



GOVERNANCE STATEMENT FOR LEONARDO FUTUREPLANNER

Governance requirements apply to defined contribution (“DC”) pension arrangements like Leonardo FuturePlanner, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement to describe how the governance requirements have been met in relation to:

- the default investment arrangement;
- requirements for processing core financial transactions;
- charges and transaction costs borne by members;
- a value for members assessment and
- Trustee knowledge and understanding.

This statement covers the period from 6 April 2020 to 5 April 2021.

INVESTMENT STRATEGY

The Trustee has in place a Statement of Investment Principles (“SIP”) which governs decisions about investments and sets out the aims and objectives of the Scheme’s investment strategy, including full information about the default investment strategy. In particular it covers:

- the Trustee’s investment policy, including policies on risk, balancing and realising assets, return and ethical investing; and
- how the default investment strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

Generally, the Trustee reviews the default strategy on an ongoing basis, particularly in response to any significant changes in investment market conditions, member demographics or the regulatory framework. The most recent change to the default strategy was made from 1 July 2018 when the benchmark allocation within the Retirement Focus fund was adjusted. This fund is used as the final phase of the default switching process in the three years leading up to the Target Retirement Age and was changed to reflect the way members on average are drawing their retirement benefits. The performance of the funds underlying the default investment strategy is formally reviewed quarterly as part of the quarterly investment reporting to the Trustee provided by the Scheme’s Investment Manager.

The last review was carried out on 09 June 2021 for the period ending 31 March 2021, The DC strategy was reviewed and no changes were considered necessary. The next performance review as at 30 June 2021 is due to be considered at the September 2021 DC investment committee meeting.

You can find the SIP at **www.futureplanner.co.uk** (within library/trustee documents).

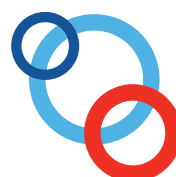
FINANCIAL TRANSACTIONS

Core financial transactions are processed by the various service providers to the Trustee. These providers are appointed under agreements with specific service standards. The providers issue quarterly reports against these standards which are reviewed at the Trustee meetings. Service standards have been met or exceeded during the year. Where areas for improvement have been identified, these have been addressed expediently and discussed at length with the relevant service provider.

The service standard provides for contributions to be invested in member Retirement Accounts no later than required by regulatory guidance. Over the year, XPS Administration Limited (the Scheme administrator) achieved this comfortably with contributions invested between 4 and 7 working days after final amounts have been received. XPS have robust monitoring and reporting mechanisms in place and monitor compliance with each service standard. Detailed reporting on each service standard is provided on a quarterly basis to the Trustee.

For members claiming benefits, service standards have been agreed typically of between 5 and 10 working days, depending on the type of transaction. During the year, XPS Administration Limited completed 94.34% of the reported tasks within the standards.

The Trustee is satisfied that core financial transactions were processed promptly and accurately.



CHARGES AND TRANSACTION COSTS

Member charges differ between the investment funds that are available. The charges applicable to the funds underlying the default lifestyle strategy and the 'pick & mix' options available on a self-select basis as at 31 March 2021 are set out in the table below:

	Fund	TER*
Default Lifestyle Funds	Long Term Growth	0.48%
	Stable Growth Fund	0.50%
	Cautious Growth Fund	0.46%
	Retirement Focus Fund (Default)	0.38%
Self-Select Funds	Retirement Focus Fund (Invest into Retirement)	0.38%
	Retirement Focus Fund (Income for Life)	0.28%
	Retirement Focus Fund (Take Your Pot as Cash)	0.33%
	Global Equity Fund	0.18%
	Corporate Bond Fund	0.14%
	Fixed Annuity Focus Fund	0.15%
	Inflation-Linked Annuity Focus Fund	0.15%
	Cash Fund	0.15%
	ESG Fund	0.30%

Source: Mobius Life, R&M Calculations as at July 2021 (*) TER: Total Expense Ratio

Transaction costs incurred by members are complex and are associated with different member, Trustee or manager actions. They can be split into three areas:

1. Transaction costs incurred by members as part of changes in the fund range

There have been no changes to the fund range at a member level (e.g. replacing Long Term Growth with another blend at a strategic level) for the period under review. Therefore, those members self-selecting their investment options would not have incurred any transaction costs as a result of changes in the fund range over the year.

Within the Lifestyle option there are four blended funds, each with varying allocations to underlying managers and securities. The fiduciary manager alters these underlying allocations with a view to generating fund returns and managing risk, ensuring each fund performs in line with its objective. These changes can be subject to transaction costs, primarily through dealing costs associated with the buying and selling of funds and securities.

These costs are reflected as part of the transaction cost details set out under "3. Frictional Costs" on page 3.

2. Transaction costs incurred by members buying and selling funds as part of a lifestyle

A member in the default lifestyle is required to buy and sell assets when automatically switching between funds within the lifestyle. We estimate that over a member's life, the cost of entering the lifestyle, switching between funds and subsequently redeeming assets upon retirement for each £1 of income invested in the Long Term Growth Fund is c. 0.15% (or 0.15p) in a worst case scenario. This equates to an average of 0.004% per annum, as at 31 March 2021.

A breakdown of the cost estimate on a worst case basis is provided in the table on page 3. The calculations do not take account of netting trades within the funds (e.g. cancelling out selling common underlying funds between the blends). It also assumes that a member pays a cost of "bid price – mid price" for any sale of assets and "mid price – offer price" for any purchase of assets (hence the "worst case scenario").

Members will experience varying levels of cost depending on their position within the lifestyle. Actively contributing members would have experienced at least one source of transition cost on the contributions they made over the year. Deferred members may or may not have experienced transition costs of this nature, depending on if they phased between funds or not. These costs will continue in the future at a level expected to be similar to what is shown in the table on page 3.

Lifestyling is carried out automatically for members who are invested in the default lifestyle. Market conditions are considered in the context of deciding on the composition of the funds in the lifestyle, but not when automatically phasing members between funds. The funds are established and governed in a way which is cognisant of market conditions, therefore it is not necessary (or practical) to consider market conditions for each member each month when lifestyling.

The funds are priced on a "single swinging basis", meaning they may be priced at bid or offer on any day, depending on the net cashflow (from all investors in/out of the fund) that day. Therefore, in practice, the cost incurred is unlikely to be the full amount and may even provide an uplift, should fund prices swing favourably. Members will also experience varying levels of costs depending on their position within the lifestyle. Therefore, it is not practical to split out the actual costs incurred by each member.

Movement between funds	Worst case cost
Buy Long Term Growth	0.03%
Long Term Growth to Stable Growth	0.04%
Stable Growth to Cautious Growth	0.04%
Cautious Growth to Retirement Focus	0.03%
Sell Retirement Focus	0.01%
Total	0.15%
Total p.a.	Less than 0.01%

Source: Underlying fund managers. R&M Solutions' calculations as at July 2021.

Assumptions:

- (1) members join the Scheme 40 years from retirement
- (2) price swings are all unfavourable to members
- (3) no netting of trades occurs

3. 'Frictional costs' incurred by members due to internally buying and selling underlying assets (e.g. stocks or bonds)

As part of day-to-day trading activities, the funds may incur "frictional costs". Frictional costs are categorised as explicit costs and implicit costs. Explicit costs are directly observable and in most cases managers are in a position to report them. Examples of explicit costs include broker fees, transaction taxes and custody fees. Implicit costs cannot be observed in the same way but do have an impact on fund performance. Examples of implicit costs include bid-offer spreads and market impact.

These costs would be incurred every time a fund manager makes a trade within that fund and are intended to improve investment returns, reduce risk, or contribute to the smooth running of a fund. Some costs will be cognisant of market conditions (e.g. some active investment decisions), and some costs are in respect of decisions not linked to market conditions.

The table below sets out the total transaction costs for each fund within the default and self-select range covering the period 06/04/2018 to 05/04/2021.

	Fund	FuturePlanner
Default Lifestyle Funds	Long Term Growth	0.041%
	Stable Growth Fund	0.106%
	Cautious Growth Fund	0.057%
	Retirement Focus Fund (Default)	0.025%
Self-Select Funds	Retirement Focus Fund (Invest into Retirement)	0.045%
	Retirement Focus Fund (Income for Life)	N/A ¹
	Retirement Focus Fund (Take Your Pot as Cash)	0.009%
	Global Equity Fund	-0.049%
	Corporate Bond Fund	-0.057%
	Fixed Annuity Focus Fund	0.011%
	Inflation-Linked Annuity Focus Fund	0.027%
	Cash Fund	-0.0157%
	ESG Fund ²	-0.002% ³

Source: Old Mutual Wealth from 6 April 2018 to 30 January 2019. Mobius Life from 31 January 2019 to 5 April 2021. Underlying fund managers. R&M calculations as at July 2021.

The Appendix to this report provides illustrative examples of the cumulative effect over time of the application of charges and costs on the value of a member's pension pot.

¹ No transaction costs as at 31/03/2021 as there has been no member investment

² The ESG Fund was introduced in Q2 2020

³ Data covers the period 06/04/2020 to 05/04/2021



VALUE-FOR-MEMBERS REVIEW

The Trustee considers that members get value for money, as the costs and charges deducted from members' pots provide good value in relation to the benefits and services provided.

The Trustee regards value for members as a high priority and reviews it on an on-going basis, including as an item on the Scheme's risk register. The Trustee undertakes an annual value for members' review which consists of two phases; a self-assessment facilitated by our investment advisors and then an independent assessment through a third party adviser at least every three years.

1. Value for members – self-assessment

The most recent self-assessment was conducted in July 2021 and looked at whether the total cost of Scheme membership represented value for money, whether the investment risk profile is tailored to the needs of members, the level of contributions in the light of the membership profile, the degree of flexibility available and the transaction costs incurred by members.

The Trustee considered, among other items, the absolute level of charges, the competitiveness of charges relative to the marketplace and the level of service provided to members. The Trustee also notes that the costs of administering Scheme benefits are met by the employer.

In accordance with the Pensions Regulator's guidance for DC schemes in this area, it was concluded that, with an average annual fee of 0.48% for the default funds, FuturePlanner represents value for its members as it offers above average service levels while passing on an average level of charge to members. In particular, value for members is demonstrated through:

- A bespoke investment strategy that takes account of membership needs and controls risk based on the time to retirement and the need for protection to increase.
- Good investment performance, with the funds on average performing broadly in line with the fund objectives as advised to members.
- Risk management within the blend funds through delegation of day-to-day investment decisions and asset allocation to a fiduciary manager and investment managers.
- Robust internal controls and operations covering business continuity plans, internal and external audit of the funds and a wide range of investment operations.

The average fee compares favourably to the charge cap set by the Government of 0.75%.

2. Value for members – independent assessment

An independent assessment of value for members was conducted by Lane Clark and Peacock in August 2020. The report assessed all areas of the Scheme as "good" or "very good", with governance and communications receiving particularly high ratings. The only suggestion for improvement was to consider the cost of advice and governance within the investment charges.

The Trustee is reviewing this suggestion and will implement any resulting actions.

The Trustee will conduct a further independent review no later than 2023 to assess the impact of any changes and other best practice developments.

KNOWLEDGE AND UNDERSTANDING

The Trustee Directors have sufficient knowledge and understanding of the law relating to pensions and trusts, and sufficient understanding of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustee has a training policy with the objective of ensuring that Trustee Directors understand their duties and that their knowledge is at a level to enable them to take decisions with the level of skill and competence that members can expect from someone familiar with the issues concerned. The Trustee Directors' combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

New Trustees are briefed by the Chair and Secretary to the Trustee and familiarise themselves with Plan documentation, including the Trust Deed and Rules, SIP and all other documents setting out the Trustee's current policies as appropriate to ensure that they have a good working knowledge of these documents.

Within six months of appointment, Trustee Directors are able to attend an introductory training course through an external provider, and are expected to complete the Pensions Regulator's Trustee Toolkit.

On an ongoing basis all Trustee Directors aim to complete at least two days (fourteen hours) training per year during the course of their appointment. One day of training is provided on a collective basis to address joint needs, and this always includes a session on Trustee effectiveness. Other training opportunities are selected on the basis of the individual needs of each Trustee Director. During the year, three Trustee directors achieved the 14 hours objective, completing an average level of 17.48 hours per Trustee Director. During 2021, online training opportunities have been more widely available and all Trustee Directors have been encouraged to participate in a range of training webinars.

Trustee Directors review their own knowledge and understanding against the Pensions Regulator's guidance at least annually and are supported by the Secretary in selecting suitable training opportunities. Individual training requirements are addressed through a combination of internal and external training and individual training logs are kept to assess compliance with the policy.

In addition, training on DC matters is included within the agenda for the joint DC investment committee and within the formal Trustee training day which is held each year jointly with the sister UK pension schemes in the Leonardo group.

MARTIN FLAVELL
Chair of the Trustee
29 September 2021

APPENDIX: PROJECTED PENSION POTS IN TODAY'S TERMS

The tables below provide illustrative examples of the cumulative effect over time of the application of charges and costs on the value of a member's pension pot. This has been prepared taking account of all relevant statutory guidance.

The examples outline the effects of charges and transaction costs (as described in the Governance Statement) across the fund range and over different time periods (in years).

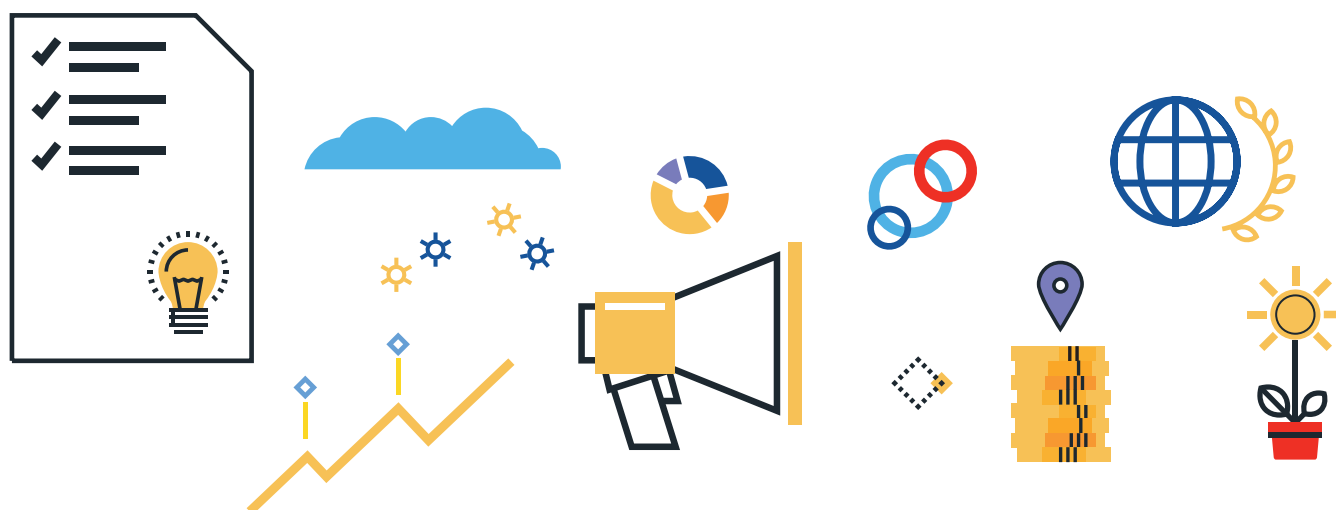
The tables show the projected 'Gross' fund and then fund 'Net' of all charges, lifestyling costs and buy/sell costs as appropriate. The projections are based on assumptions which can be found after the projection tables.

Projected pension pot for the Default investment strategy:

	Default strategy	
Years	Gross	Net
1	£2,500	£2,500
3	£7,300	£7,200
5	£12,400	£12,200
10	£27,000	£26,300
15	£43,800	£42,100
20	£62,900	£59,400
25	£84,900	£78,900
30	£108,900	£99,800
35	£134,700	£121,900
40	£160,200	£143,300

Projected pension pot for the Blend funds:

	Long Term Growth Fund		Stable Growth Fund		Cautious Growth Fund		Retirement Focus Fund (Default)	
Years	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1	£2,500	£2,500	£2,500	£2,400	£2,400	£2,400	£2,400	£2,400
3	£7,300	£7,200	£7,200	£7,100	£7,100	£7,100	£7,000	£6,900
5	£12,400	£12,200	£12,300	£12,100	£12,100	£11,900	£11,700	£11,500
10	£27,000	£26,300	£26,300	£25,600	£25,700	£25,000	£23,900	£23,400
15	£44,300	£42,600	£42,700	£40,800	£41,100	£39,600	£36,800	£35,800
20	£64,800	£61,500	£61,600	£58,000	£58,600	£55,700	£50,600	£48,700
25	£88,900	£83,200	£83,500	£77,400	£78,400	£73,500	£65,300	£62,300
30	£117,300	£108,200	£108,600	£99,100	£100,700	£93,200	£80,900	£76,400
35	£150,500	£136,900	£137,500	£123,500	£125,700	£114,900	£97,400	£91,200
40	£189,400	£169,700	£170,500	£150,700	£153,900	£138,800	£114,900	£106,700



Projected pension pot for self-select funds:

Years	Global Equity Fund		Corporate Bond Fund		Cash Fund	
	Gross	Net	Gross	Net	Gross	Net
1	£2,500	£2,500	£2,400	£2,400	£2,400	£2,400
3	£7,300	£7,300	£6,900	£6,900	£6,800	£6,800
5	£12,600	£12,600	£11,300	£11,300	£11,200	£11,200
10	£27,800	£27,700	£22,600	£22,500	£22,200	£22,100
15	£46,400	£46,000	£34,000	£33,700	£33,100	£32,900
20	£68,900	£68,200	£45,600	£45,000	£44,000	£43,600
25	£96,100	£94,900	£57,400	£56,400	£54,900	£54,300
30	£128,900	£127,000	£69,400	£68,000	£65,800	£65,000
35	£168,300	£165,300	£81,700	£79,800	£76,800	£75,700
40	£215,500	£211,000	£94,200	£91,800	£87,900	£86,600

Years	Fixed Annuity Focus Fund		Inflation-Linked Annuity Focus Fund	
	Gross	Net	Gross	Net
1	£2,400	£2,400	£2,400	£2,400
3	£6,900	£6,800	£6,800	£6,800
5	£11,300	£11,300	£11,300	£11,200
10	£22,500	£22,300	£22,400	£22,200
15	£33,800	£33,400	£33,600	£33,100
20	£45,200	£44,500	£44,800	£44,100
25	£56,800	£55,700	£56,100	£55,000
30	£68,500	£67,000	£67,600	£66,000
35	£80,400	£78,500	£79,200	£77,100
40	£92,600	£90,100	£91,000	£88,300

Projected pension pot for funds focused on retirement (alternative lifestyle options):

Years	Retirement Focus Fund (Invest into Retirement)		Retirement Focus Fund (Income for Life)		Retirement Focus Fund (Take Your Pot as Cash)	
	Gross	Net	Gross	Net	Gross	Net
1	£2,400	£2,400	£2,400	£2,400	£2,400	£2,400
3	£7,100	£7,000	£6,800	£6,800	£6,900	£6,900
5	£11,900	£11,800	£11,200	£11,100	£11,300	£11,300
10	£24,800	£24,300	£22,200	£21,900	£22,600	£22,600
15	£39,100	£37,700	£33,100	£32,400	£34,000	£34,000
20	£54,700	£52,300	£44,000	£42,800	£45,600	£45,600
25	£71,900	£67,900	£54,900	£53,200	£57,400	£57,400
30	£90,700	£84,800	£65,800	£63,400	£69,400	£69,400
35	£111,400	£102,900	£76,800	£73,600	£81,700	£81,700
40	£133,900	£122,300	£87,900	£83,900	£94,200	£94,200

Assumptions for the projected pension pots:

- Values shown are estimates and are not guaranteed;
- Frictional transaction costs used are an average of those over the 24 months to 31 March 2021, which is the longest timeframe over which consistent data is available;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Assumes inflation of 2.5% per annum;
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table on page 2);
- Assumes a member is aged 25 years old now and stops contributing at age 65;
- Assumes an overall contribution rate of 9% of annual salary, the £ amount of which increases in line with assumed salary inflation;
- Assumes a member salary of £25,000 in Year 0, increasing at 1% per annum above inflation;
- The accumulation rates used, are set out below:

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Long Term Growth	2.8%
	Stable Growth Fund	2.3%
	Cautious Growth Fund	1.8%
	Retirement Focus Fund (Default)	0.3%
Self-Select Funds	Retirement Focus Fund (Invest into Retirement)	-1.2%
	Retirement Focus Fund (Income for Life)	-1.2%
	Retirement Focus Fund (Take Your Pot as Cash)	-1.2%
	Global Equity Fund	3.4%
	Corporate Bond Fund	-0.8%
	Fixed Annuity Focus Fund	-0.9%
	Inflation-Linked Annuity Focus Fund	-0.9%
	Cash Fund	-1.2%
	ESG Fund	2.1%

Source: Mobius Life, R&M calculations as at May 2021

