

The Annual Governance Statement – year ended 30 June 2019

This statement has been prepared by the Trustee of the PerkinElmer UK Money Purchase Pension Scheme (the “Scheme”) to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Plans (Charges and Governance) Regulations 2015.

This statement covers four key areas:

1. The investment strategy relating to the default option;
2. The processing of core Scheme financial transactions;
3. Charges, transaction costs & value for money within the Scheme;
4. The Trustee’s compliance with the statutory knowledge and understanding (TKU) requirements.

The Trustee’s statements in respect of these requirements are set out herein.

The requirement to produce an Annual Governance Statement is separate to the requirement for the Trustees to assess the Scheme against the Pensions Regulator’s DC Code of Practice no.13 and Regulatory Guidance. However, commentary has been included setting out details of the ongoing Code of Practice governance process for completeness.

The Trustee receives professional Defined Contribution (‘DC’) Investment and Governance advice from Willis Towers Watson (‘the Professional Adviser’). The Scheme is administered by Buck (‘the Scheme Administrator’). DC funds are managed by AEGON Scottish Equitable plc (AEGON) and Equitable Life Assurance Society (Equitable Life). Equitable Life has agreed to transfer the Society and its policies to Upmost Life and Pensions with effect from 1 January 2020. The Trustee is working with its Professional Adviser and administrator to consider the impact of this change, including the appropriate investment of affected monies and communicating with impacted members as appropriate. Details relating to Equitable Life included in the remainder of this statement relate to the terms applying to Equitable Life monies prior to the transfer.

The Scheme’s DC arrangements comprise:

- DC benefits in the form of money purchase accounts for members of the Scheme (held with AEGON and Clerical Medical) and Equitable Life (closed to new contributions).
- DC benefits provided in the form of additional voluntary contributions (AVCs). The AVC arrangements are provided by AEGON and Clerical Medical and Equitable Life (closed to new contributions).

Ongoing DC Code of Practice & Regulatory Guidance assessment

The Trustee undertakes an ongoing assessment of the Scheme against the Code of Practice and Regulatory Guidance.

Investment strategy – relating to the Scheme’s default arrangement

The statement set out below outlines the various processes and components that together govern the Trustee’s decision making process in connection with the Scheme’s default investment arrangement.

The Trustees’ investment beliefs & objectives

The Trustee has prepared a Statement of Investment Principles (SIP) which governs decisions about investments. The SIP captures the Trustee aims and objectives including an explanation of how the best interests of beneficiaries are considered when setting investment fund choice.

The SIP was renewed in 2019 and is reflected in the narrative below

Recent and current reviews of the Scheme’s default option

The Trustees receive regular updates from the Professional Adviser and AEGON with regards to market practice for default investment strategies in DC trust-based pension schemes.

A review of the investment strategy is to be carried out in 2020 focussing on the Scheme’s default option and the other options available to members via the AEGON platform.

Performance monitoring

The Trustee reviews how the AEGON funds within the default strategy (and self-select fund range) have performed against the investment managers’ objectives and benchmarks. An update is provided at each Trustee meeting as part of the investment performance monitoring report. The analysis and advice provided supports the Trustee in determining whether it should consider making any changes as a result of the performance of funds.

The Trustee receives annual updates on the Aviva With-Profits funds generally.

The Trustee received annual updates on the Equitable Life with profit fund; this fund is subject to a guaranteed minimum level of return of 3.5% p.a.

Core Scheme financial transactions

The Trustee regularly monitors the core financial transactions of the Scheme at a high level at each Trustee meeting via the Scheme administrator’s administration report. Additional reporting is also provided by AEGON as the investment manager for the majority of the Scheme’s individual funds.

DC contributions are generally paid direct from payroll to the relevant provider. The Scheme's accounts are audited annually by the Scheme's appointed auditors.

Based on the above, the Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the Plan year.

It is envisaged that the range of transactions monitored, and the Trustee's view on acceptable timescales for completion of specific tasks will be kept under review and documented.

Charges, transaction costs & value for money

Charges - Total Expense Ratios

The Total Expense Ratio¹ ('TER') applied to the Scheme's default arrangement and self-select fund range are shown in the following table:

Fund options	Cost
AEGON Global Equity Tracker Lifestyle Fund (default fund)	0.60%
AEGON Global Equity Tracker Fund	0.60%
AEGON UK Tracker Fund	0.60%
AEGON Long Gilt Fund	0.60%
AEGON Cash Fund	0.60%
AEGON Growth Tracker (Cash Target) Fund	0.45%
AEGON Growth Tracker (Flexible Target) Fund	0.45%
Equitable Life With-Profits Funds	1.50%
Equitable Life Unit-Linked Funds	0.50% to 1.00%

¹ The TER provides investors with details of the total annual costs involved in running an investment fund. This includes the annual management charge, plus other charges incurred in administering the fund (these include share registration fees, legal fees, auditor fees, custodian fees etc.). Trading costs and any bid/offer spreads are not included.

The Trustee have reviewed the fees payable by members of the Scheme, and will continue to do so to ensure charges are competitive based on the size of the Scheme.

Implicit charges and transaction costs are a complex area and information is not readily available across the investment management industry as a whole. Whilst the information for some funds has been made available to the Trustee, the Trustee will continue to follow up with its investment providers to obtain this information for all funds for future statements.

The Equitable Life unit-linked annual management charge of 0.5% p.a. excludes the cost of buying or selling investments. The additional charges that apply for this can only be assessed on a case by case basis.

Transaction costs

The Trustee has held discussions with some of the investment managers to understand the extent to which transaction costs that may be incurred by Scheme members can be reported at this time, with a view to including this within its assessment of value for money.

Whilst transaction cost data is not available for all funds, based on data available to the Trustee the charges currently available range from 0% to 0.6% depending on the fund.

The Trustee has agreed to keep the position under review with a view to incorporating information on transaction costs in the ongoing value for money assessments as and when this becomes available.

Charges – example impact

Please see the appendix to this Statement for examples of the potential impact of management and transaction charges on members' AEGON fund values. These examples and the charge detail have been provided by AEGON.

Equitable Life funds have a guaranteed return of 3.5% p.a. net of charges. The fund value would therefore grow by 3.5% each year and be the same before and after charges.

Value for money assessment – current status

The Trustee is committed to ensuring that members receive value for money ('VFM') from the Scheme (i.e. the costs and charges deducted from members' pots and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Scheme) compared to plans of a similar size and structure.

The Scheme Administration Regulations require the Trustee to assess the extent to which the charges and transaction costs borne by members represent good value for members. The Trustee must also manage the risk of poor value investments for members.

The Trustee has assessed the extent to which the Scheme provides value for members, taking into account the charges and transaction costs. The Trustee believes that members get good value in relation to the investment funds for money purchase and AVC benefits for the following reasons:

- The costs and charges deducted from members provide good value in relation to the benefits and services they received, when compared to the other options available in the market.
- Members are part of a well governed scheme which receives a comprehensive administration service.
- The charges for the AEGON funds are below the benchmark charge cap of (0.75%) for default funds set out in the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The transaction costs of the Equitable Life With-profits fund are higher due to its specialised nature, however under this arrangement members' benefits are also subject to an underpin of the Guaranteed Value which increases each year by 3.5%.

The transaction costs of the Equitable Life unit-lined funds are 0.5% (excluding the cost of buying and selling investments).

The Trustee monitors whether the Scheme provides good value for members on an on-going basis.

The Trustee is committed to ensuring the Scheme delivers good value for members (i.e. that the transaction costs and charges provide good value in relation to the benefits and services provided) and is currently taking professional advice regarding the Plan's DC arrangements.

Trustees' knowledge and understanding ('TKU')

The Trustee has a pragmatic TKU process in place which enables it, together with the advice available, to exercise its function as trustee of the Scheme. The Trustee's approach to meeting the TKU requirements includes (but is not limited to):

- Receiving training at each Trustee meeting as a standing agenda item, covering relevant subjects proposed by the Professional Adviser or requested by the Trustee.
- On an ongoing basis, the Trustee receive hot topic updates concerning legislative, regulatory, provider and wider market developments from the Professional Adviser where relevant to the Scheme and/or the members.
- If necessary, the Trustee receive relevant ad-hoc training delivered by the Professional Adviser as and when specific issues arise.
- As appropriate, completion of the Pensions Regulator's Trustee Toolkit.

The Trustee is satisfied that it has met the relevant legislative requirements under TKU.

Signed by the Chair of the Trustee of the PerkinElmer (UK) Pension Scheme

Print name:

Date:

Appendix – AEGON cost and charge analysis

Example illustrations of charges on accumulated funds

Scheme name: PerkinElmer (UK) Money Purchase Pension Scheme
 Scheme number 93819
 Scheme year end date 30th June 2019

The below sets out transaction costs and certain charges which apply to selected funds together with illustration examples of the cumulative effect of these costs and charges incurred by members. Where we refer to charges in the below, this will also include any expenses.

Fund transactional costs and charges total (%)

	Mixed	Equity	Fixed/interest	Cash	Retirement Fund
AMC	0.60%	0.60%	0.60%	0.60%	0.60%
Additional expenses	0.00%	0.00%	0.00%	0.00%	0.00%
Transaction Costs	0.38%	0.48%	0.21%	0.00%	0.16%

AMC is the annual management charge which is the yearly charge to cover administration costs and to pay the fund manager for managing the funds.

The additional expenses include management fees and expenses that vary with the day to day costs of running the fund.

Transaction costs arise when a fund manager buys or sells the underlying assets of a fund.

The purpose of these example illustrations

The purpose of the example is to show how fund related costs and scheme charges can affect the overall value of the funds that the scheme invests in over time.

Illustrations showing the impact of fund transaction costs and scheme charges in a projected pension fund in today's money (£)

The “before charges” column shows the projected pension fund without any transaction costs, charges or rebates being applied.

The “after all charges” column shows the projected pension fund after transaction costs, charges and rebates that have been applied.

Years	Mixed		Equity		Fixed interest		Cash		Retirement Fund	
	Before Charges	After all charges	Before Charges	After all charges						
1	12,215	12,095	12,359	12,226	11,752	11,657	11,665	11,595	11,694	11,606
3	12,940	12,564	13,406	12,977	11,523	11,247	11,270	11,069	11,354	11,100
5	13,709	13,052	14,540	13,775	11,300	10,852	10,888	10,566	11,024	10,616
10	15,836	14,354	17,815	15,988	10,759	9,924	9,990	9,408	10,241	9,496
15	18,293	15,787	21,828	18,558	10,244	9,075	9,166	8,377	9,513	8,494
18	19,947	16,714	24,657	20,294	9,947	8,601	8,704	7,813	9,101	7,945

About these illustrations

For these illustrations we've assumed;

- The starting age is 47 and the retirement age is 65;
- No future contributions are made;
- Projected pension fund values are shown in today's terms, and do not need to be reduced further for inflation. Inflation is assumed to be 2.5%, each year;
- The starting pension fund value in the first year is £11,867.31;
- Each illustration has been produced on the basis this is the only fund invested in and that all transaction costs and scheme charges are deducted from that fund.

The growth rate for each fund is set out below. These are for illustrative purposes only and are not guaranteed. The investment growth achieved may be more or less than this and may vary depending on the type of fund.

Mixed	5.50%
Equity	6.75%
Fixed interest	1.50%
Cash	0.75%
Retirement fund	1.00%

If the growth rate we've used is:

- The same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%;
- Less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

If you have any investments in a With-Profits fund, please note this may contain valuable guarantees, provided you remain invested until your selected retirement age.

However, for the purposes of these illustrations, we've not included any such guarantees.