth Fund/ Balanced Risk (a combination of global equities and other growth assets) to the Mercer Target Cash Retirement Fund (invested in 100% cash at retirement). The default investment strategy is referred to as the "Mercer Target Cash Path".

The default lifestyle path's growth phase invests predominantly in equities, with modest allocations to other growth assets, property, bonds and cash. Overall these investments are expected to provide long term (above inflationary) growth with some protection against inflation erosion, albeit with volatility. As a member's invested fund grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over the eight-year period prior to a member's retirement date. Investments are switched into a mix of UK Corporate Bonds to further protect against market volatility and eventually into 100% cash to match the targeted retirement outcome.

During 2017, the Trustee also considered the Plan's investment arrangements and agreed a number of changes following regulated advice from its professional advisers. One of these changes involved adjusting the funds that members were invested in. Member consent was not sought before the transfer of funds took place in January 2018, and, after discussions with its advisers the Trustee determined that new funds should be treated as default arrangements, in line with the Department of Work and Pensions (DWP) guidance. Default arrangements have additional governance requirements relating to disclosure of information to members and, in addition, are subject to a charge cap of 0.75% p.a. One of the funds classified as a default under these changes is the "Mercer Active UK Property Fund", which has an annual charge in excess of 0.75%; the Trustee is in discussions with its professional and legal advisers as to how to proceed on this point.

In December 2019, Equitable Life received policy holder and High Court approval to transfer its business to Utmost Life and Pensions Limited ("Utmost"). In January 2020, around £6bn of assets from Equitable Life policies were transferred to Utmost. At this point, all With Profits fund assets were allocated to the Utmost Secure Cash Fund, which guaranteed no reduction in value during the first six months of 2020. These assets were to be fully invested in the Secure Cash Fund until 30 June 2020. After this point, a phased transition to the appropriate age related multi assets funds began to take place over the final six months of 2020. As funds were transferred without members consent, a default investment arrangement was established.

The Trustee obtained advice regarding its AVC arrangements with Utmost in relation to the transfer of assets from Equitable Life. The Trustee will review its arrangements with Utmost and consider the best approach regarding this transaction for the affected members. These arrangements have now been transferred out of the Plan and the Trustee expects to review them in 2020, alongside other AVC arrangements.

There are no default investments in place with the separate Defined Contribution ("DC") funds held with Prudential nor with the DB Section AVCs which were held in separate arrangements to the Money Purchase Section benefits, namely Phoenix Life and Scottish Friendly at year end.

No formal review of the default investment arrangements was carried out during the year. However, the Trustee considers the performance of the whole fund range at each of their meetings, taking input from its professional investment advisors.

In accordance with the Administration Regulations, the Trustee has appended the latest copy of the SIP prepared for the Scheme under Section 35 of the Pensions Act 1995 and regulation 2/2A of the Occupational Pension Schemes (Investment) Regulations 2005.

Core Financial Transactions

As required by regulation 24 of the Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately. This includes:

- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payments from the Plan to, or in respect of, members.

The Trustee receives detailed quarterly administration reports produced by Aviva which are reviewed by the Trustee at meetings and enables the Trustee to monitor that the requirements for the processing of financial transactions are being met. Aviva may also be invited to attend Trustee meetings and reports are received to support their attendance.

The service level agreement ("SLA") with Aviva sets out the approach (including timescales) regarding the transfer of members' assets into and out of the Plan, the transfer of members' assets between different investment options available in the Plan and payments from the Plan to, or in respect of, members. The service level standards are reviewed periodically to ensure they remain appropriate and meet legislative requirements.

The Trustee has an administration agreement in place with Aviva through the MWS platform. The administration agreement sets out the service standards expected of Aviva and if Aviva fall short of these standards then financial penalties are in place until the situation is rectified.

The expected service standards are:

SLA	Description	Target Service Level (%)	Service Level Point Failure (%)	Description
2	Website Availability	100.0	97.5	Aviva shall ensure that the Website is available to Users during the hours of 0900 and 1730 on Business Days.
3	Documentation	-*	85.0	Aviva shall provide electronic access to policy documentation held within the portal library to members within two (2) Business Days of receipt of all required new joiner details submitted in an electronic format from either the Client or a Member. Hard copies, where issued will be issued within five (5) Business days of receipt of all required new joiner details submitted in hard copy format.
4	Contribution Processing	-*	90.0	Subject to the completion of the longest delayed dealing cycle, Aviva shall process regular contributions and allocate to Member policies within two (2) Business Days of receipt of the validated contribution schedule and reconciled payment.
5	Investment Transactions	87.5	85.0	Aviva shall action investment transaction (switches, redirections and single contributions where appropriate) requests from Members or Trustee within three (3) Business Days from the date of receipt of complete instructions.
6	General Enquiries	81.9	85.0	Aviva shall respond to non-complex general enquiries from Members (such as valuations, projections, contribution statements and change of details) within five (5) Business Days of receipt of the enquiry.
7	Payments Out	68.7	85.0	Subject to the completion of the longest delayed dealing cycle, Aviva shall process payments out within five (5) Business Days of receipt of the completed payment authority form and all required documentation from the authorised party. In respect of payments to Members on retirement, the period of five (5) Business Days referred to in this SLA shall commence from the normal retirement age of the retiring Member.
8	Payments In	100	85.0	Subject to the completion of the longest delayed dealing cycle, Aviva shall issue confirmation to Members or Trustee Clients that transferred assets have been allocated as at the date of receipt of both payment and complete documentation within five (5) Business Days of receipt.
9	Complaints	*	0.02	Aviva shall ensure that upheld complaints constitute not more than 1 in every 10,000 (0.01%) lives within the Mercer Platform book on a monthly basis.
10	Helpline	96.0	95.0	Aviva shall answer all calls to the Mercer helpline during the hours of 0800 and 1730 Monday to Friday (excluding Bank/Public Holiday).

*No cases recorded over the statement period.

Aviva has adopted a number of processes to ensure that core transactions are carried out promptly and accurately. These include:

- Daily monitoring of bank accounts,
- A dedicated contribution processing team, and
- Two individuals checking all investment and banking transactions.

Over the reporting period, the monthly member contributions were received, processed and invested in line with agreed SLAs and there were no disclosure breaches.

Additional disclosures are required in respect of any transactions and benefit processing activity that have not been completed within the agreed timescales including the cause of the delay, the extent to which agreed timescales were breached and the proposed remedial measures. It is noted that over the period covered by this statement, Aviva did not meet its target during Q2 2019 for payments out (SLA 7), which include transfers out, payment of tax free cash lump sums, UFPLS payments, and drawdown payments. SLA 7 was also missed in September and November with 80.0% and 85.7% service levels respectively. This SLA also did not reach its target service level throughout Q1 2020. The Trustee noted the fall and challenged the administrator. Since these cases were identified new checking procedures were introduced by the administrator to ensure that the breach does not occur again. Additional staff training was also carried out.

During Q1 2020, Helpline (SLA10) was below the target level point in March. SLA performance in Q1 2020 remained stable in most areas in spite of the Coronavirus outbreak. There were two exceptions, SLA 6 general enquiries and SLA 10 the helpline queries. These were largely the result of the operational and system complexities associated with the work to enable all members of staff to work remotely during March and into April. Although performance was largely maintained, SLA 7 will continue to be monitored closely, having seen greater volumes of requests from the flexibility introduced by Pension Freedoms.

The present Trustee was appointed **after** the start of the scheme year to which this statement relates – but, so far as it is aware, in the period to which the statement relates financial transactions were processed promptly and accurately in line with the systems and processes noted above.

Due to the transfer of the Plan to a new Trust, which took place shortly after the scheme year-end to which this statement relates, the on-going governance of the DC section is now monitored by the Plan's new professional Trustee. The Trustee will continue to seek the relevant details to support effective monitoring of the service standards.

The Trustee continues to monitor Aviva's performance as the Plan is wound up.

Charges and Transaction Costs

As required by the Administration Regulation, the Trustee is required to report on the charges and transaction costs for the investments used in the default option, as well as the wider fund choice available and their assessment on the extent to which the charges and costs represent good value for members.

The range of charging levels and transaction costs applicable to default arrangements during the period is detailed in this section. In relation to transaction costs, we note that when buying and selling investments, transaction costs can be incurred. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

Charges relating to investment management are deducted from member funds. However, at present, as noted earlier, the Plan does not comply with regulations on charge controls introduced from April 2015. At present, the Mercer Active UK Property Fund default investment arrangement under the

Plan does not have a total expense ratio ("TER") equal to, or below the charge cap of 0.75% p.a.. The Trustee is working with its professional advisers to resolve this.

The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available.

The tables below show the TER in each of the funds underlying the Plan's default lifestyle arrangements (the Mercer Target Cash Path) as well as the defaults created as part of the changes in 2018 (see above). The overall charge being deducted from a member's fund, if in the default lifestyle arrangement, will reflect the member's allocations in each of the underlying funds. The TER is at its highest during the growth phase (at 0.52% p.a.), falling during the eight years prior to the Selected Retirement Age, to reflect the automated transition of assets to the Mercer Passive Corporate Bond Fund and Mercer Cash Fund, which have lower TERs.

The TER takes account of all member-borne charges other than transaction costs which are reported separately. The transaction cost information obtained is complete. The Trustees have had regard to relevant statutory guidance in relation to member-borne charges and transaction costs.

Funds used within the Default Lifestyle Arrangement	Total Expense Ratio (% pa)	Transaction Cost (% pa)* 2019	Transaction Cost (% pa) 2020	Average Transaction Cost (% pa)
Mercer Growth	0.520	-0.0233%	0.1697%	0.1697%
Mercer Passive UK Corporate Bonds	0.370	0.0271%	-0.0552%	0.0271%
Mercer Cash	0.350	**	0.0115%	0.0115%
'Technical' Default Funds Created (as referenced above)	**Total Expense Ratio (% pa)**	**Transaction Cost (% pa)* 2018**	**Transaction Cost (% pa) 2019**	**Average Transaction Cost (% pa)**
Mercer Growth	0.520	-0.0233%	0.1697%	0.1697%
Mercer Annuity Retirement Fund	0.430	**	-0.0118%	0.0000%
Mercer Active UK Property	1.000	**	0.1882%	0.1882%
Mercer Diversified Retirement	0.540	0.0782%	0.1300%	0.1041%
Mercer Passive UK Corporate Bonds	0.370	0.0271%	-0.1552%	0.0271%
Mercer Cash	0.350	**	0.0115%	0.0115%
LGIM – Ethical UK Equity	0.470	0.0070%	0.0109%	0.0089%

The following provides information on the charges applicable to the funds offered as self-select options, which do not constitute 'technical' default:

Fund	Total Expense Ratio (% pa)	Transaction Cost (% pa)* 2018	Transaction Cost (% pa) 2019	Average Transaction Cost (% pa)
Mercer Cash Retirement Fund	0.400	**	0.0114%	0.0114%
Mercer Passive Emerging Markets Equity	0.570	0.0070%	0.0109%	0.0089%
BlackRock - Passive Global Equity (30:70) (GBP Hedged)	0.390	-0.0471%	0.0273%	0.0000%

*Source: Aviva (August 2020) * Transaction cost could be negative due to slippage - can be considered as 0% if such cases happen. ** Due to the DWP and FCAs new reporting requirement, the transaction costs for these funds were unavailable at the time of writing.*

Impact of Costs and Charges

In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance provided has been considered when providing these examples. We have provided additional information above and beyond the illustration in the statutory guidance example – so that the information is more representative of the Plan members.

The below illustration has taken into account the following elements:

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

To make this representative of the membership, the Trustee has based this on the average member age of 44. The illustration uses a starting pot size of £25,260 based on the average for the age band of members aged 40 - 44. It also assumes an overall contribution level of 0%.

Projected Pot sizes in Today's Money (£)								
	Most Popular Fund		Most Expensive Fund		Least Expensive Fund & Lowest Expected Growth		Highest Expected Growth	
	Default Lifestyle Arrangement		Mercer Active UK Property		Mercer Cash		BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£ 25,790	£ 25,620	£ 25,880	£ 25,620	£ 25,020	£ 24,930	£ 26,000	£ 25,900
2	£ 26,340	£ 25,980	£ 26,510	£ 25,980	£ 24,780	£ 24,600	£ 26,760	£ 26,550
3	£ 26,900	£ 26,340	£ 27,150	£ 26,350	£ 24,540	£ 24,270	£ 27,540	£ 27,210
4	£ 27,470	£ 26,720	£ 27,820	£ 26,720	£ 24,300	£ 23,950	£ 28,350	£ 27,900
5	£ 28,050	£ 27,090	£ 28,490	£ 27,100	£ 24,070	£ 23,630	£ 29,180	£ 28,600
10	£ 31,140	£ 29,060	£ 32,140	£ 29,070	£ 22,930	£ 22,110	£ 33,710	£ 32,380
15	£ 34,350	£ 30,980	£ 36,260	£ 31,180	£ 21,840	£ 20,690	£ 38,940	£ 36,670
20	£ 35,350	£ 31,050	£ 40,900	£ 33,450	£ 20,810	£ 19,360	£ 44,980	£ 41,510
21	£ 35,020	£ 30,620	£ 41,900	£ 33,930	£ 20,610	£ 19,100	£ 46,290	£ 42,560

* The TER and transaction costs for the most popular fund, the Mercer Target Cash Path change depending upon how close the member is to retirement. Mercer Target Cash Path is comprised of a number of different funds. De-risking for Plan members begins eight years before retirement. The underlying asset allocation for the lifestyle option changes over the de-risking period at the end of each year end prior to a member's target retirement date.

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. The starting pot size is assumed to be £25,260
3. As there are now no active members, contributions are assumed to be 0% p.a.
4. Values are estimates and are not guaranteed
5. The projected growth rates for each fund are as follows:
   a. Mercer Target Cash Path (Most Popular Fund): Between 1.94% p.a. and -0.98%p.a. net expected real return above inflation.
   b. Mercer Active UK Property (Most Expensive Fund): 2.44% p.a. net expected real return above inflation.
   c. Mercer Cash (Least Expensive and Lowest Expected Growth Fund): -0.98% p.a. net expected real return above inflation.
   d. BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index (Highest Expected Growth Fund): 2.93% p.a. net expected real return above inflation.
6. The Transaction Costs relate to the actual transaction costs incurred in the Plan year.

The projected growth rates use the same underlying assumption as the SMPI assumptions plus any transaction costs.

Due to the diverse Plan demographics, the Trustee has presented a further illustration below based on the Scheme's youngest member (aged 18). The illustration uses a starting pot size of £570 based on the average for the age band of members under 20. It also assumes an overall contribution level of 0%.

Projected Pot sizes in Today's Money (£)								
	Most Popular Fund		Most Expensive Fund		Least Expensive Fund & Lowest Expected Growth		Highest Expected Growth	
	Default Lifestyle Arrangement		Mercer Active UK Property		Mercer Cash		BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£ 580	£ 580	£ 580	£ 580	£ 560	£ 560	£ 590	£ 580
2	£ 590	£ 590	£ 600	£ 590	£ 560	£ 560	£ 600	£ 600
3	£ 610	£ 590	£ 610	£ 590	£ 550	£ 550	£ 620	£ 610
4	£ 620	£ 600	£ 630	£ 600	£ 550	£ 540	£ 640	£ 630
5	£ 630	£ 610	£ 640	£ 610	£ 540	£ 530	£ 660	£ 650
10	£ 700	£ 660	£ 730	£ 660	£ 520	£ 500	£ 760	£ 730
15	£ 780	£ 700	£ 820	£ 700	£ 490	£ 470	£ 880	£ 830
20	£ 870	£ 750	£ 920	£ 750	£ 470	£ 440	£ 1,010	£ 940
25	£ 960	£ 810	£ 1,040	£ 810	£ 450	£ 410	£ 1,170	£ 1,060
30	£ 1,070	£ 870	£ 1,170	£ 870	£ 430	£ 380	£ 1,350	£ 1,200
35	£ 1,190	£ 930	£ 1,320	£ 930	£ 410	£ 360	£ 1,560	£ 1,360
40	£ 1,310	£ 1,000	£ 1,490	£ 1,000	£ 390	£ 330	£ 1,810	£ 1,540
45	£ 1,380	£ 1,020	£ 1,690	£ 1,070	£ 370	£ 310	£ 2,090	£ 1,740
46	£ 1,370	£ 1,010	£ 1,730	£ 1,090	£ 370	£ 310	£ 2,150	£ 1,790
47	£ 1,360	£ 990	£ 1,770	£ 1,100	£ 360	£ 300	£ 2,210	£ 1,830

* The TER and transaction costs for the most popular fund, the Mercer Target Cash Path change depending upon how close the member is to retirement. Mercer Target Cash Path is comprised of a number of different funds. De-risking for Plan members begins eight years before retirement. The underlying asset allocation for the lifestyle option changes over the de-risking period at the end of each year end prior to a member's target retirement date.

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. The starting pot size is assumed to be £570
3. As there are now no active members, contributions are assumed to be 0% p.a.
4. Values are estimates and are not guaranteed
5. The projected growth rates for each fund are as follows:
    a. Mercer Target Cash Path (Most Popular Fund): Between 1.94% p.a. and -0.98%p.a. net expected real return above inflation.
    b. Mercer Active UK Property (Most Expensive Fund): 2.44% p.a. net expected real return above inflation.
    c. Mercer Cash (Least Expensive and Lowest Expected Growth Fund): -0.98% p.a. net expected real return above inflation.
    d. BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index (Highest Expected Growth Fund): 2.93% p.a. net expected real return above inflation.
6. The Transaction Costs relate to the actual transaction costs incurred in the Plan year.

    The projected growth rates use the same underlying assumption as the SMPI assumptions plus any transaction costs.

The Trustee acknowledges the requirement to publish these illustrations on a website and this Statement will be available in time for the deadline of seven months following the Scheme year end. The 2020 benefit statements will include the web address in order to inform members where they can access this information.

The Trustee has requested cost data from its AVC providers to be able to produce the comparisons for AVC funds, but this is not all available at the time of writing. The Trustee will continue to request this data and include it in future iterations of this report.

Value for Members

The Trustee has assessed the extent to which the charges set out above represent good value for members and has concluded, following receipt of a report from its independent DC adviser, that the Plan offers good value for members (VfM) relative to peers including other pension schemes of a similar size and nature (using data from Mercer, the Pensions Regulator and other public surveys) and relative to options available to the Trustee with alternative investment managers and providers.

The Trustee conducted a detailed VfM assessment in order to arrive at these conclusions, incorporating consideration of:

- Annual management charges
- Net cost of performance
- Transaction costs
- Fund range available to members
- Investment manager and platform provider ratings
- Additional services available to members, including at retirement options, services and member tools.

In accordance with regulation 25(1)(b) of the Administration Regulations as amended, the Trustee undertakes a review of the charges and transaction costs incurred by members in order to ascertain whether the Plan's overall benefits and options represent good value for money. The assessment takes account of the extent to which the investment options and the benefits offered by the Plan represent good VfM when this is compared to other options available in the market.

There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation. "Value" does not just mean low cost.

The reasons underpinning this conclusion include:

- Charges for the Plan's default investment arrangements are below the charge cap of 0.75% per year, excepting the Mercer Active Property Fund. The Trustee is continuing to receive legal advice around transitioning members to the primary default fund.
- Ongoing oversight and review of the default investment option and the DC fund range;
- The efficiency of the administration processes and the Trustee's and Company's governance of the administration services;
- The wide-ranging support and governance of the Plan from the Trustee, the Company and the Trustee's professional advisers.
- Aviva has provided a good service and has shown commitment to maintain their status as one of the market leaders in administration.
- The funds used by the Plan are rated by Mercer Ltd as having good prospects of achieving their risk and return objectives.
- As mentioned earlier, the Plan is in the process of being wound up; as such, where performance or benefits have been below the expected standard, there is limited scope for the Trustee to make any changes.

Due to the Covid-19 pandemic, equities experienced significant losses over Q1 2020. This impacted the performance of the equity funds. The Trustee continues to closely monitor the impact of the Covid-19 pandemic on the fund range.

The non-financial benefits of membership were also considered and included (amongst other things): the efficiency of administration processes and the extent to which Aviva as administrator met its SLAs for the year; the communications delivered to members; and the quality of scheme governance.

The Trustee will continue to monitor the administration and performance of the Plan's investment funds, until such time as the Plan is wound up.

Trustee Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to it, enables it to properly exercise its functions and duties in relation to the Plan.

This requirement has been met during the course of the Plan year and the Trustee has undertaken regular training throughout the year, including:

- GDPR requirements
- Updates in pension legislation
- General investments and the scheme default monitoring

The Trustee also reviews and assesses, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.

The Trustee received training sessions in Q2 2020 which covered: GDPR, Investment duties and the Statement of Investment Principles.

The Trustee's meetings held in the period for this statement were attended by the Plan's advisers. Training and advice delivered as part of the business at these meetings is incorporated by the Trustee into its decision making processes.

The Trustee is conversant with, and has a working knowledge of, the Trust Deed and Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Plan's legal advisors. During the year, the Trustee has demonstrated this knowledge in relation to the death benefits provisions. The new Trustee has spent time becoming familiar with the Trust Deed and Rules as part of their on-boarding of the Plan.

The Trustee is conversant with, and has a working knowledge of, the current SIP. The Trustee undertakes regular training on investment matters and reviews the investments held by the scheme at each meeting. The Trustee has sufficient knowledge of investment matters to be able to challenge its advisors.

Ross Trustees is the appointed sole trustee to Plan. As sole trustee, the Trustee undertook board effectiveness measures in line with those of Ross Trustees which considers, amongst other things, the design, systems, security, administration, risk management, advisers, governance of the Plan and the composition and effectiveness of the Board.

The Trustee has a robust training programme in place for any newly appointed Trustees. Upon appointment, a Trustee is required to complete the Pensions Regulator's online training programme. The Trustee toolkit is expected to be completed within six months of appointment. New Trustees meet with the Chair of Trustees shortly after their appointment, and are provided with an information pack and access to all Plan documents and advisors.

The Trustee has completed the Pension Regulator's Trustee Toolkit training. The Trustee also maintains a training log.

The Trustee undertook a number of activities over the past year, which demonstrate how they have a working knowledge of pension and trust law, funding and investment principles, the Trust Deed and Rules and the SIP. These activities include:

Briefings on changes to pensions law and their possible impact on the Plan such as:

- Chair Statement requirements
- Costs and Charges disclosure
- Update of the SIP in September 2019 to meet new regulatory requirements from 1 October 2019
- The requirements for the Trustee to have an Implementation Statement
- Training on Environmental, Social and Governance (ESG) considerations

Similar processes and principles apply in relation to the Plan's policies, the law relating to pensions and trusts and the principles relating to funding and investment of occupational pension schemes.

The Risk Register and Business Plan are reviewed and updated regularly. These demonstrate that the Trustee holds relevant knowledge on DC specific internal controls and the regulatory requirements. The Trustee also reviews and assesses, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with this set out in the Pensions Regulator's Code of Practice 13. The Risk Register and Business Plans were reviewed in Q2 2020. The Trustee is expected to undertake at least 15 hours of relevant training a year. If the Trustee is a member of a professional association, such as the Association of Professional Pension Trustee, they are expected to meet the relevant association's continued professional development requirements. Furthermore, at the start of each year, the Trustee is asked to document any knowledge gaps. Relevant training sessions are then organised as a result of the feedback results. The Trustee may also independently attend training sessions organised by external companies. The Trustee also regularly ask their advisors to provide feedback on their current industry Trustee education and training requirements.

The Trustee receives professional advice and support from Mercer to support it in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustee together with its own experience, knowledge and understanding allows it to properly exercise its functions as the Trustee. For example, during the assessment period, the Trustee received advice from its advisors on the mapping of self-select funds to the Plan's default arrangement. As such, communication has been drafted and the next steps are for the Trustee to communicate with members who were moved without consent and ask them to confirm that they would like to remain in their self-select funds. If members do not respond by a specified period of time, their assets will be transitioned to the Plan's default arrangement - the Mercer Target Cash Lifestyle. In December 2019, the Trustee also received regulated investment advice in respect of the reinvestment of the Plan's Additional Voluntary Contribution (AVC) investments from the Equitable Life With Profits Fund as part of the transition to Utmost Life and Pensions Limited ("Utmost") during early 2020.

Additionally, the following measures have applied during the period:

- Mercer attend the Trustee's formal meetings.
- The Trustee has wide ranging skills and experience, including pension experience. The Trustee receives briefings from their advisors on all legislative and regulatory developments at each meeting.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations').

The implementation statements set out from page 57 forms part of the Trustee's annual report.

I confirm that the above statement has been produced by the Trustee to the best of its knowledge.

Signed for and on behalf of the Trustee of the Firth Rixson Retirement Benefit Plan.

S Ross, Chair of the Trustee

5 November 2020