

Vp Pension Scheme Chair's Statement

Vp Pension Scheme ("the Scheme")

Chair's Statement – Year ended 31 March 2023.

In accordance with the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations'), the Trustee is required to provide a statement relating to the governance of the defined contribution benefits within the Scheme.

This governance statement sets out how we have embraced statutory governance standards which are central to the operational aspects of the defined contribution ("DC") benefits held under the Vp Pension Scheme ("the Scheme").

This statement should be read in conjunction with the Statement of Investment Principles ("SIP") for the DC Section dated July 2023. These documents are designed to help members achieve a good outcome from their pensions savings. Colin Marsh (representing Vidett Trust Corporation Limited – formerly PSGS Trust Corporation Limited) has been appointed Chair of the Trustee for the purposes of this statement.

This statement covers the period from 1 April 2022 to 31 March 2023.

The Scheme is used as a qualifying auto-enrolment scheme.

Background to the Scheme's DC benefits

The DC Section of the Scheme commenced on 1 August 1997 following the closure of the DB Scheme to new members. The Section then closed to new members on 1 August 2004. However, existing DC Section members continue to contribute to the Scheme.

The DC Section is operated as an unbundled trust-based DC arrangement. This means that separate service providers supply investment management and administration services. Investment management is undertaken by Legal & General Investment Management ("LGIM") with administration services being provided by First Actuarial.

The sponsoring employer meets the costs of governance, administration, communications, and support with decision making (excluding annuity broking); members meet investment management charges and annuity broking costs (where this option is chosen).

At retirement, members can take up to 25% of their benefits in the DC Section as a tax-free lump sum, using the retirement freedoms to access the remainder by transferring into another pension arrangement.

Governance of the default investment arrangement

As at 31 March 2023, the DC funds under management with LGIM were:

LGIM fund	Unique fund identifier	Funds under management (£)
LGIM Diversified Fund*	MAAB	6,606,082
LGIM Investment Grade Corporate Bond Fund*	CCAD	999,522
LGIM Global Equity 70:30 Index Fund*	AK	6,082,148
LGIM Global Equity 60:40 Index Fund	CH	25,099
LGIM UK Equity Index Fund	AS	714
LGIM Multi-Asset Fund (formerly Consensus)	AN	142,540

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LGIM Over 15 Year Gilts Index Fund	AM	32,649
LGIM Cash Fund*	H	1,017,262
Total		14,906,016

* These funds form part of the default arrangement, dealing values quoted.

The DC Section of the Scheme has a designated default option, i.e. a series of funds into which contributions are placed without the member having made a choice as to where the contributions are allocated. The specific funds used for each member are determined by the member's age. The DC Section uses a combination of LGIM funds in the default arrangement. These are highlighted in the tables above and on pages 3/4.

The default arrangement is a 'lifestyle' strategy, which de-risks members' investments 25 years before their selected retirement age. This means that investments are gradually moved from higher-risk funds into more stable funds (like bonds and cash), while also targeting a specific form of retirement benefit.

The SIP is prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and was updated by the Trustee and published in September 2020 which this statement is based upon. Following the scheme year end the SIP was revised in July 2023. A copy of the latest SIP (and the Scheme's Implementation Statement) is available at the following website:

www.psgovernance.com/communications/vp-pension-scheme.html

The SIP sets out the aims and objectives of the default fund as well as providing details of all investment options that are available to members. Almost all members remain invested in the default strategy, with just under 99% of total Section assets spread amongst the default's underlying funds (see table on page 1).

One of the key responsibilities is to ensure that, based on the aims and objectives of the default arrangement; the default strategy is designed in the best interests of all members. Individual preferences can be addressed by the member choosing their own funds within a suitable range. These options are clearly communicated to members.

To help ensure that the default strategy, as well as the funds available for the self-selected investments, continues to be appropriate to our members, we regularly review suitability with our investment advisers at least every three years (although we will undertake an earlier review if there are any significant changes in investment policy or member demographics). This review considers the range of investments, their risk profiles and the demographics of our members.

The investment strategy was last reviewed by the First Actuarial investment team in July 2021. Following the 2022 Value for Member assessment, the Trustee sought further advice from their investment advisors. This advice was provided in May 2023 and the Trustee subsequently decided to amend the default strategy to reduce the bias towards UK equities and introduce some mitigation against ESG risks. The changes to the default strategy are being implemented during 2023. The Trustee has also considered the latest available information about the investment performance of the funds in which members of the Scheme are invested. The Trustee is satisfied that the investment performance (net of fees) remains consistent with the stated objectives for these funds as set out in the SIP.

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Value for members

Under the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, trustees of schemes providing DC benefits are required to carry out an assessment of their scheme's value for members.

Following The Pensions Regulator's ('TPR's') guidance, an assessment of value for members has been carried out for the DC Section which considered the following aspects.

- Costs and charges
- Net investment performance
- Governance and administration

Looking at the costs and charges, the DC Section are comparable against the short-listed providers benchmarked against particularly for the default investment strategy where 99% of members are invested in. For self-select funds, a couple of the smallest funds are slightly higher than the peer group used.

Using the default investment strategy during the scheme year, net investment performance was less competitive from 3 years onwards. For self-select funds, the picture is similar with some funds that have comparable performance and others where they do not match or better the comparator group used. However, changes have since been made to the default strategy with the aim to enhance returns to members, with self-select funds to be monitored.

The scheme is well governed and administered meeting the regulators minimum standards given the information and evidence provided.

Overall, the DC Section meets The Pensions Regulator requirements.

Charges and transaction costs

Costs and annual charges borne by members' funds may have a significant impact on their accumulated pension funds, so it is important to keep these to a minimum. To help with this objective the Government has imposed a charge cap of 0.75% p.a. from 6 April 2015. This cap does not include transaction costs. We have considered this cap in connection with all members and not just active members.

The annual ongoing charges levied by the investment manager and deducted from members' investment depends on the funds used and the table below shows this charge.

Members with over 25 years to normal retirement date invest in the default investment fund has an ongoing investment management charge (Total Expense Ratio) of 0.22% per annum during the growth phase. The Investment Grade Corporate Bond fund is introduced for members with 10 – 25 years with 20% invested in this fund. The Diversified Fund is used in the final 10 years before target retirement date to reduce risk as members approach retirement. This fund is blended with the Global Equity and Corporate Bond Funds between 10 years and 6 years from retirement. From 6 years to 4 years, 100% of the assets are held in the Diversified Fund and then blended with the Cash Fund from 4 years from retirement. The maximum charge members incur is 0.32% a year (between 6 years and 4 years to retirement).

Following the scheme year end, the default investment fund strategy has since been updated.

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In addition to these explicit member charges, members may also incur transaction costs. Transaction costs are defined in regulations as the costs incurred because of buying, selling, lending or borrowing investments and they can have a significant impact on members' fund values.

Transaction costs are typically categorized as explicit costs or implicit costs. Explicit costs are directly observable e.g. taxes such as stamp duty. Implicit costs cannot be observed in the same way but will result in a reduction in the total amount of money invested e.g. buying and selling spreads and market impact and can have a significant impact on net returns.

The costs and charges made available to us are reviewed on an annual basis by our advisers, First Actuarial. This review covers both the default arrangement and the self-selected option chosen by members.

Due to the methodology used in calculating transaction costs, these costs may be negative, therefore having a positive impact on the fund. The transaction costs incurred as disclosed by LGIM are shown in the table below.

LGIM Fund	Unique fund identifier	Total Expense Ratio (TER)	Transaction costs**	Total costs (% pa)
LGIM Diversified Fund*	MAAB	0.32%	0.00%	0.32%
LGIM Investment Grade Corporate Bond Fund*	CCAD	0.15%	-0.02%	0.13%
LGIM Global Equity 70:30 Index Fund*	AK	0.22%	0.04%	0.26%
LGIM Global Equity 60:40 Index Fund	CH	0.21%	0.04%	0.25%
LGIM UK Equity Index Fund	AS	0.18%	0.03%	0.21%
LGIM Multi-Asset Fund (formerly Consensus)	AN	0.26%	0.04%	0.30%
LGIM Over 15 Year Gilts Index Fund	AM	0.10%	0.19%	0.29%
LGIM Cash Fund*	H	0.12%	0.04%	0.16%

* These funds form part of the default arrangement

** Rounded to 2 decimal places.

*** Charges calculated to 31 March 2023

The Scheme is invested in daily dealt funds for which LGIM publish a single price on which all deals are made (both buying and selling), the "dealing price". This unit price is a swinging price and is set depending on whether there is a net inflow/outflow of assets into individual funds. A swinging price approach is common amongst providers.

If there is a net inflow the price will swing to an (higher) offer price; if there is a net outflow the price will swing to a (lower) bid price. With all buying and selling done at the same price, buying units on an offer price would cost the member as would selling at a bid price. Conversely buying at a bid price and selling at an offer price would benefit members.

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The extent of these costs is unknown in advance of the transaction (and can be nil). There is also an "anti-dilution levy" to protect existing fund investors from having their performance diluted through meeting the trading costs of other investors. This is a common feature of pooled funds, and this levy has offset some of the trading costs.

As noted already, Vp plc meets the costs of governance, administration, communications, and support with decision making (excluding annuity broking); members meet investment management charges and costs (as detailed above) and annuity broking costs.

Cumulative costs and charges

The Trustee has conducted an analysis of the cumulative impact of the member-borne costs and charges within the various investment funds for typical members of the Scheme, which is set out in the Appendix.

Net investment returns for the DC section

The following table reflects the performance of each fund over varying periods based on investment after charges have been deducted and has taken into account the statutory guidance when preparing this section of the statement. They have been calculated on a geometric basis, assume a £10,000 investment fund and are to 31 March 2023.

LGIM Fund	1 year	3 years	5 years	10 years	15 years	20 years	Since Launch
Default funds							
LGIM Cash Fund	2.11%	0.68%	0.62%	0.45%	0.67%	1.65%	1.72%
LGIM Diversified Fund	-5.13%	6.62%	3.96%	n/a	n/a	n/a	5.74%
LGIM Global Equity 70:30 Index Fund	1.67%	14.45%	6.60%	7.26%	7.17%	9.12%	n/a
LGIM Investment Grade Corporate Bond Fund	-10.32%	-3.24%	-0.94%	n/a	n/a	n/a	-0.39%
Self-Select funds							
LGIM Global Equity 60:40 Index Fund	2.50%	14.48%	6.70%	7.63%	7.46%	9.19%	7.74%
LGIM Multi-Asset Fund (formerly Consensus)	-4.65%	6.23%	3.82%	5.37%	5.82%	7.67%	n/a
LGIM Over 15 Year Gilts Index Fund	-29.80%	-16.47%	-6.46%	0.47%	3.20%	3.50%	n/a
LGIM UK Equity Index Fund	2.91%	13.81%	5.02%	5.83%	6.18%	8.23%	7.59%

* Funds were not launched at the time or net investment performance was unavailable.

Core financial transactions

The processing of core financial transactions is regularly monitored by our administrators, First Actuarial, who has implemented internal controls procedures that help ensure that such transactions are processed promptly and accurately.

The administration services monitored include the following "core financial transactions":

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- Timely investment of contributions;
- Transfers of assets relating to members into and out of the Scheme;
- Transfers of assets relating to members between different investments within the Scheme; and
- Payments from the Scheme to, or in respect of, members.

Other activities covered include controls and procedures to manage the accuracy of investment allocations and the settlement of benefits. In addition, the prompt resolution by of any inconsistencies identified in accordance with the applicable service level agreement timeframes in place.

To help gain assurances that the administration is being dealt with promptly and accurately, we undertake on a regular basis the following with input from First Actuarial:

- Monitoring services against contractual service level agreements
- Reviewing the 6 monthly administration reports provided by First Actuarial

During the period of this statement, 95% of core financial transactions have been processed accurately and promptly.

Trustee knowledge & understanding

The law requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively, including knowledge of the Scheme's Trust Deed and Rules, SIP and other informal policies. Upon appointment as a Trustee on 10 May 1999, the Trustee obtained all of the Scheme's key documents (including the interim trust deed dated 22 March 1985, the definitive deed dated 1 November 1989 and the Definitive Trust Deed dated 30 November 2000) and has a working knowledge of these documents.

Where further clarification is required about the Scheme's governing documentation, the Trustee takes legal advice from Squire Patton Boggs LLP.

In accordance with Section 248 of the Pensions Act 2004, the Trustee acting through its representatives is required to maintain sufficient knowledge and understanding to fulfil their duties. All representatives are required to undertake continuous training evidenced by a training log, complete the Pensions Regulator's Trustee Toolkit online training modules and certify a "fit and proper" test. The representatives act on a number of other similar trusteeships which enhances their knowledge and skills.

The Corporate Trustee is supported by independent and professional advisers who ensure that they are kept abreast of the latest legislative, regulatory and market developments that apply to the Scheme. These advisory appointments are also periodically reviewed.

The Trustee, Vidett Trust Corporation Limited, and is one of the largest professional trustee firms in the UK. They provide their staff with bespoke training involving external experts who present on a periodic basis on subjects including defined contributions arrangements. They also have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes.

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Vidett Trust Corporation Limited (Vidett) is represented by Colin Marsh who is an accredited professional trustee (PTPMI (Accred)) with over 40 years of relevant pensions experience and is a chair of trustees for six other pension schemes which ensures he has experience of most issues affecting pension schemes and takes advice from a variety of professional advisers. He is able to apply this experience to the running of the Scheme and ensure the legal requirements of trusteeship are met. Vidett is subject to AAF audit requirements which requires the attendance of each of its staff at five or more technical training sessions per year which ensures that the Trustee has a high level of knowledge and understanding which it is able to use when exercising its discretions and setting the Scheme's strategic direction.

The Trustee regularly considers its performance and training requirements. Its training program is reviewed annually to ensure it remains up to date and relevant and, specifically in connection with the Scheme, regularly receives advice from its advisers in connection with its ongoing arrangements (including DC). During the year, the Trustee has met the requirements of Section 247 and 248 of the Pensions Act 2004 (requirement for knowledge and understanding) through training sessions which during the year covered employer covenant distress, buy-in and buy-outs, GMP equalisation, the DC Mastertrust market and diversity and inclusion.

The combination of Trustee training, the appointment of a professional trustee and advice from professional advisers means that the Trustee can effectively exercise its role as Trustee of the Scheme.

How to contact the Trustee

If you have any further queries regarding the Scheme, please contact:

First Actuarial LLP
Mayesbrook House
Lawnwood Business Park
Leeds
LS16 6QY
Tel: 0113 818 7300
Email: leeds.admin@firstactuarial.co.uk

Colin Marsh for Vidett Trust Corporation Limited

Colin Marsh
Director, acting as Chairman of the Scheme Trustee
[Date] 30th October 2023

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Appendix

The Trustee has taken account of the statutory guidance when preparing these illustrations. The assumptions used to calculate the cumulative pension costs are based on actual scheme information and are as set out under the tables.

Projected pension pot in today's money - active members												
Fund	Global Equity 70:30		Diversified		Cash		Investment grade Corporate Bond		Multi-Asset Fund (formerly Consensus)		UK Equity Index	
Years	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£59,297	£59,155	£58,720	£58,544	£57,763	£57,676	£58,147	£58,081	£58,666	£58,501	£59,297	£59,180
3	£73,442	£72,944	£71,437	£70,837	£68,205	£67,914	£69,489	£69,268	£71,252	£70,690	£73,442	£73,032
5	£88,799	£87,841	£84,968	£83,834	£78,942	£78,409	£81,313	£80,902	£84,618	£83,559	£88,799	£88,010
10	£133,204	£130,533	£122,698	£119,680	£107,127	£105,805	£113,115	£112,065	£121,762	£118,952	£133,204	£131,002
15	£187,751	£182,325	£166,747	£160,883	£137,341	£134,942	£148,400	£146,437	£164,920	£159,480	£187,751	£183,273
20	£254,757	£245,156	£218,173	£208,245	£169,730	£165,930	£187,548	£184,349	£215,065	£205,889	£254,757	£246,825
25	£337,067	£321,379	£278,210	£262,686	£204,450	£198,889	£230,983	£226,167	£273,330	£259,032	£337,067	£324,095
30	£438,175	£413,849	£348,302	£325,264	£241,670	£233,942	£279,174	£272,291	£341,028	£319,885	£438,175	£418,042
35	£562,377	£526,028	£430,133	£397,196	£281,569	£271,223	£332,642	£323,166	£419,687	£389,569	£562,377	£532,266
40	£714,946	£662,119	£525,667	£479,880	£324,341	£310,874	£391,966	£379,281	£511,082	£469,362	£714,946	£671,143

Assumptions:

- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £52,650
- Inflation is assumed to be 2.5% each year
- For active members, **contributions of 9% are assumed** from age 25 to 65 and increase in line with assumed earnings inflation of 2.5%.
- Values shown are estimates and are not guaranteed
- The projected growth rate for each fund are as follows:

Global Equity 70:30	4.20% above inflation	Diversified	3.15% above inflation
Cash	1.40% above inflation	Investment Grade Corporate Bond	2.10% above inflation
Multi-Asset	3.05% above inflation	UK Equity Index	4.20% above inflation

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Projected pension pot in today's money - deferred members												
Fund	Global Equity 70:30		Diversified		Cash		Investment grade Corporate Bond		Multi-Asset Fund (formerly Consensus)		UK Equity Index	
Years	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£54,861	£54,724	£54,306	£54,137	£53,387	£53,303	£53,756	£53,692	£54,254	£54,096	£54,861	£54,749
3	£59,566	£59,122	£57,776	£57,240	£54,892	£54,633	£56,037	£55,840	£57,611	£57,109	£59,566	£59,200
5	£64,675	£63,872	£61,467	£60,520	£56,440	£55,996	£58,415	£58,073	£61,175	£60,289	£64,675	£64,014
10	£79,447	£77,486	£71,761	£69,566	£60,503	£59,555	£64,812	£64,054	£71,079	£69,037	£79,447	£77,830
15	£97,592	£94,002	£83,779	£79,964	£64,859	£63,340	£71,909	£70,652	£82,588	£79,054	£97,592	£94,628
20	£119,882	£114,039	£97,809	£91,916	£69,528	£67,366	£79,784	£77,929	£95,960	£90,524	£119,882	£115,052
25	£147,262	£138,346	£114,189	£105,654	£74,533	£71,648	£88,520	£85,955	£111,496	£103,659	£147,262	£139,885
30	£180,896	£167,834	£133,312	£121,447	£79,898	£76,201	£98,213	£94,809	£129,549	£118,699	£180,896	£170,077
35	£222,213	£203,607	£155,637	£139,599	£85,650	£81,044	£108,968	£104,574	£150,524	£135,922	£222,213	£206,785
40	£272,965	£247,006	£181,702	£160,465	£91,816	£86,195	£120,900	£115,345	£174,896	£155,643	£272,965	£251,416

Assumptions:

- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £52,650
- Inflation is assumed to be 2.5% each year
- No future contributions are assumed** for deferred members.
- Values shown are estimates and are not guaranteed
- The projected growth rate for each fund are as follows:

Global Equity 70:30	4.20% above inflation	Diversified	3.15% above inflation
Cash	1.40% above inflation	Investment Grade Corporate Bond	2.10% above inflation
Multi-Asset	3.05% above inflation	UK Equity Index	4.20% above inflation