Yorkshire Copper Tube Pension Scheme (the 'Scheme')

Defined Contribution ('DC') Governance Statement

The Occupational Pension Scheme (Charges and Governance) Regulations 2015 require the Trustees to prepare an annual statement regarding governance of DC funds within the Scheme, which comprise the funds in the DC Section of the Scheme and defined benefit members' additional voluntary contributions ('AVCs') invested with Aviva, Phoenix Life and Prudential.

This statement covers the period 1 April 2018 to 31 March 2019. It describes how the Trustees of the Scheme have met the statutory governance standards in relation to:

- The default arrangement,
- Processing of core financial transactions,
- Charges and transaction costs paid by members,
- Value for members assessment; and
- Trustees' knowledge and understanding.

1. The default arrangement

As the DC Section of the Scheme closed to contributions before the Regulations came into effect and it is not used as an auto-enrolment qualifying scheme, the Scheme does not have a default investment strategy, as defined by the Regulations. However, as members have no choice of funds in the DC Section, the lifestyle strategy may be considered to be a default arrangement.

The Trustees review the performance of the DC Section lifestyle strategy on an annual basis.

The Trustees are required to review the DC investment strategy every three years. The last review was carried out in 2016 therefore the next review is due to commence this year.

The Trustees are responsible for the governance of the Scheme's investments. The Scheme's Statement of Investment Principles governs decisions about investments and has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles"). A copy of the current Statement of Investment Principles, effective October 2019, is included at the end of this Statement.

2. Processing of Core Financial Transactions

The Trustees have a duty to monitor that core financial transactions are processed promptly and accurately. In practice, we delegate responsibility for this to the Scheme administrators, Aon. The Trustees have a service level agreement in place with Aon which covers core financial transactions including (but not limited to):

- Transferring assets relating to members out of the Scheme,
- Transferring assets relating to members between different investments within the Scheme, and
- Making payments from the Scheme to or on behalf of members.

- The target timescales for core financial transactions under the service level agreement are as follows:

Transaction	Target timescale
Payment of transfer	10 working days
Payment of retirement benefits	10 working days
Payment of death benefits	5 working days
Fund switches	10 working days

Aon reports performance against the service level agreement to the Trustees on a quarterly basis. The Trustees consider these reports at each trustee meeting. This allows us to monitor core financial transactions and wider performance against the service level agreement.

The Trustees do not have a service level agreement in place with the AVC providers and we do not monitor core financial transactions for the AVC arrangements directly. Aon's quarterly administration reports do include AVC transactions and we would expect any issues with the timing and accuracy of core financial transactions by the AVC providers to be identified by Aon's regular reporting.

In addition to the service level agreement we have in place with Aon, the key administration processes and controls are included on the Scheme's risk register and are reviewed regularly.

We therefore believe that the processes and controls in place with the Scheme administrator are robust and ensure that the financial transactions which are important to members were dealt with properly.

I confirm there have been no material issues with processing core financial transactions during the period covered by this statement which need to be reported here.

3. Charges and transaction costs paid by members

The Trustees are expected to explain the explicit and implicit costs paid by members:

(i) explicit charges i.e. the Total Expense Ratio (TER) which is the total explicit cost of the fund to an investor and includes legal, administration, audit, marketing, and regulatory costs. It is calculated by dividing all expenses paid by the fund over the year by the value of the fund's assets, and

(ii) implicit costs i.e. transaction costs which are the costs of buying and selling investments in the fund,

Where information about member charges and costs is not available, the Trustees have to make this clear, together with an explanation of what steps we are taking to obtain the missing information.

DC Section

During the period covered by this statement, the lifestyle strategy for the DC Section had a TER of between 0.1425% p.a. and 0.20% p.a. depending upon the members' term to retirement.

The Trustees also made the funds used in the lifestyle strategy available to members as self-select funds. The TER of these funds during the period is shown in the following table:

Fund	Total Expense Ratio (% p.a.)	Transaction Costs (%)
Global Equity 50:50 Fixed Weights Index currency hedged	0.20	0.02
Pre-Retirement	0.15	0.02
Cash	0.12	0.00

Source: Legal & General

AVC arrangements

The costs and charges borne by members through their AVC funds during the twelve-month period to 31 March 2019 are set out in the table below, where available.

Fund	Total Expense Ratio (% p.a.)	Transaction Costs (%)
Aviva Global Equity Fund	0.875	0.0531%
Aviva Mixed Investments 40 -85% Shares Fund	0.875	N/A
Aviva With Profits Fund[1]	Not applicable	N/A
Aviva With Profits Guaranteed Fund[1]	Not applicable	N/A
Phoenix Life With Profits Fund[1]	1.27	0.27
Prudential Deposit Fund[1]	Not applicable	0.00[3]

[1]There are no explicit charges on the Aviva With Profits Funds, the Phoenix Life With Profits Fund or the Prudential Deposit Fund. The costs of operating these funds are taken into account when the bonus rate or the interest rate on each Fund is declared.

[2]Although the charges on this Fund are not explicit, Phoenix Life has stated the administration charges and management expenses on the Fund were 1.27% per annum over the year.

[3]These transaction costs are for the 12-month period to 31 December 2018 and are the latest calculated by Prudential.

Aviva was unable to provide transaction cost information at the time of writing this statement. We will continue to request this information from Aviva as fund managers have a statutory responsibility to provide this information so that we can disclose it to our members.

Illustrations to show the cumulative effect of costs and charges

The Trustees are now required to illustrate the effect of the costs and charges typically paid by a member on the value of their DC fund at retirement (as a "pounds and pence figure"). The Regulations allow the Trustees to exercise their discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme's membership.

The Trustees have taken account of the statutory guidance when preparing these illustrations.

We have decided to illustrate two example members for the DC Section:

- Example member 1 – the member with the longest time until they reach normal retirement date (40 years) with a current fund value of £18,250.
- Example member 2 – the average member (age 48) with 17 years to retirement with a current fund value of £18,250.

The tables below illustrate the effect of the costs and charges at different ages on these example members' projected retirement fund.

Example member 1:

At age:	Estimated fund value (before charges)	Estimated fund value (after charges)	Impact of charges on fund value
30	£22,100	£ 21,870	£230
35	£26,760	£26,210	£550
40	£32,410	£31,420	£990
45	£39,240	£37,650	£1,590
50	£47,520	£45,130	£2,390
55	£57,550	£54,090	£3,460
60	£66,150	£61,560	£4,590
65	£66,660	£61,490	£5,170

Example member 2:

At age:	Estimated fund value (before charges)	Estimated fund value (after charges)	Impact of charges on fund value
50	£19,700	£19,620	£80
55	£23,860	£23,520	£340
60	£27,430	£26,760	£670
65	£27,640	£26,730	£910

Notes

1. Values shown are estimates and are not guaranteed
2. Projected pension fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. Inflation is assumed to be 2.5% each year.
4. The assumed growth rates (before costs and charges) and the total costs and charges used for these illustrations are as follows:

Fund	Growth rates	Total costs and charges
Global Equity 50:50 Fixed Weights Index currency hedged	4.0% p.a. above inflation	0.22% p.a.
Pre-Retirement	1.5% p.a. below inflation	0.17% p.a.
Cash	1.4% p.a. below inflation	0.12% p.a.

Value for members

The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by members and the extent to which those charges and transaction costs represent good value for money for members, when compared to other options available in the market.

There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. We have considered the services and benefits provided to members of the DC Section (such as the administration and investment monitoring in place for these funds, the investment options available, the efficiency of administration, and the retirement benefits provided by the DC funds) in relation to the charges they pay. The Trustees concluded that, whilst members receive little in the way of communications or support services, the charges members pay are low compared to current market rates (as assessed by the DWP landscape and charges survey and our professional advisers' knowledge of other schemes). On this basis we conclude the DC funds do provide value for members but that there are a number of ways in which value could be improved in order to remain aligned with other DC schemes. The Trustees are therefore considering this further.

We also considered the charges paid by AVC members (where charge information was available) and concluded that charges are in line with current market rates for closed arrangements of a similar profile. The option to use AVC funds towards their tax-free cash, rather than commuting defined benefit pension is likely to be of value to members and on this basis we conclude the AVC arrangements provide value for members.

4. Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 require Trustees to have sufficient knowledge and understanding to properly exercise their functions as Trustees and to run the Scheme effectively. We take our training and development responsibilities seriously and keep a record of the training completed by each Trustee.

Our professional advisers keep a log of the training undertaken by the Trustees and this is reviewed at each trustee meeting to identify any gaps.

During the period covered by this statement we have:

- Held two regular Trustee meetings with providers and advisers who provided reporting and specialist advice before asking the Trustee to take relevant decisions as required.
- Reviewed the quarterly administration reports and the investment performance reports for the DC section.
- Ensured the Trustee’s Report and Accounts for the Scheme year ended 31 March 2018 were audited.

I conclude that, as a result of the training and other activities which have been completed by the Trustees individually and collectively as a board and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustee board enables the Trustees to exercise our functions properly.

Signed on behalf of the Trustees of the Yorkshire Copper Tube Pension Scheme

________________________________ Date____________________

Chair of Trustees