

**Royal & Sun Alliance UK Pension Scheme 2002**  
**For the year ended 31 December 2018**  
**Statement regarding DC Governance**

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The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee to include an annual statement regarding governance in the annual report.

**DEFAULT ARRANGEMENT**

There is no default arrangement because the Scheme is closed and the Principal Employer does not make member related contributions. Employee core contributions are Trustee controlled assets and are invested in accordance with the Statement of Investment Principles. Members’ additional contributions are invested in line with member choices. There is no default or lifestyling option for these assets and so they are invested in accordance with the member’s choice until retirement.

**PROCESSING SCHEME TRANSACTIONS**

The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC section are processed promptly and accurately.

These transactions are undertaken on the Trustee’s behalf by the Scheme administrator, Deloitte, and its investment manager, L&G. Deloitte and L&G carry out regular banking and investment reconciliations. The Trustee has reviewed the processes and controls implemented by those organisations and consider them to be suitably designed to achieve these objectives.

The Trustee has also agreed service levels and regular reporting of performance against those service levels. These controls are reviewed at each Trustee meeting through the consideration of the service level agreements. The service level agreement lists the various tasks associated with the running of the scheme and the intended turnaround time in working days.

The Trustee secured that core financial transactions were processed promptly and accurately during the Scheme year.

**COSTS AND CHARGES**

The Administration Regulations require the Trustee to make an assessment of charges borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The annual level of charges and costs applicable to funds in which assets in the DC Section were invested, for the year ending 31 December 2018, are shown in the table below:

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Fund Name	Annual Management Charges	Total Expense Ratio	Transaction Costs
Equity:Bond 50:50 Index Fund*	0.150%	0.1557%	0.0483%
Global Equity Market Weights (30:70) Index Fund	0.200%	0.2114%	0.0513%
Over 5 Year Index-Linked Gilts Index Fund	0.100%	0.1000%	0.0452%
Over 15 Year Gilts Index Fund	0.100%	0.1000%	-0.0180%
Multi-Asset (formerly Consensus) Fund	0.250%	0.2545%	0.0143%
Cash Fund	0.125%	0.1250%	0.0042%

\*Please note that there may be additional costs associated with the rebalancing of this fund, however these costs are not readily available/identifiable. The Trustees continue to discuss this with L&G.

The Total Expense Ratio ('TER') is the total of the Annual Management Charge ('AMC') and any additional charges such as operating/administration costs incurred in the fund.

The transaction costs shown in the above table are those incurred within the funds in the course of their day-to-day management (e.g. through the buying and selling of securities). These costs will impact fund performance rather than being seen through an explicit charge.

Additional transaction costs will be incurred should a member move their assets between funds. These costs will be dependent on the specific transaction (i.e. which funds are being bought and sold) and the bid/offer spreads which apply to these funds at the point of transfer. These costs will be member specific, and depend on the amount of activity, and so are not shown in the above table.

The Trustee Board has assessed the extent to which the charges set out above represent good value for members. They have taken into account the level of service provided by the Scheme administrator, the nature of the linked service to the DB assets, the performance of the funds, the regular professional reviews of the investment strategy and the layer of governance provided by the Trustee. The Trustee Board monitors investment and administration performance on a quarterly basis as part of its ongoing governance process. Therefore, the Trustee Board is of the view that the charges represent value for money.

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**VALUE FOR MONEY – ILLUSTRATIVE EXAMPLE**

The following illustrative example shows the cumulative effect over time of the relevant costs (the Total Expense Ratio and transaction costs) on the value of a pot size of £3,000 with no further contributions being paid into the fund. The illustration uses the assumption of being invested in the Equity:Bond 50:50 Index Fund. The costs for this fund are 0.204% p.a.

Year	Value excluding all charges	Value including all charges
1	£3,043.90	£3,037.71
3	£3,133.64	£3,114.54
5	£3,226.03	£3,193.33
10	£3,469.09	£3,399.11
15	£3,730.47	£3,618.16
20	£4,011.54	£3,851.32
25	£4,313.78	£4,099.51

The example above assumes an investment growth rate of 4.00% p.a. and are shown in today's terms after allowing for inflation at the rate of 2.50% p.a. The rate of actual investment growth is not guaranteed. This illustration has been produced in line with the relevant statutory guidance.

**Trustee's knowledge and understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07. Trustee training details are provided on Page 3 and relate to the Trustee as a body in dealing with the whole Scheme and are not restricted to the DC section.

Topics covered at the annual Trustee Training event included a comprehensive legal update, Environmental Social Governance (ESG) and 'at retirement' planning. In addition, education regarding the General Data Protection Regulation continued during the Scheme year. These training items were agreed upon taking into account the training needs of the Trustee Board and ad-hoc training received from advisors over the course of the year.

In addition to the training described above, throughout the Scheme year the Trustee has demonstrated a working knowledge of the trust deed and rules, the Scheme's statement of investment principles and all other key Trustee policy documents. During the Scheme year, the Trustee requested a presentation from their Investment Manager on Liability Driven Investing ahead of their discussion regarding Liability Hedging which was considered in detail at a Trustee meeting. The Trustee also discussed and reviewed a key range of Scheme policy documents at meetings during the Scheme year, including its risk register.

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In addition, the Trustee receives advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. At each Trustee meeting, the Trustee's legal advisors give an update to the Trustee on developments in the law relating to pensions and trusts, and the Trustee receives detailed DC funding and investment updates from its investment advisors.

Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the Trustee considers that it is enabled properly to exercise its functions as Trustee.

**DEFINED CONTRIBUTION SCHEME GOVERNANCE**

As Trustee we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code, which we believe will help deliver better outcomes for members at retirement.

**APPROVAL**

The Statement regarding DC governance was approved by the Directors of the Trustee (Royal & Sun Alliance Pension Trustee Limited) and signed on its behalf by:

Chair of Trustee  Date 26.6.19