

## **C — Statement regarding DC governance**

**This statement has been prepared by the Trustee of the PerkinElmer (UK) Pension Scheme (the “Scheme”) to demonstrate how the DC Section of the Scheme and AVC arrangement have 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 Ltd (‘the Scheme Administrator’). DC funds are managed by AEGON Scottish Equitable plc (AEGON), Equitable Life Assurance Society (Equitable Life) (AVCs only) and Aviva Life & Pensions UK Limited (Aviva) (AVCs only). 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 EG&G section members of the Scheme covering service up to age 45 (held with AEGON)
- DC benefits in the form of money purchase accounts for certain EG&G members who were in contracted-out employment on a protected rights basis (held with AEGON )
- Money purchase accounts for certain EG&G members that act as underpins to certain guarantees provided under the Scheme’s Trust Deed and Rules (held with AEGON)
- DC benefits provided in the form of additional voluntary contributions (AVCs). The AVC arrangements are provided by AEGON and Aviva (current AVCs), 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.

A copy of the Scheme’s Statement of Investment Principles, dated September 2019 is appended to this Annual Governance Statement.

### *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 DC section’s investment strategy was carried out in 2016/17. The Scheme is due to close to future accrual from 1 April 2020 with no further build up of either DB or DC benefits from that time. A review of the DC section investment strategy will be carried out in 2020 focussing on the Scheme’s default option and the 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.

Over the year the Scheme’s default arrangement provided a return of **x % (prior/after the AMC)**

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

The Trustee receives 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.

**[Add a comment on any SLA in place with Buck/Conduent]**

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 Scheme's core financial transactions have been processed promptly and accurately during the Scheme 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 Ratio<sup>1</sup> ('TER') applied to the Scheme's default arrangement and self-select fund range is shown in the following table: **Note: the Appendix shows the AMCs for AEGON 'self-select funds' as 0.45%**

Fund options	Cost
AEGON Balanced Passive Lifestyle Fund (default fund)	0.45%
AEGON Balanced Passive Fund	0.45%
AEGON Global Equity Tracker Fund	0.60%
AEGON UK Tracker Fund	0.60%
AEGON Long Gilt Fund	0.45%
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%
Aviva With-Profits Fund 1 series 2	0.75%
BlackRock Aquila UK Equity Index Fund <sup>2</sup>	0.45%
BlackRock Aquila US Equity Index Fund <sup>2</sup>	0.45%
BlackRock Aquila European Equity Index Fund <sup>2</sup>	0.45%
BlackRock Aquila Over 15 years Corporate Bond Index Fund <sup>2</sup>	0.45%
BlackRock Aquila Over 5 years UK Index-Linked Gilt Index Fund <sup>2</sup>	0.45%

<sup>1</sup> 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.

<sup>2</sup> These AEGON funds are not available for self-selection by the Scheme's membership. They are only used for member pots relating to former Protected Rights or to underpin guarantees provided by the Scheme.

The Trustee has 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 0.8% 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.

Prior to the transfer to Upmost Life and Pensions, Equitable Life funds had 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 (Changes 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-linked 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 Scheme's DC arrangements.

Longer term, the Trustee intends to revise the VFM assessment process with a view to incorporating transaction costs data, once this becomes available. This isn't currently possible, as outlined above.

### **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 receives relevant ad-hoc training delivered by the Professional Adviser as and when specific issues arise **or where areas for development have been identified.**
- 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**

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**Print name:**

**Date:**

## Example illustrations of charges on accumulated funds

Scheme name: PerkinElmer (UK) Pension Scheme – DC Section  
 Scheme number: 27972  
 Scheme year end date: 30<sup>th</sup> 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
AMC	0.45%	0.45%	0.45%	0.45%
Additional expenses	0.00%	0.00%	0.00%	0.00%
Transaction Costs	0.38%	0.48%	0.21%	0.00%

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	
	Before Charges	After all charges						
1	33,728	33,449	34,128	33,811	32,450	32,237	32,210	32,065
3	35,732	34,851	37,017	35,996	31,820	31,197	31,119	30,702
5	37,854	36,311	40,150	38,322	31,202	30,192	30,066	29,397
10	43,727	40,236	49,194	44,816	29,709	27,817	27,585	26,372
15	50,512	44,585	60,274	52,410	28,288	25,629	25,310	23,658
20	58,350	49,404	73,850	61,291	26,935	23,613	23,222	21,223
25	67,404	54,744	90,483	71,676	25,646	21,755	21,306	19,039
30	77,862	60,661	110,863	83,822	24,419	20,044	19,548	17,079
31	80,141	61,919	115,460	86,488	24,181	19,718	19,214	16,712

### About these illustrations

For these illustrations we've assumed;

- The starting age is 34 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 £32768.34;
- 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%

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.