Smart Pension

Chair's statement for the year ended 30 June 2019

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Introduction

This Chair's statement concerns the Smart Pension Master Trust (the Scheme). I am required to make this statement to explain the steps taken by the Trustees, with help from our professional advisers, to meet governance standards which have been in place since April 2015. This statement relates to the accounting period from 1 July 2018 to 30 June 2019 ("the Scheme Year") and includes more recent information where available. Following the end of the Scheme Year, the name of the Scheme was formally changed from the Autoenrolment.co.uk Master Trust to the Smart Pension Master Trust.

The trustee of the scheme is EC2 Master Limited ("the Trustees") and the Chair of Trustees is Capital Cranfield Pension Trustees Limited ("CCPTL"). I was appointed to represent CCPTL with effect from September 2017. The Scheme is a master trust, sponsored by Smart Pension Limited ("Smart").

The Trustees are legally required to act in your interests and are committed to ensuring that the Scheme meets high standards. In the reporting period, there have been some significant and exciting developments to ensure that we maintain and build on these high standards and I welcome this opportunity to explain what we have been doing.

The Trustees meet formally four times a year with quarterly sub committee meetings that cover:

- Operations - the administration of the Scheme, including the collection, recording and investing of contributions, accounting and the payment of benefits;
- Investment - providing you with secure, appropriate and effective investments for your savings;
- Communications - ensures that our communications are clear, compliant and engaging, and;
- Risk and Governance - makes sure that the Scheme is properly run, compliant with legislation and that no unnecessary risks are taken with your savings.

We believe that this structure enables the Trustees to distribute their workload more effectively and to maintain the efficient running of the Scheme as it expands.

Additional Trustee meetings, either in person or by conference call, are organised as the need arises. During the Scheme Year, the Trustee board and the Risk & Governance sub committee each held 5 meetings and the remaining sub-committees each held 4 meetings.

The most significant event for the Scheme during the Scheme Year has been the master trust authorisation process. All master trusts were required to apply to the Pensions Regulator by 31 March 2019 for authorisation if they wanted to continue to operate. The Pensions Regulator has rightly carried out a rigorous assessment of master trusts. This has included:

- assessment that the directors of the Trustee and the senior management at Smart are fit and proper persons to run a master trust;
- assessment of a detailed business plan for the Scheme;
- ensuring the Scheme has adequate financial reserves;
- developing an appropriate continuity strategy. This is a high level strategy which will be adopted if there is a "triggering event" which may indicate that the Scheme cannot continue to operate;
- ensuring that our Scheme systems and processes are robust so that the Scheme is run effectively.

Our application was submitted to the Pensions Regulator on 15 March 2019. Following our application, we received a number of questions from the Pensions Regulator. All master trusts had an interview and our Trustee board and Smart management met with the Pensions Regulator on 19 June 2019. I am very pleased to report that our application for authorisation has been successful and was confirmed by The Pensions Regulator on 29 August 2019.

1. Investment arrangements

Default investment arrangement

The default investment arrangement is provided for those members who do not choose an investment option (although members can also choose to invest in it). At the end of 2019 approximately 98.2% of Scheme members had their contributions invested in the default investment arrangement, which was consistent with the number at the end of the Scheme Year at 30 June 2019.

The Scheme has two default investment arrangements:

- the Smart default investment arrangement. There are two different charging structures for this default arrangement: Series 1 and Series 3 described in more detail below; and
- the GenLife default investment arrangement, provided for those members who transitioned from the GenLife Master Trust.

Setting an appropriate investment strategy

The Trustees set the investment strategy for the Scheme's default arrangements. The Trustees know that members have different attitudes to risk and different aims for their retirement saving. When choosing the investment strategy, we have therefore taken into account (amongst other things):

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks
- Expected return on investments
- Realisation of investments and liquidity
- Environmental, Social and Governance (or ESG) risks such as the effect of climate change on the investments

Members, typically, will be auto-enrolled into the scheme by their employer and make minimum contributions. The expectation is that the majority of members will partially access their retirement savings by taking a cash lump sum and then use the balance for a mixture of income and protection in retirement.

The scheme membership has expanded rapidly and minimum contribution levels increased again in April 2019 to a minimum total of 8% (usually 3% employer and 5% employee contribution rate).

The Smart default investment strategy effective during the Scheme Year is summarised below.

The strategy changes the types of assets in a member's account as the member gets closer to accessing their retirement savings (this is called a lifestage arrangement). We acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, we believe that the lifestage arrangement below represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

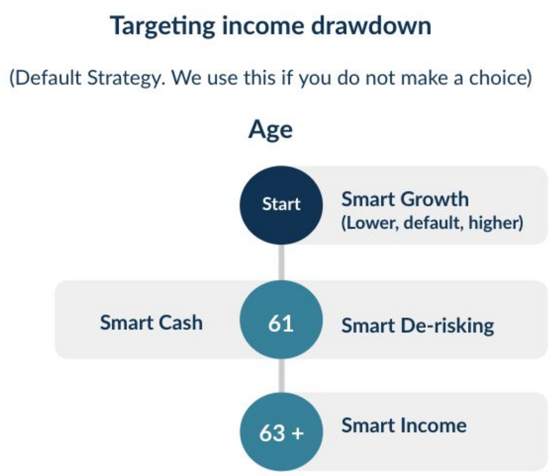
- The demographic profile of the Scheme's membership;
- Likely benefit choices at retirement;
- Investment risks;
- Expected return on investments;
- Realisation of investments;
- Environmental, Social and Governance (or ESG) risks such as the effect of climate change on the investments

In light of this, the default investment strategy seeks to obtain a long-term, inflation-protected return. It does this by investing predominantly in passively managed equities whilst the member is considered in the growth phase of their saving journey. When the member reaches age 61, the default investment strategy progressively switches into lower-risk, income-producing assets such as bonds and other fixed income products, and into cash. This is known as the de-risking phase.

Growth phase

Fund name	Asset class	Smart growth moderate (default)
LGIM UK FTSE 100 Equity Index Fund	Equity	50%
LGIM World (ex UK) Developed Equity Index Fund	Equity	25%
LGIM All Stocks Index Linked Gilt Fund	Fixed income	15%
LGIM North America Equity Index Fund	Equity	10%
Total		100%

De-risking phase



This diagram outlines the investment approach taken during the de-risking phase. Details of the underlying funds can be seen in the attached Statement of Investment Principles.

GenLife Master Trust section

In order to provide consistency of investment options for members who transitioned from the GenLife Master Trust (GLMT), this section offers a default investment fund (the LGIM Diversified Fund) that seeks a long-term, inflation-protected return through investment in a wide range of assets (where the allocation between assets is reviewed on an annual basis) within a multi-asset fund.

The objectives described above under “Setting an appropriate investment strategy” also apply to the GLMT section of the Trust. However, taking into account the differences in member demographics, the Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so the single investment option in this section seeks to balance that trade off.

As part of the investment switch to the new fund platform with Legal & General in 2018, the Trustees considered whether changes should be made to the GLMT default investment strategy. This review was completed on 21 February 2018. It was concluded that the LGIM Diversified Fund should be retained, subject to future review, but that ex-GLMT members would have the option of switching to the Scheme’s broader range of funds, whilst retaining their existing charging structure. The Trustees believe that the chosen fund represents a suitable investment option for members’ contributions (and those made on their behalf by their employer) to be invested, taking into account the charges on the GLMT Default Fund. During this Scheme Year we did not review the GLMT default investment strategy. Its continued suitability was considered by the Trustees after the end of the Scheme year at the meeting on 12 December 2019. The outcome of this will be reported on in the next Chair’s Statement.

Reviews of the default arrangements

The investment performance of the default arrangements is reviewed at every quarterly meeting by the Investment sub committee and was reviewed on 24 October 2018, 11 December 2018, 29 January 2019 and 30 April 2019. Hymans Robertson, the Trustees' investment adviser, also provides performance reporting for every quarterly main Trustee meeting. The investment performance remained consistent with the aims and objectives of the default investment strategy.

At the meeting on 13 June 2019, the Trustees reviewed the Smart default investment strategy, having received advice from Hymans Robertson. Hymans Robertson’s advice covered three key questions, i) the strategic asset allocation in the growth phase, ii) when the de-risking phase should begin and iii) the strategic asset allocation at retirement. Their recommendations were based on the key objectives of low charges, a performance target of CPI + 3.5% and integration of ESG funds where possible.

The Trustees decided to change the default investment strategy to reflect the recommendation of an 80% equities /20% alternatives strategic asset allocation in the growth phase, with the 80% equity allocation being achieved through passive market capitalisation funds. The Trustees adopted this approach to achieve the desired performance target, whilst remaining within the low cost target set by the Trustees. The 20% alternatives allocation was driven by the need to diversify returns away from global equities in order to reduce the overall portfolio volatility.

The Trustees also decided to change the default investment strategy to reflect the recommendation to start the de-risking from equities to a more diversified strategy at 8 years to retirement, noting that an auto-enrolled population typically needs to attract better returns to achieve a meaningful pot size at retirement.

These decisions are subject to agreeing the process for implementation, so the changes will take place during 2020 and a revised Statement of Investment Principles will be published on the Smart.co website at the appropriate time. The Trustees' decision whether to change the strategic asset allocation at retirement was deferred pending the planned introduction of the Smart Retire decumulation option in 2020.

Alternatives to the default arrangements

During the Scheme Year we enhanced the range of funds available for members to choose themselves by adding the Smart Future Fund in May 2019. This fund has a 15% exposure to Fixed income and an 85% exposure to Global Equities made of LGIM Future World Funds with a strong ESG bias.

If members wish to make their own investment asset allocation decisions it is possible for them to choose investment funds from the following range:

- Smart UK FTSE 100 Equity Index Fund
- Smart World (ex UK) Developed Equity Index Fund
- Smart All Stocks Index Linked Gilt Fund
- Smart North America Equity Index Fund
- Smart Cash Fund
- Smart Overseas Bond Index Fund – GBP Hedged
- Smart Retirement Income Multi Asset Fund
- Smart Diversified
- Smart World Emerging Markets Equity Index Fund
- Smart Sharia Fund
- Smart Ethical Global Equity Index Fund
- Smart Future Fund

Expert advice

The Trustees are advised by Hymans Robertson LLP on investment matters, who are appropriately qualified experts. The day-to-day selection of investments is delegated to our investment managers, Legal & General Investment Management and HSBC (for the Sharia Fund). The investment managers are authorised and regulated by the Financial Conduct Authority and Prudential Regulatory Authority.

Environmental, Social and Governance considerations

Most of the funds are invested on an index tracking basis and therefore do not specifically have exclusionary rules applying environmental, social and governance principles. However, all funds are managed in line with the UK Stewardship Code which includes the exercise of voting rights by the investment manager, attaching to the investments of the funds they manage. Members may self-select to invest in one of our Environmental, Social and Governance (ESG) funds:

- The Smart Ethical Fund invests along ethical lines and has some specific exclusions.
- The Smart Future Fund tilts its holdings towards companies with good ESG scores and away from those with poor ESG scores.

Monitoring performance

The Trustees monitor the performance of the investment funds (including those in the default investment arrangements) against agreed benchmarks, and consider whether the performance is consistent with the Trustees' investment strategy. Investment performance is considered at both Investment Sub-Committee meetings and in the main Trustee meetings. If there were any concerns in relation to deviation from the benchmark, meetings would be held between the Trustees and the investment manager to understand why performance wasn't as expected and to consider any changes that might need to be made. During the Scheme Year this has not been necessary.

Our Investment advisers report to us in respect of any concerns they have in regard to either our investment strategy or the underlying fund managers. These reviews are proactive and would include concerns not immediately obvious by way of performance, for instance change in staffing, structure or culture at the respective managers. The regular reviews also include consideration of potential future additions or changes to our strategies, such as the changes outlined above which will be implemented in 2020.

Further information in relation to the investment strategy and investment objectives

Further details in relation to the investment strategy and investment objectives of the default arrangement are recorded in a document called the Statement of Investment Principles. The Trustees adopted a new Statement of Investment Principles after the end of the Scheme Year in September 2019. This document is included as an appendix to this Statement.

Security of members' investments

The security of members' investments is of paramount importance to the Trustees. The Scheme invests either directly or via an investment platform in funds where the manager is authorised and regulated in the UK. Where investments are held directly with the manager they are subject to protection by custodian or depositary arrangements and ultimately covered by the Financial Services Compensation Scheme (FSCS). The Legal & General investment platform is also covered by the FSCS. Underlying Legal & General funds on the platform will also be covered. However, funds of third party managers, currently only the Smart Shariah Fund, managed by HSBC, will not be. We do not consider this to be a significant risk given the manager and nature of the fund and custodian arrangements, but we keep this under review.

2. Charges and transaction costs paid by members

We need to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) which are paid by members rather than the employers. We have taken account of statutory guidance when preparing this section.

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

The level of charges applicable to the Scheme's default arrangements during the last scheme year were:

- 0.75% of assets under management - this is applicable to the majority of members using the default arrangements. This is referred to as Series 1 in the illustrations below.
- As noted above, the default arrangements for former GenLife Master Trust members are different. The charging structure for these members is also different because we wanted to maintain continuity as far as possible for these members when they transferred to the Scheme in 2016. The charges are:
    - Plan 1 - A flat member charge of £1.50 per month plus an annual investment charge of 0.30%.
    - Plan 2 - A flat member charge of £0.50 per month plus an annual investment charge of 0.30%.
    - Plan 3 - An annual member charge of 0.30% with no monthly flat member charge.

This is referred to as Series 2 in the illustrations below.

- During the Scheme Year, we introduced an alternative charging structure. This structure applies a flat per member fee of up to £1.25 per month plus an annual investment charge of 0.25%. This is referred to as Series 3 in the illustrations below. If a member's account has fallen below £500 at the end of a scheme year, the monthly flat rate member fee for that scheme year will be rebated to the member's account. The default investments are the same as for Series 1.

The amount charged to members, described above, is compliant with the charge cap for default funds set by the Government.

The level of charges applicable to the funds offered under the Scheme which are not part of the Scheme's standard default arrangements during the Scheme Year were:

For Series 1 and Series 2

- 0.75% assets under management.
- An additional 0.41% for those using the HSBC Shariah Fund given the greater cost of running this fund

For Series 3

- 0.25% assets under management and a flat per member fee of up to £1.25 per month. If a member's account has fallen below £500 at the end of a scheme year, the monthly flat rate member fee for that scheme year will be rebated to the member's account.
- An additional 0.41% for those using the HSBC Shariah Fund given the greater cost of running this fund.

Illustrations of the effects of charges

The following tables show the potential impact over time of the costs and charges borne by Smart members on projected values at retirement in today's money for typical members over a range of ages. All the illustrations share the following limitations:

- The illustrated values are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used in the illustrations may differ in the future to reflect changes in regulatory requirements or investment conditions;
- The illustrated values may be affected by future changes to the Scheme's investment options;
- The growth assumption depends on how far members in the lifestage profiles are from retirement as the funds used change over time;

- The illustrated values are not a guarantee and may not prove to be a good indication of how an individual member's savings might grow.

The assumptions used for all the illustrations are shown in table 18.

Table 1: Illustrations for a member currently 35 years from retirement invested in the Series 1 Smart Pension Default Fund

For a young member in the Series 1 Smart Pension Default Fund paying 5% employee contributions and receiving 3% employer contributions

Years to retirement	Before costs and charges £	After costs and charges are taken £
35	£ 1,370	£1,370
30	£11,064	£ 10,838
25	£21,519	£20,693
20	£32,788	£30,946
15	£44,923	£41,609
10	£57,983	£52,697
5	£72,029	£64,221
3	£76,415	£67,599
1	£80,132	£70,344
0	£82,415	£72,075

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum. This is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, being 5% employee contributions and 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays

- Inflation is assumed 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed that the member's pot is invested in the Series 1 Smart Pension Default Fund throughout the projection period. The projected gross growth rates for the Series 1 Smart Pension Default Fund are shown in the table 17 below. (These are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 2: Illustrations for a member currently 15 years from retirement invested in the Series 1 Smart Pension Default Fund

For an older member in the S1 Smart Pension Default Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to retirement	Before costs and charges £	After costs and charges are taken £
15	£1,809	£1,809
10	£11,832	£11,584
5	£22,642	£21,758
3	£26,679	£25,444
1	£30,517	£28,888
0	£32,598	£30,746

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting Pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, being 5% employee contributions and 3% employer contributions. This is reflective of the

level of contributions for a 50 year old member.

- Contributions are assumed to be paid every year with no contribution holiday
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard, normal retirement age for members of the Scheme.
- Assumed to be invested in the Series 1 Smart Pension Default Fund throughout the projection period. The projected gross growth rates for the Series 1 Smart Pension Default Fund are shown in table 17 below. (These are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

GLMT SECTION - SERIES 2

The charges for GLMT are slightly different and reflect that members invested in the GLMT default were transferred into the Scheme in 2016. At that time, we wanted to maintain continuity as far as possible for members and so kept charges at the same level as had been made previously. These are:

Plan 1 - A flat member charge of £1.50 per month plus an annual investment charge of 0.30%.

Plan 2 - A flat member charge of £0.50 per month plus an annual investment charge of 0.30%.

Plan 3 - An annual member charge of 0.30% with no monthly flat member charge.

In both cases for active members (those continuing to make regular contributions) we apply a cap to the combined charge of 1% of the member's fund. These charging arrangements are compliant with the charge cap regulations.

Illustrations of the effects of charges

The following tables show the potential impact over time of the costs and charges borne by GLMT members on projected values at retirement in today's money for typical members over a range of ages.

Table 3: Illustrations for a member currently 35 years from retirement invested in the Series 2 Smart Pension Default Fund (GLMT)

For a young member in the Series 2 Smart Pension Default Fund, paying 5% employee contributions and receiving 3% employer contributions. This illustration is for a member who was an employee of an ex-GenLife Employer who became a member of the Scheme after the date of the transfer of the GenLife Scheme to the Scheme, and so defaulted into the Smart Pension Default Fund.

Years to retirement	Before costs and charges £	After costs and charges are taken £)
35	£1,370	£1,370
30	£11,064	£10,815
25	£21,419	£20,784
20	£32,788	£31,355
15	£44,983	£42,568
10	£57,983	£53,466
5	£72,029	£67,086
3	£76,415	£74,126
1	£80,132	£74,136
0	£82,415	£76,113

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, being 5% employee contributions and 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.

- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Series 2 Smart Pension Default Fund throughout the projection period. The projected gross growth rates for the Series 2 Smart Pension Default Fund are shown in table17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 4: Illustrations for a member currently 15 years from retirement invested in the Series 2 Smart Pension Default Fund (GLMT)

For an older member in the Series 2 Smart Pension Default Fund, paying 5% employee contributions and receiving 3% employer contributions. This illustration is for an employee of an ex-GenLife Employer who became a member of the Scheme after the date of the transfer of the GenLife Scheme to the Scheme, and so defaulted into the Smart Pension Default Fund.

Years to retirement	Before costs and charges £	After costs and charges are taken £)
15	£1,809	£1,809
10	£11832	£11,582
5	£21,642	£21,902
3	£26,679	£25,700
1	£30,517	£29,281
0	£32,598	£31,220

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting Pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.

- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, being 5% employee contributions and 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.
- Contributions are assumed to be paid every year with no contribution holiday.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard, normal retirement age for members of the Scheme.
- Assumed to be invested in the Series 2 Smart Pension Default Fund throughout the projection period. The projected gross growth rates for the Series 2 Smart Pension Default Fund are shown in table 17 below. (These are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 5: Illustrations for a young member invested in the Series 2 Smart Diversified Fund (GLMT)

For a young member in the Smart Pension Diversified Fund, paying 5% employee contributions and receiving 3% employer contributions. This illustration is for a member who was in the default fund of the GenLife Scheme at the date of transfer to the Scheme and so was transferred into the Smart Diversified Fund.

Years to retirement	Before costs and charges £	After costs and charges are taken £)
35	£1,370	£1,370
30	£10,859	£10,613
25	£20,768	£20,055
20	£31,112	£29,747
15	£41,906	£39,709
10	£53,164	£49,951
5	£64,903	£60,483
3	£69,737	£64,778
1	£74,652	£69,122
0	£77,140	£71,313

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Diversified Fund throughout the projection period. The projected gross growth rates for the Smart Diversified Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 6: Illustrations for an older member invested in the Series 2 Smart Diversified Fund (GLMT)

For an older member in the Smart Diversified Fund, paying 5% employee contributions and receiving 3% employer contributions. This illustration is for a member who was in the default fund of the GenLife Scheme at the date of transfer to the Scheme and so was transferred into the Smart Diversified Fund.

Years to retirement	Before costs and charges £	After costs and charges are taken £
15	£1,809	£1,809
10	£11,607	£11,360
5	£21,839	£21,120
3	£26,056	£25,097
1	£30,347	£29,117
0	£32,519	£31,142

Assumptions

- For a member at age 50; age chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Diversified Fund throughout the projection period. The projected gross growth rates for the Smart Diversified Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 7: Illustrations for a member currently 35 years from retirement invested in the Series 3 Smart Pension Default Fund.

For a young member in the Series 3 Smart Pension Default Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to retirement	Before costs and charges £	After costs and charges are taken £
35	£1,370	£1,370
30	£11,064	10,988
25	£21,519	£21,240
20	£32,788	£32,160
15	£44,923	£43,784
10	£57,983	£56,151
5	£72,029	£69,301
3	£76,415	£73,324
1	£80,132	£76,688
0	£82,415	£78,771

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.

- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Series 3 Smart Pension Default Fund throughout the projection period. The projected gross growth rates for the Series 3 Smart Pension Default Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown rounded before ongoing management charges and transaction costs are applied).

Table 8: Illustrations for a member currently 15 years from retirement invested in the Series 3 Smart Pension Default Fund.

For an older member in the Series 3 Smart Pension Default Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to retirement	Before costs and charges £	After costs and charges are taken £
15	£1,809	£1,809
10	£11,832	£11,749
5	£22,642	£22,343
3	£26,679	£26,259
1	£30,517	£29,962
0	£32,598	£31,966

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.

- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Series 3 Smart Pension Default Fund throughout the projection period. The projected gross growth rates for the S3 Smart Pension Default Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

We have commented separately on transaction costs below.

Self-select investment funds

We have also shown the impact of costs and charges for a number of the self-select investment funds. These are the most popular self-select funds by number of member, the lowest risk fund and the highest risk fund. These are shown in the tables below.

Table 9: Illustrations for a member currently 35 years from retirement invested in the Smart Growth Fund - Higher Risk.

For a young member in the Smart Growth Fund – Higher Risk, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
35	£1,370	£1,370	£1,370	£1,370
30	£11,115	£10,889	£11,024	£11,039
25	£21,712	£20,877	£21,373	£21,429
20	£33,223	£31,352	£32,459	£32,585
15	£45,719	£42,334	£44,326	£44,555
10	£59,271	£53,841	£57,021	£57,389
5	£73,961	£65,894	£70,594	£71,142
3	£80,174	£70,873	£76,281	£76,913
1	£86,588	£75,944	£82,120	£82,844
0	£89,872	£78,514	£85,098	£85,871

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Growth Fund - Higher Risk throughout the projection period. The projected gross growth rates for the Smart Growth Fund -

Higher Risk are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown rounded before ongoing management charges and transaction costs are applied).

Table 10: Illustrations for a member currently 15 years from retirement invested in the Smart Growth Fund - Higher Risk.

For an older member in the Smart Growth Fund – Higher Risk, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
15	£1,809	£1,809	£1,809	£1,809
10	£11,888	£11,640	£11,788	£11,805
5	£22,848	£21,955	£22,486	£22,546
3	£27,492	£26,221	£26,975	£27,061
1	£32,293	£30,568	£31,590	£31,706
0	£34,753	£32,773	£33,944	£34,078

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.

- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Growth Fund - Higher Risk throughout the projection period. The projected gross growth rates for the Smart Growth Fund - Higher Risk are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 11: Illustrations for a member currently 35 years from retirement invested in the Smart Growth Fund - Lower Risk.

For a young member in the Smart Growth Fund – Lower Risk, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
35	£1,370	£1,370	£1,370	£1,370
30	£10,904	£10,682	£10,815	£10,829
25	£20,931	£20,131	£20,607	£20,661
20	£31,473	£29,718	£30,757	£30,875
15	£42,549	£39,447	£41,274	£41,483
10	£54,183	£49,320	£52,169	£52,498
5	£66,396	£59,337	£63,452	£63,931
3	£71,450	£63,386	£68,076	£68,624
1	£76,601	£67,457	£72,765	£73,387
0	£79,214	£69,502	£75,134	£75,795

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.

- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Growth Fund - Lower Risk throughout the projection period. The projected gross growth rates for the Smart Growth Fund - Lower Risk are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown rounded before ongoing management charges and transaction costs are applied).

Table 12: Illustrations for a member currently 15 years from retirement invested in the Smart Growth Fund - Lower Risk.

For an older member in the Smart Growth Fund – Lower Risk, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
15	£1,809	£1,809	£1,809	£1,809
10	£11,656	£11,412	£11,558	£11,574
5	£22,013	£21,157	£21,666	£21,724
3	£26,303	£25,095	£25,812	£25,893
1	£30,680	£29,056	£30,018	£30,127
0	£32,901	£31,046	£32,143	£32,268

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Growth Fund - Lower Risk throughout the projection period. The projected gross growth rates for the Smart Growth Fund - Lower Risk are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 13: Illustrations for a member currently 35 years from retirement invested in the Smart World Emerging Markets Equity Index Fund.

For a young member in the Smart World Emerging Markets Equity Index Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
35	£1,370	£1,370	£1,370	£1,370
30	£11,223	£10,877	£11,012	£11,027
25	£22,114	£20,832	£21,327	£21,383
20	£34,142	£31,252	£32,355	£32,480
15	£47,411	£42,154	£44,136	£44,364
10	£62,036	£53,556	£56,716	£57,082
5	£78,143	£65,477	£70,140	£70,684
3	£85,031	£70,395	£75,757	£76,384
1	£92,187	£75,400	£81,520	£82,238
0	£95,869	£77,936	£84,458	£85,224

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is

reflective of the level of contributions for a 30 year old member.

- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart World Emerging Markets Equity Index Fund throughout the projection period. The projected gross growth rates for the Smart World Emerging Markets Equity Index Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown rounded before ongoing management charges and transaction costs are applied).

Table 14: Illustrations for a member currently 15 years from retirement invested in the Smart World Emerging Markets Equity Index Fund.

For an older member in the Smart World Emerging Markets Equity Index Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
15	£1,809	£1,809	£1,809	£1,809
10	£12,006	£11,626	£11,775	£11,791
5	£23,278	£21,906	£22,436	£22,496
3	£28,110	£26,152	£26,904	£26,989
1	£33,137	£30,475	£31,493	£31,609
0	£35,726	£32,667	£33,833	£33,966

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.

- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart World Emerging Markets Equity Index Fund throughout the projection period. The projected gross growth rates for the Smart World Emerging Markets Equity Index Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 15: Illustrations for a member currently 35 years from retirement invested in the Smart Cash Fund.

For a young member in the Smart Cash Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
35	£1,370	£1,370	£1,370	£1,370
30	£10,194	£9,985	£10,109	£10,123
25	£18,441	£17,746	£18,158	£18,204
20	£26,161	£24,752	£25,582	£25,677
15	£33,396	£31,093	£32,444	£32,598

10	£40,189	£36,845	£38,796	£39,022
5	£46,576	£42,077	£44,691	£44,995
3	£49,025	£44,039	£46,930	£47,267
1	£51,417	£45,931	£49,107	£49,478
0	£52,592	£46,852	£50,172	£50,560

Assumptions

- For a member at age 30; this age was chosen for the younger members in the Scheme.
- A starting pension savings account value of £1,370; this being the average savings account value within the Scheme for a member aged 30. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £23,431 per annum; this is the average salary for a 30 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 30 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Cash Fund throughout the projection period. The projected gross growth rates for the Smart Cash Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown rounded before ongoing management charges and transaction costs are applied).

Table 16: Illustrations for a member currently 15 years from retirement invested in the Smart Cash Fund.

For an older member in the Smart Cash Fund, paying 5% employee contributions and receiving 3% employer contributions.

Years to Retirement	Before Charges	After all charges are taken		
		S1	S2	S3
15	£1,809	£1,809	£1,809	£1,809
10	£10,878	£10,648	£10,785	£10,800
5	£19,354	£18,612	£19,052	£19,101
3	£22,590	£21,576	£22,175	£22,243
1	£25,743	£24,422	£25,201	£25,289
0	£27,289	£25,803	£26,678	£26,778

Assumptions

- For a member at age 50; this age was chosen for the older members in the Scheme.
- A starting pension savings account value of £1,809; this being the average savings account value within the Scheme for a member aged 50. This shows the savings account value at the start of the year before charges are deducted.
- Starting pensionable earnings assumed to be £24,165 per annum; this is the average salary for a 50 year old member within the Scheme.
- The total ongoing contribution rate is assumed to be 8% of pensionable earnings, paying 5% employee contributions and receiving 3% employer contributions. This is reflective of the level of contributions for a 50 year old member.
- Contributions are assumed to be paid every year with no contribution holidays.
- Inflation is assumed to be 2.5% per annum. Values are shown in real terms, and do not need to be further adjusted for inflation.
- Real salary growth is assumed to be 0.3% per annum.
- The projected values are shown up to age 65, the standard normal retirement age for members of the Scheme.
- Assumed to be invested in the Smart Cash Fund throughout the projection period. The projected gross growth rates for the Smart Cash Fund are shown in table 17 below (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied).

Table 17: Growth Assumptions

We have used the following projected growth assumptions in preparing the illustrations (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations and are shown before ongoing management charges and transaction costs are applied):

Fund	Gross return % pa	Total Expense Ratio % pa			Transaction cost % pa	Fixed Administration Charge £ pa		
		Series 1	Series 2	Series 3				
Smart Pension Default Fund	3.78% for members with more than 4 years to retirement. 1.73% for members with between 4 and 2 years to retirement. 2.80% for members with less than 2 years to retirement.	0.75	0.30	0.25	0.0000 - 0.0032	0	18	0
Smart Diversified Fund	3.1% for members throughout.	0.3			0.0000	18		
Smart Growth Fund – Higher Risk	3.95% for members throughout.	0.75	0.30	0.25	0.0000	0		
Smart Growth Fund – Lower Risk	3.25% for members throughout.	0.75	0.30	0.25	0.0000	0		
Smart World Emerging Markets	4.30% for members throughout.	1.12	0.67	0.62	0.0218	0		

Equity Index Fund						
Smart Cash Fund	0.80% for members throughout.	0.75	0.30	0.25	0.0032	0

Where transaction costs are negative we have assumed that they are equal to zero for prudence.

Table 18: Assumptions Summary

The following assumptions were used in providing these illustrations

Assumption	30 year old member (Tables 1, 3, 5,7, 9, 11, 15 and 15)	50 year old member (Tables 2, 4, 6, 8, 10, 12, 14 and 16)
Current salary	£23,431 This is the average salary for a 30 year old member within the Scheme	£24,165 This is the average salary for a 50 year old member within the Scheme
Current savings	£1,370 This is the average savings account value within the Scheme for a member aged 30	£1,809 This is the average savings account value within the Scheme for a member aged 50
Contribution rate	8% Made up of 5% employee contributions and 3% employer contributions. This is reflective of the level of contributions for a 30 year old member. Contributions are assumed to be paid every year until age 65 with no contribution holidays.	8% Made up of 5% employee contributions and 3% employer contributions. This is reflective of the level of contributions for a 50 year old member. Contributions are assumed to be paid every year until age 65 with no contribution holidays.
Investment returns (Gross return %pa)	See Table 17	

Inflation	2.5% per annum Values are shown in real terms, and do not need to be further adjusted for inflation	
Real salary growth	0.3% per annum	
Starting age	30	50
Retirement age	65 The standard normal retirement age for members of the Scheme	65 The standard normal retirement age for members of the Scheme

Transaction costs

The Trustees have been in regular dialogue with the investment manager regarding the costs, if any, that might have been deducted from the funds by the investment manager. For example, transaction costs might be incurred when shares are bought or sold within the fund (e.g. UK Stamp Duty on shares or brokerage fees).

We have been provided with the charges set out below by Legal & General Investment Management. These charges have been taken into account in the calculations shown in the tables above.

Some of these transaction costs are shown as a negative. The FCA requires that implicit transaction costs are calculated using the ‘slippage method’. The slippage method calculates transaction costs by looking at the difference in the asset value before and after a transaction. There can be a difference in the time when the transaction is executed and when it enters the market. As such, if an investor is selling in a rising market, or buying in a falling market, the calculation will create a gain that may outweigh the other explicit transaction costs, resulting in a negative cost. Where transaction costs are negative within our calculations we have assumed those costs to be zero as a measure of prudence.

Fund name	Transaction costs	Management costs	Total ongoing costs
North America Equity Index Fund	-0.0163%	0.0000%	0.0032%
UK FTSE 100 Index Fund	0.0143%	0.0000%	0.0032%
All Stocks Index-Linked Gilts Index Fund	-0.0033%	0.0000%	0.0004%
World (ex UK) Developed Equity Index Fund	-0.0113%	0.0000%	0.0057%
Diversified Fund	-0.0869%	0.0000%	0.0305%
Smart Growth Moderate	-0.0083%	0.0000%	0.0063%

The figures in the tables above allow the Trustees to assess how efficiently the funds are managed by the fund manager. In overseeing Scheme investments, the Trustees also take into consideration charges brought about by the pricing mechanism for buying and selling units in the funds. This is "single swing pricing", which we have described below.

To give an example of how single swing pricing works, we can consider what happens when a member wishes to switch from one of the funds invested by Legal & General to another Legal & General fund. Both the 'sell' and 'buy' parts of the transaction will be processed on the next available trade date, but during this time the value of the investments can change and could go down. If, for example, you request a switch and the fund you are selling falls in value before the switch is made, there will be less money to switch to the new fund.

Additionally, transaction costs may be incurred when you switch between funds. These are the costs associated with buying and selling funds, such as fees to market traders. The chart above shows potential transaction costs for selling or buying a specific fund. Keep in mind that these vary over time and with market conditions, so actual costs to you may be higher or lower. The more switches you make, the more transaction costs you may incur. These charges are deducted automatically from your pension savings in the Scheme.

We are happy to report that significant headway was made during the Scheme Year in relation to ensuring transparency in respect of transaction costs and the investment team worked closely with the asset managers to find a solution. Clearglass, a third party provider, was used by Smart Pension to analyse all of our funds and portfolios for compliance with the costs transparency rules. We have now obtained all transaction costs.

3. Good value for members

When assessing the charges and transaction costs which are payable by members, the Trustees need to think about whether the investments, options and the benefits offered by the Scheme represent good value 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 received advice on how to assess good value from our advisers and considered regulatory guidance.

As well as reporting on historic value criteria at the end of the Scheme Year, we have chosen to run again the balanced scorecard assessment after the Scheme Year end in the form of "spider graph" charts. This reflects data available at 24 October 2019 (although it also incorporates any concerns from the beginning of the Scheme Year covered by this statement, i.e. from 1 July 2018). Our comments in step 4 below, "Evaluate and act", unless otherwise noted, apply to the review conducted as at 30 June 2019 (at the end of the Scheme Year).

We used the following process, which builds upon the process used for last year's value for money assessment:

Step 1: We collected information about the total benefits of Scheme membership and the total charges and transaction costs borne by members.

We considered that the benefits of membership included (amongst other things):

- Scheme funder covenant: the financial sustainability of the Scheme Funder (Smart Pension Limited) together with its commitment to the market;
- Governance: Good governance drives good outcomes
- Plan design: that is the structure and flexibility for members to vary contributions and contribution tax relief;
- Investment arrangements; investment performance, the design of the default arrangement and how this reflects the interests of members, and the range of investment options;
- Administration: the efficiency of administration processes and the extent to which administrators meet their service level standards for the scheme year;
- Communication: the quality of communications delivered to members;
- At and past retirement services; the introduction of Scheme's new retirement service is now expected during 2020;

- Projects: this covers specific developments designed to improve the benefits for members. We considered relief at source (which the Scheme does not currently offer) as a specific project within this heading;
- Charges: costs to members that support a sustainable offering whilst providing a high level of service;

Step 2: Determine criteria for assessing value

We considered that the investment performance delivered to members in the context of the investment objectives was important but stable and well controlled. Against this we looked at what we considered that members would value most highly, considering the profile of the membership, savings account size, membership status and level of engagement.

In addition, generic research (such as that instigated by Sackers on behalf of insurers' Investment Governance Committees) has been used to identify key areas of concern. We are currently actively engaging with members on their views of what constitutes good value (for instance via Member webinars) and welcome any comments members wish to make in respect of this analysis. For areas such as administration, we reviewed how well service standards have been met. For communication we reviewed timeliness and accuracy alongside more subjective criteria such as the "readability" of our communications and applied external metrics such as the Flesch-Kincaid reading age to form an objective view.

We also re-considered the Value for Money benchmarks and scoring that were used for the Scheme Year end 2018. We concluded that increased importance should be placed on:

- Governance - The Trustees believe that good governance drives good outcomes. (As noted above, the Trustees have increased the number of sub-committees and meetings to improve the governance of the Scheme.)
- Plan design - Like many other occupational pension schemes, the Smart Pension platform does not as yet facilitate "relief at source" tax relief. Whilst the onus is on the employer to choose a pension scheme for its employees that is the most appropriate, the Trustee is aware of the potential tax implications for low earners who are auto enrolled under such an arrangement, and is supportive of the work being carried out by the sponsor to press the Government to address this anomaly. Longer term, if this issue isn't addressed through current activity, then the Trustee will continue to press the case with the scheme sponsor to make this option available for members.

The Trustees also decided to reduce the scoring importance of investment arrangements as they were considered to be stable and well controlled.

Step 3: Compare the criteria with other schemes

We sought information in relation to other similar schemes, such as charging structures, investment performance and service provision. In this area we considered both short term and long-term costs borne by members so as to properly reflect the differing market charge structures.

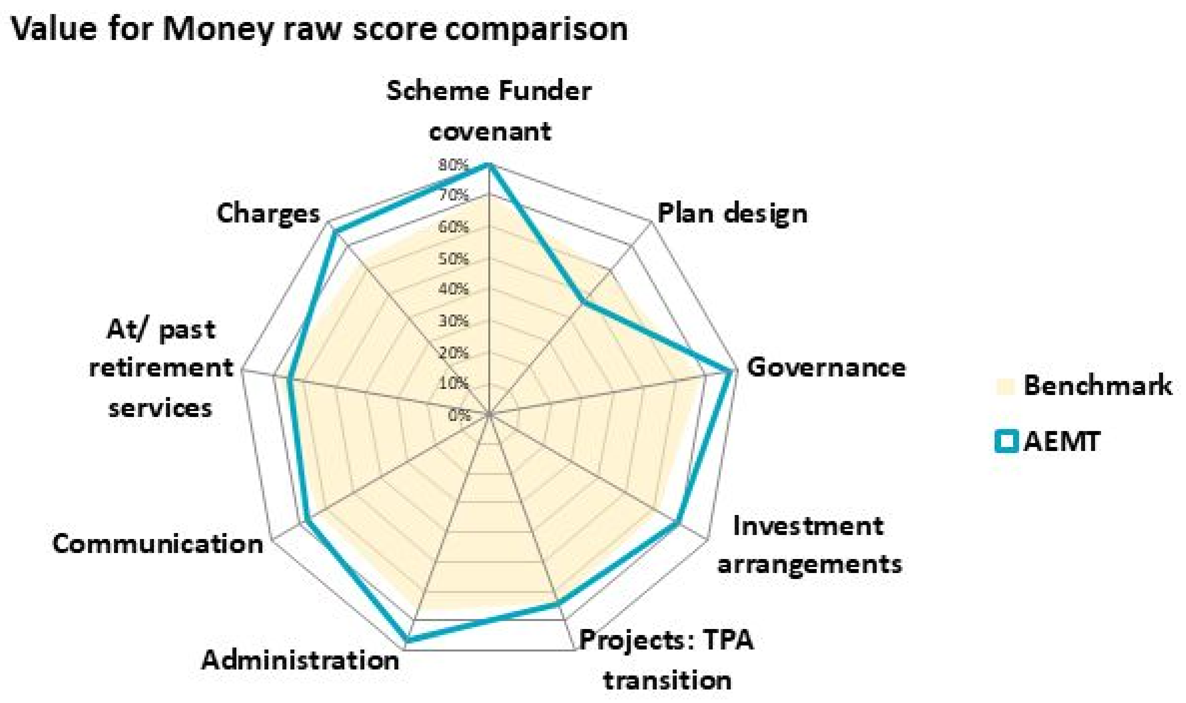
Our analysis considered both "raw" scores and those weighted against our current priorities (as informed by our member research). So, for instance, although the Scheme does not currently offer retirement options such as flexible drawdown, we have applied a low weighting to this area as very few of our members are likely to require such flexible options in the short to medium terms.

As illustrated above, our weightings, and therefore priorities for review, will change over time as the demographic of the scheme and needs of scheme members evolve.

Equally, we note that some areas such as financial sustainability and plan design are probably more important to employers than members (although still fundamental to the latter), therefore these areas have lower weightings as our aim in this section is to assess value for members.

The descriptions in step 4, "Evaluate and act", reflect the position for the Scheme year ending 30 June 2019. However, in order to help demonstrate changes between years of review, we will in future include charts as below, which were produced taking into account more recent data.

These charts show the results for both the "raw" scores and the "weighted" scores. We compare the shaded area in each chart (representing the "benchmark scores") and the blue line within the chart area (representing the Scheme's scores). By doing this, we can assess the Scheme's performance in each of the membership benefits.



As you can see, the two measures are very similar in shape, indicating that the Scheme features are in line with our intentions. However, the shaded area for Plan Design extends outside the blue line, indicating that there are steps that need to be taken in order to meet this benchmark. Some of these steps are explained in the Plan Design section below.

Step 4: Evaluate and act

Finally, we evaluated the total benefits of membership and the total costs to members against what members valued most and compared to what was available from other schemes.

We took particular note of the following –

Investment

- We have assessed members' investment returns and overall fund performance to ensure that the costs borne by the members are reasonable for each fund we offer under the Scheme taking into account the outcomes expected from investment.
- The use of passive (index-tracking) funds reduces risk for members.
- Investment arrangements are considered to be stable and well controlled
- The development of our Environmental, Social and Governance (ESG) policies and taking into account feedback from member webinars held earlier in the year.

Administration

- As explained in last year's Chair Statement administration of the Scheme was brought in-house and processes continue to be developed in line with the growing membership and ever evolving customer needs. The highly automated internal operational administration model handled the rapidly growing number of employers and members with no significant issues.
- Our approach to identifying and supporting vulnerable customers has been reinforced with greater team training via engagement of charities and includes mental health first aid.
- Google reviews continue to provide a very transparent view of the customer experience and increased slightly to 4.6 stars, not to be disregarded in the pensions market.
- GDPR being far more prominent and important to the integrity of Scheme data

Plan design

- During the reporting period the Scheme offered member contribution tax relief via a "net pay arrangement". As noted above, the Trustee is aware of the issue this causes some low earners and is supportive of the work of the sponsor to lobby the Government to change its approach. This is an area that is now subject to review by the

Government. The Trustees will continue to monitor the position and discuss with Smart how to deal with the implications of this review.

- Smart has introduced an innovative range of retail discounts for members.
- Smart now offers members the ability to choose their own retirement age and this has a genuine benefit on member choices.

Scheme governance

- The governance structure has improved with the introduction of four sub-committees. There are now regular quarterly sub-committee meetings and all meetings are now more dynamically organised.
- The Scheme's risk register has been overhauled and improved during the Scheme Year.
- The Trustees were closely involved in the master trust authorisation process.
- The Scheme has the advantage of independent (non-affiliated) Trustee directors, a professional scheme secretary and good professional advisers. As at 30 June 2019 there were four Trustee directors all of whom are non-affiliated. A fifth Trustee director was appointed on 25 September 2019 fulfilling our aim of having a board of five non-affiliated Trustee directors.
- We carried out an exercise to evaluate the effectiveness of the Trustee board in October 2019 (explained further below).
- The Scheme was authorised as a Master Trust by the Pensions Regulator on 29 August 2019, following a thorough application process, which has given further reassurance as to the high standards of scheme governance. At the time of writing the Scheme is undergoing an audit in accordance with the Master Trust Assurance Framework (which was last carried out as at 31 March 2018).

Communications and member support

- Scheme communications are well-written in plain English with a target reading age for most material of 13.
- The introduction of a dedicated Communications Subcommittee and the recruitment of a Communications Manager has improved communications. We have improved usage data for Webchat, Telephone helpdesk and Alexa and both member feedback and Google scores are positive.
- Member handbooks have been updated and improved, written in a style to enable better understanding and engagement for members.
- Members have access to a dedicated member website - www.smart.co.uk/member
- Three member webinars were held before the scheme year end, with very positive feedback and great attendance. More are planned going forward.
- A governance process review and health check undertaken during the Scheme Year found that early leaver statements were not issued for a defined number of members in

the period leading up to January 2019. This resulted in an exercise to issue outstanding statements and communications to all affected members. This exercise was completed on 4 June 2019 with no member loss. There was no financial detriment and no complaints as a result. The process that identifies member accounts that have been updated (via the employer self-service) to a leaver status has been automated removing the risk of human error.

Charges

- The Series 3 charging structure was introduced during the Scheme Year.

Conclusions

Based on our assessment, we have concluded that the Scheme continues to provide good value for members. Nonetheless there are always areas for improvement, particularly as members' needs change over time and we constantly strive to do this. In particular, areas to focus on are i. addressing the issue of low earners in auto enrolment schemes using a net pay arrangement losing out on tax relief (either by achieving positive change through the Government's review or through the introduction of a relief at source option that the employer can choose to use) and ii. the timeliness regarding early leaver letters.

After the end of the Scheme Year, we submitted data to AgeWage for an assessment of the Scheme. We support this initiative and will be reporting on this further next year.

4. Core financial transactions

The Trustees are required to report to you about the processes and controls in place in relation to the "core financial transactions". The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or in respect of members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme administrators. Our Scheme administration during the Scheme Year remained Smart Pensions Administration Limited, a wholly owned subsidiary of Smart Pension Limited.

We have an administration agreement, which incorporates a service level agreement, with Smart Pension Administration Limited, which covers the accuracy and timeliness of all core financial transactions. This service level agreement provides that core financial transactions are processed, broadly, within the following time limits:

- investing contributions paid into the Scheme is completed within 5 days of receipt of the contribution;

- transferring assets related to members into or out of the Scheme within 10 days of receiving the necessary documentation;
- transferring assets between different investments within the Scheme two days of a member request; and
- making payments from the Scheme to or in respect on behalf of members within 5 days of receipt of all necessary documents.

However, in reality the processes that Smart and Smart Pension Administration Limited have created to deal with core financial transactions are highly automated and allow for fast, automatic and secure processing of these core financial transactions. For example, contributions paid into the Scheme are invested on a straight through processing basis without any manual intervention and this process is triggered automatically by the receipt of contributions to the Scheme. Transferring members' assets between different investments is also an automated process triggered by the member selecting their desired fund portfolio through their online member portal. Their assets are switched to the new funds within 2 days of request being submitted.

The Scheme administrator has created standard operating procedures for all key administration tasks which allow the Scheme administrator to monitor core financial transactions and to ensure that all time limits under the service level agreement are met. The Scheme administrator has a dedicated member of their operations team who is responsible for monitoring the bank account and ensuring all transfers received to the scheme are reconciled and applied to members' account within the time limits set out in the service level agreement.

The Scheme administrator provides quarterly reports to the Trustees through the Operations sub committee which allows us to assess how quickly and effectively the core scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

During the Scheme Year, the service level agreement was reviewed and changes to the service levels, favourable to the Trustees, are due to be implemented in the scheme year 2019-2020.

In the reporting period we considered the Scheme administrator reports at our regular Trustee meetings under two broad headings:

Enrollment, member transactions and member communication.

This heading covers our dealings with, and in respect of, members, including joining and leaving the Scheme, the collection and investment of contributions and the payment of benefits. It also includes the communication we have with members. There have been only two areas where delays occurred. Otherwise, core financial transactions have been processed promptly and accurately. The first was the delay in issuing early leaver letters referred to above and the second related to certain delays in investing members' transfer values paid to the Scheme in the period from April 2018 to February 2019. No members suffered a loss as Smart Pension rectified any losses for affected member funds to reflect the value that would have existed had the investment been made promptly. All affected members were contacted and this exercise was completed in June 2019.

Accounting matters together with investments, switching and rebalancing of funds

This heading covers those processes that allow us to invest members' contributions accurately, carry out the appropriate investment switching, whether by instruction from the member or as a result of a lifestage strategy and track the values of their savings.

There have been no material failings under this heading during this scheme year. There was an error affecting automated fund switches between September and November 2018 which affected a very small percentage of members. All affected cases were rectified during Q1 2019. Measures, including additional checking controls, have been put in place to prevent this occurring in future. Other than this isolated incident, all core financial transactions have been processed promptly and accurately.

Conclusion

We are confident that the processes and controls in place with the administrators are sufficiently robust so as to ensure that core financial transactions, ie the financial transactions which are important to members, are dealt with promptly and accurately.

In addition, noting that we need accurate member data to process contributions and payments correctly, we take steps to review and correct problems with the member data which is held by the Scheme administrators. The latest reported Common Data score for the Scheme is 91.92% as at 16 July 2019. At the time of writing, we are currently assessing tracing companies to help make further improvements to this score.

5. Trustee knowledge and understanding

The law requires the Trustee board to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. This includes that the Trustee directors must have knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the investment of the assets of the Scheme. It also requires the Trustee directors to have a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles, and other Scheme policy documents relating to the administration of the Scheme. As part of our new Trustee induction process, the two new Trustee directors appointed during the scheme year familiarised themselves with these documents before starting their appointment. These documents are continuously referenced during meetings and any amendments considered as specific agenda items. All of the Trustee directors have access to PensionPal, which is an online repository of key documentation for the Scheme.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee board. Our training record is updated at each Trustees meeting and requirements are reviewed at least annually (and prior to any significant decision, appointment or loss of any Trustee director). These reviews, and the external assessments of Trustee effectiveness referred to below, allow us to identify any gaps in the knowledge and understanding across the board as a whole. This allows us to work with our professional advisers to fill in any gaps.

During the scheme year, each of the Trustees attended training, examples of which were:

- Regular legal briefing updates at each Trustee meeting, provided by Hogan Lovells (lawyers to the Trustees)
- 14 March 2019 – ESG training session delivered by Alice Chapple of Impact Value
- 13 June 2019 – 'At retirement' issues and on-boarding process training session delivered by Keith Davidson and Annette Edwards of Smart Pension.

All of the Trustees have completed the Trustee Toolkit made available by the Pensions Regulator. All of the Trustee directors maintain their own CPD records which records additional training to that provided in relation to the Scheme.

In addition to the ongoing training, new Trustee directors undergo an induction process which includes familiarisation sessions covering the Scheme documentation, processes, risk register, and recent Trustee meeting minutes. The process also includes introductions to the Scheme Funder and the various operations and technical teams.

During the Scheme Year, we have undertaken a comprehensive review of the Scheme's operations, and the Trustees' duties and obligations as part of the process to prepare our application for approval as a master trust. This has involved the Trustees conducting a detailed review of all the Scheme's systems and processes.

Pegasus, a specialist professional support services division of Law Debenture, carried out an external exercise to evaluate the effectiveness of the Trustee board in May 2018. We carried out another external assessment of the Trustee effectiveness in October 2019, once the last Trustee board appointment was made. It was carried out by Pegasus Pensions, an independent third party and a Law Debenture company. All five trustees completed an independent assessment provided by Pegasus Pensions, including a peer review of the Chair of Trustees. Pegasus Pensions prepared a short evaluation on these results. The peer review of the Chair of Trustees was, as for the last review in May 2018, very favourable, and a slightly higher score than last time. Questions were presented around such areas as training, meetings and accountability. All scores were either slightly higher or around the same as the May 2018 survey. The assessment was reviewed at the October 2019 Risk and Governance sub-committee meeting, and it was agreed that a deeper survey would be beneficial towards the end of 2020 as there would be added value input from the latest Trustee appointment, Anna Darnley, once she had more experience within the Scheme.

Further background in relation to each of the Trustee directors is set out at the end of this statement, including their particular areas of expertise. As you can see from the background information about the Trustee directors, the Trustee board comprises individuals with different areas of expertise, such as legal and governance, investment, communications, and wide experience of pension schemes and Defined Contribution benefits. As discussed below, the selection of the Trustee directors appointed during and after the Scheme Year has been to ensure a wide spread of experience through the Trustee board. This wide ranging experience, together with the ongoing training and development that is undertaken, and the use of appointed third party advisers on matters such as investment and legal matters, enables the Trustees to exercise properly our functions as the trustees of the Scheme.

Nonetheless there is always room for improvement and now Anna Darnley has joined as our fifth Trustee director, it has further widened the Trustee board's combined knowledge due to her expertise in the area of communications and IT.

Areas of governance specific to master trusts

Member and employer engagement

Members (and employers) are encouraged to contact the Scheme to express their views on any matters relating to the Scheme. The Scheme provides a range of communication channels for members.

It offers dedicated member and employer helplines which are available from 9am to 5pm, Monday to Friday. Typically, the member helpline will help members with queries relating to claims and transfers, accessing their accounts and general pension questions. The employer helpline will assist participating employers with auto enrolment, payroll and contribution queries. We also make available dedicated enquiry and claims email boxes, which are monitored regularly.

The member portal www.AutoEnrolment.co.uk/member includes a "live chat" button to facilitate queries and comments and the Scheme is now integrated with Amazon's award-winning Alexa platform. This means members can stay up-to-date with their pension account using a number of simple voice commands.

This approach provides an interactive way for our members to stay engaged with their account, wherever and whenever they want to. They can ask for a quick summary, find out how much their pension is worth or even increase their contribution percentage.

The Trustees also proactively canvass opinions through member surveys and forums. On 23 January 2019 we hosted our first member and employer engagement webinars, targeting an initial test group of 10,000 members. This allowed members of the Scheme to pose questions to the Smart Pension team as well as myself, as the Chair of Trustees. Webinars have also been run on 11 and 20 June 2019.

Smart Pension's market is digital by design and we publish a significant volume of detail on legislation, our Scheme processes and information together with legislative updates on our website, which we think works well for our members.

We monitor usage to keep us informed about what our members are most interested in. We proactively solicit feedback on our website. For members: www.AutoEnrolment.co.uk/reviews.

For employers: www.AutoEnrolment.co.uk/new-account-area - includes a link for feedback at the bottom of the page.

We think the range of ways that members are encouraged to share their views are appropriate for the size, nature and demographic of our members. These arrangements have been available throughout the Scheme Year (with the exception of the webinars which were held on the dates specified above.)

We would be happy to address any queries or suggestions you may have. Please direct them to:

Trustee@SmartPension.co.uk, or to The Trustees of the Smart Pension Master Trust, c/o Smart Pension Ltd, 40 Eastbourne Terrace London W2 6LG.

Appointment of non-affiliated trustees

The legislative requirement is for the majority of the Trustee directors (including the Chair) to be non-affiliated. Non-affiliated broadly means that the Trustee is both currently independent of Smart and all other undertakings which provide advisory, administration, investment or other services in respect of the Scheme, and has been for the last 5 years.

During the Scheme Year from 1 July to 1 August 2018, a majority of the Trustee directors were non-affiliated. Both Capital Cranfield Pension Trustees Limited (CCPTL) (the Chair), and Law Debenture were non-affiliated Trustee directors throughout the Scheme Year. Paul Jebson (a non-affiliated Trustee director) stepped down on 1 August 2018, as did the only two affiliated directors, Claire Altman and Darren Agombar.

From 1 August 2018 until the end of the Scheme Year, the Trustee board has been entirely non-affiliated. Kate Jones Consulting Limited (represented by Kate Jones) (a non-affiliated Trustee director) was appointed as a Trustee director on 1 August 2018 and David Brown (a non-affiliated Trustee director) was appointed on 15 October 2018 . To maintain the independence of the Trustee board, it is the intention that all future trustees continue to be non-affiliated.

The legislation requires a non-affiliated trustee to be appointed by an open and transparent process. The appointment of Kate Jones Consulting Limited and David Brown both followed a rigorous recruitment process, which included an advert for the vacancy in Pensions Age during the months of April and May 2018 to assist in the selection of candidates, and interviews with members of the Trustee board and the Scheme Funder. Kate Jones brings investment expertise to the board having previously worked for Schroders and Blackrock. David Brown brings extensive pensions experience including having been UK and ROI Pensions and Payroll Manager for Tesco plc. Further details are included in the attached biographies.

A further non-affiliated Trustee director, Anna Darnley, was appointed after the Scheme Year end on 25 September 2019. Anna's appointment followed advertising in the trade press and an interview process with the Trustee board. Her appointment broadens the diversity of the Trustee broad and she brings digital communication and IT skills to the Trustee board.

The Chair of the Trustees, Capital Cranfield Pension Trustees Limited (CCPTL) has remained an independent (non-affiliated) Trustee director throughout the reporting year, and in the period since. Please see the attached biographies of the Trustee Directors for more details.

Andrew Cheseldine A. J. Cheseldine Date: 30 January 2020

for Capital Cranfield Pension Trustees Limited,

Chair of Trustees

Name	Representing	Affiliated to Smart?	Chair?	From	To
Andrew Cheseldine	Capital Cranfield Pension Trustees Limited	No	Yes	12 December 2014 (CCPTL appointment) 12 September 2017 (Andrew Cheseldine commencing as CCPTL representative)	Present
Anna Eagles	The Law Debenture Pension Trust Corporation plc	No	No	11 January 2018	Present
Darren Agombar	N/A	Yes	No	28 September 2016	1 August 2018
Paul Jebson	N/A	No	No	12 December 2014	1 August 2018
Claire Altman	N/A	Yes	No	11 January 2018	1 August 2018
Kate Jones	Kate Jones Consulting Limited	No	No	1 August 2018	Present
David Brown	N/A	No	No	15 October 2018	Present
Anna Darnley	N/A	No	No	25 September 2019	Present

Andy Cheseldine

Chair of the board of Trustees, representing Capital Cranfield

Andy Cheseldine joined the board in 2017. He's renowned for his wealth of knowledge and expertise in the pensions industry and has more than 35 years of experience in consulting on defined benefit (DB) and defined contribution (DC) pension schemes. Andy was one of the top 50 people in pensions in 2015 and has been named as one of the top 25 most influential investment consultants in the past five years - a testament to his reputation.

Anna Eagles

Trustee director, representing Law Debenture

Anna joined the board in January 2018. She is a fellow of the Institute and Faculty of Actuaries and has over 20 years of experience advising trustees and employers. Before joining Law Debenture, she was with Willis Towers Watson Ltd. She has handled bulk transfers to master trusts and the wind-up of a DC scheme with many investment options. She has also handled feasibility analyses of similar wind-ups with unit-linked and with-profits investments.

Kate Jones

Trustee director, representing Kate Jones Consulting Limited

Kate Jones Consulting represented by Kate Jones is an independent corporate trustee. Kate joined the Trust Board in August 2018. She has many years' experience within the investment market having headed up teams at both Schroders and Blackrock. She is currently a non-executive director of the Pension Protection Fund which acts as the ‘lifeboat’ for defined benefit pension schemes and is Chair of its Investment Committee. She was appointed as Chair of the Board of Trustees for the charity RedSTART in 2016 which aims to give access to quality financial education to young people. She is also an executive coach.

David Brown

Trustee director

David joined the board in October 2018. He has over 30 years' experience worldwide in the pension and investment industry, working as an operator and consultant. He has worked for two of the Big Four consulting firms and was the UK and ROI Pensions and Payroll Manager for Tesco. David is an Associate of the Pensions Management Institute and Chartered Insurance Institute.

Anna Darnley

Trustee director

Before joining the board, Anna was a trustee of the Accenture Retirement Savings Plan. As a digital strategy consultant, she specialises in the Internet of Things, and has also worked on artificial intelligence and blockchain projects. She brings this technological expertise to the board, along with her passion for great member communications and re-engaging scheme members.

Smart Pension Master Trust Statement of Investment Principles

September 2019

Contents

Introduction

This is the Statement of Investment Principles prepared by the Trustee of the Smart Pension Master Trust (the "Trust" or "Master Trust"). This statement sets down the principles which govern the decisions about investments that enable the Trust to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

In preparing this statement the Trustee has obtained advice from Hymans Robertson LLP, the Trustee's investment consultants. Hymans Robertson is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

The Trust has been set up to service multiple employers. The Trustee has consulted with the nominated person, Smart Pension Limited, in the preparation of this statement and has complied with the employer consultation requirement. This body has been nominated by all employers to act as their representative in this regard.

The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement or the demographic profile of members.

The Trustee is solely responsible for the investment of the assets of the Master Trust, including decisions regarding the design and selection of the default strategy. The investment powers of the Trustee are set out in Rule 3 of the Trust Deed, dated 14 August 2019. This statement is consistent with those powers. To assist in its decision making about investment, the Trustee has established an Investment Sub-Committee with the objectives of:

- implementing and overseeing the Trustee's investment strategy within any guidelines set by the Trustee and the powers delegated to the sub-committee
- monitor compliance with the Statement of Investment Principles and recommend any changes to it by the Trustee.

The Investment Sub-Committee will usually meet every three months, and at other times as deemed appropriate. The Investment Sub-Committee reports to the Trustee Board at each quarterly Trustee meeting.

The Trustee will publish the Statements of Investment Principles from 1 October 2019 and a statement each year from 1 October 2020 describing how these Statements have been followed in the last year.

Statements of Investment Principles

To simplify this Statement of Investment Principles, the Statement is split into three sections covering different aspects of investments.

The Trustee's Statements of Investment Principles for the Trust contained in this document include the:

1. Statement of the aims and objectives for the default arrangement;
2. Statement of the aims and objectives for investment options outside the default arrangement; and
3. Statement of investment beliefs, risks and policies.

The Statement of Investment Principles for the Trust comprises items 1, 2 and 3.

The Statement of Investment Principles for the Scheme's default arrangement comprises items 1 and 3.

Appendices

A. Investment implementation for the default arrangement;

B. Investment implementation for the investment options outside the default arrangement;

This statement was agreed by the Trustee and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the

investment managers, the actuary and the Trust auditor upon request and members of the Trust.

Approved by the Trustee of Smart Pension Master Trust

September 2019

1. Statement of the aims and objectives for the default arrangement

The Trustee's policy is to offer a suitable investment arrangement having regard to the characteristics of the Trust's membership. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

Reasons for the Default Arrangement

The Trustee is responsible for the design of the governed default investment options. The Trustee has decided that the Trust should have a default investment arrangement because:

- The Trust is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement; and
- The Trustee is aware that some members of the Trust will either not wish to choose how their contributions are invested or do not have the confidence to make such investment decisions. Therefore, the availability of suitable default investment options for the Trust's is key to the Trustee's investment approach.

The main default for all new members

Choosing the main default arrangement

The Trustee believes that the lifestyle arrangement set out below in Section 3 represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Demographic profile;
- Likely benefit choices at retirement;
- The level of income in retirement that members are likely to need;
- Members' likely benefit choices at and into retirement;
- Investment risks;
- Expected return on investments;
- Realisation of investments; and
- Socially responsible investment, corporate governance and voting rights.

Objectives for the default arrangement

The Trustee has discussed key investment objectives for the Trust as well as the constraints the Trustee faces in achieving these objectives.

The Trustee's main investment aims, and objectives are:

- to provide a suitably governed default investment option that is likely to be suitable for a typical member who is expected to take a cash lump sum at retirement;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

The main default arrangement

The Trust focuses on pension provision to small to medium sized employers ("SMEs") and their employees. The expectation is that the majority of these members will partially access their retirement savings by taking a cash lump sum via pension freedoms and then use the balance for a mixture of income and protection in retirement.

In light of this consideration, the Trustee has adopted a default investment strategy that seeks to obtain a long-term, inflation-protected return through investment in passively managed equities whilst the member is considered in the growth accumulation phase of their saving journey. As they approach retirement, members begin to de-risk from equity holdings and diversify into lower risk assets such as government bonds. At the date of this Statement, that de-risking journey begins at age 61. However, the Trustee has agreed that this will move to age 57 with effect from Q1 2020 and this Statement will be updated accordingly at that time.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Given the Trust's focus on SMEs and the expectations about members intentions at retirement, the Trustee considers that their investment beliefs and policies (set out in full in Section 3 below) and their aims and objectives for the default arrangements are intended to ensure that the assets are invested in the best interest of the members.

Full details of the current default arrangement are given in the document "Investment implementation for the default arrangement". Ex-Gen Life default arrangement

The main objective of the default arrangement for ex Gen Life members is to help deliver good outcomes for members.

With regard to the ex Gen Life members, the Trustee to have taken into account:

- Demographic profile;

- Likely benefit choices at retirement;
- The level of income in retirement that members are likely to need;
- Members' likely benefit choices at and into retirement;
- Investment risks;
- Expected return on investments;
- Realisation of investments; and
- Socially responsible investment, corporate governance and voting rights.

2. Statement of the aims and objectives for investment options outside the default arrangement

For Trust members that wish to make their own investment arrangements, a range of pooled "self- select" funds have been made available. The Trustee obtained and considered professional advice from its investment consultants in the selection of these funds.

Reasons for the investment options

In addition to the default arrangement, the Trust offers members a choice of investment options because:

- The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible for a single default investment option that will be suitable for all.

Choosing the investment options

Membership analysis

The Trustee believes that understanding the Trust's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- Likely benefit choices at retirement;
- The level of income in retirement that members are likely to need;
- Members' likely benefit choices at and into retirement;
- Investment risks;

- Expected return on investments;
- Realisation of investments; and
- The number of members who are likely to want responsible, ethical or faith-based investment; and
- The output from industry and other relevant surveys. For example, surveys on member choice generally suggest that:-

1. Too little choice is viewed negatively by members;
2. Too much choice can prove confusing and deter members from making decisions; and
3. Some members will not regularly review their choices.

Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Objectives for the alternative investment options

For members who wish to make their own investment asset allocation decisions, it is possible to personalise their investment arrangements in a number of ways. Members can choose to take higher or lower risk than the main default by selecting 'Smart Growth Speculative' or 'Smart Growth Cautious'.

The main objective of the alternative lifestyle options are to give good member outcomes.

The Trustee believes that it is in the best interests of members in the alternative lifestyle options to:

- offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives.

Self-select funds

The objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing their investments;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches including responsible investing, ethical and faith-based funds; and
- Help members more closely tailor their investments to their individual needs.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current investment options are provided in the Appendix B.

3. Statement of investment beliefs, risks and policies

This Statement sets out the investment beliefs and policies which guide the Trustee's decision making.

3.1 Kinds of investments to be held

The Trust is able to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

For Trust members that wish to make their own investment arrangements, a range of pooled "self-select" funds have been made available. The Trustee obtained and considered professional advice from its investment consultants in the selection of these funds. A due diligence exercise as part of this selection process ensures that the assets are invested with sufficient security and liquidity and that each of the funds is of the appropriate quality and calibre to ensure the quality and profitability of the assets.

3.2 The balance between different kinds of investment

The Trustee has made available different sections of the Trust to suit the varying requirements of the Trust's members and employers.

For Trust members, this includes offering a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term, inflation-protected growth

whilst the member is a long way off accessing their retirement savings, switching progressively to "protection" assets over the years preceding the member's target retirement date so as to protect the retirement savings of the member relative to the way in which they are expected to access these savings.

Alternatively, it may be possible for Trust members to choose to invest in one or more of the funds used to construct the above lifestyle arrangement if they wish to make their own investment asset allocation decisions.

Where members do not choose where their contributions, and those made on their behalf by their employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in the relevant Appendix.

The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

The Trustee considers the merits of both active and passive management and may select different approaches for different arrangements and asset classes.

3.3 Risks

Investment risk lies with the members themselves. However, the Trustee has considered a number of risks when making available suitable investment choices. Some of these risks will be more relevant to particular cohorts of members. These risks include:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Volatility	The risk that falls in fund values prior to retirement lead to a reduction in a member's retirement benefits. Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.
Conversion risk	The risk that fluctuations in the value of assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangement made available to members, the Trustee increases the proportion of assets that more closely match how it expects members to access their retirement savings.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the fund range offered to members to ensure member outcomes can be maximised.

Investment manager risk	The Trustee monitors the performance of the underlying investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
ESG risk	The risk that environmental, social and governance issues including climate change will not be managed effectively in the portfolio, resulting in poor performance in individual investments and for the portfolio as a whole. The Trustee carefully reviews the approach of the underlying investment managers to ensure that they address ESG risk in the selection of investments and engagement with companies in their portfolios.
Concentration risk	This is the risk that the Fund has excessive exposure to a single institution or institutions that share a common risk factor, for example by operating in the same industry. Additionally, concentration risk can occur if the scheme has excessive exposure to individual asset classes or geographical regions. Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Concentration risk	This is the risk of market loss as a result of adverse movements in foreign exchange rates. The Trust limits this risk and monitors the aggregate of these positions. The Trust may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee will also undertake a review of the internal controls and processes of each of the investment managers where necessary.
Counterparty risk	This risk arises when the Fund (or a fund manager appointed by the Trust) enters a financial contract with a third party which then fails, probably through default, to fulfil its obligations. The Trust controls this risk by setting an appropriately high minimum credit rating of counterparties it will transact with and limiting the exposure to any single counterparty. Investment Management Agreements with fund managers similarly contain provisions to limit counterparty risk to the Fund. In addition, when choosing which investment vehicles are appropriate for the scheme, the Trust considers the security of assets policy of the investment manager and of the underlying vehicles.
Liquidity risk	The risk that the investments of the Trust are held in assets that are not accessible in a timely manner. The Trustee ensures that investments are generally held in assets that are realisable at short notice. The trustee holds 100% of its assets in investments with daily liquidity.

3.4 Expected returns on investments

The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisers on these matters, who they deem to be appropriately qualified experts.

The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation and charges when making decisions and comparisons.

Asset class	Asset class	Expected long-term investment returns relative to inflation
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term inter- est-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions. The Trustee meets the Trust's investment managers as frequently as is appropriate in order to review performance.

3.5 Realisation of investments

The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee expects that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee has considered the risk of liquidity and recognise that most members' investments have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

3.6 Financially material considerations

Given the Trust uses pooled funds, the Trustee has delegated day to day investment decisions including the management of financially material considerations to the fund managers.

The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Master Trust's investment options. The Trustee has developed a policy on Environmental, Social and Governance issues which they actively take into account in terms of the monitoring and selection of investment managers. The Trustee expects that the fund managers will have our members' financial interests as their first priority when choosing investments.

Time horizon

The Master Trust is potentially open to new members from age 16.

As a result, given the likelihood of increases in retirement ages in the future, investment risks need to be considered over a multi-decade time horizon exceeding 50 years.

Responsible Investment Policy

Guiding Principles

The Trustee strongly believes that the interests of its members are best served if its investment strategy is implemented in a sustainable and responsible manner, carefully taking account of ESG issues in investment decisions. Therefore, its approach is to:

- ensure effective and integrated management of ESG risks, to support the Trustee's desire to protect and enhance the value of its member assets over the long term; and
- explore how to engage with its members to understand any specific ESG issues that they want to see reflected in the investment strategy.

Over time, the Trustee aspires to develop its portfolio in order to be able to:

- identify and capture some existing investment opportunities offering solutions to environmental and social challenges (for example, healthcare solutions for ageing populations; renewable technologies to address climate change; technologies to improve the use of water, gender equality in employment), provided they are aligned with the Fund's objectives and strategy;

- actively explore innovative investments that seek to respond to global challenges affecting the current and future health and well-being of its members and invest in these where they are compatible with the Fund's objectives and strategy

Responsible investment Beliefs

The Trustee's responsible investment beliefs are summarised below:

- Responsible investment is a discipline that is continuously evolving. Being open to new approaches and standards is critical to maximizing what can be achieved. Remaining informed of appropriate investable innovations that address challenges (such as climate change) supports the delivery of tangible impact.
- ESG risks pose a real and material threat to members retirement outcomes. Generating an appropriate and sustainable financial return for members while also addressing global challenges helps to mitigate these risks.
- Responsible investment factors influence long-term performance which presents opportunities and risks. Each stage of the investment decision making process needs to consider ESG risks (investment strategy, investment selection, reporting etc). Being active owners of investments over the long term is critical for responsible stewardship of assets.
- Illiquid investments (which may or may not yield a direct social impact) may provide investment opportunities. There is an opportunity to enhance return through capture of the illiquidity premium while yielding measurable impact solutions that address global challenges.

Implementation

The Trust uses standard pooled funds offered by investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members, but means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Trust. The Trustee nevertheless seeks to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustee recognises that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustee believes will deliver appropriate risk adjusted returns;
- Utilise a robust and credible approach to evaluating companies' performance on environmental, social and governance issues, both in terms of management of ESG risk and identification of opportunities arising from future SI trends;

- In particular, take account of climate-related risks and opportunities in investment strategy;
- Engage with the companies in their portfolio in order to reduce the negative environmental and social impact of their activities and enhance the positive; and
- Actively look to exclude investments in companies that:

1. are involved in the manufacturing of controversial weapons (chemical weapons, biological weapons, nuclear weapons, anti-personnel mines and cluster munitions)
2. derive the majority of their revenues from coal mining
3. violate the UN Global Compact standards on human rights, labour, the environment and corruption for three years or long

3.7 Non-financial factors

The Trustee recognises that a number of members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

The Trustee notes that a large majority of members have not made active investment choices and so the Trustee believes that most members are unlikely to have strong views on where their savings are invested.

The Trustee continues to seek opportunities to actively engage with members to understand the issues that are of particular interest and concern. Among other things, this helps to inform the responsible investment policy and its effect on the investment strategy. The Trustee requires an annual report from relevant staff providing details of issues raised, whether or not they have been taken into account, and where appropriate modifications to the investment strategy can be made. In addition, over time the Trustee seeks to engage with members by reporting on the impact of the portfolio.

The Trust offers a choice of ethical, environmental and faith-based funds for members who are likely to hold stronger views in these areas than the majority of members.

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.

3.8 Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

Members' financial interests

The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

Voting and engagement

The Trustee believes that engagement with the companies in which the Trust invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Trust's investments.

We recognise that the Trust's assets are currently invested through pooled funds which are managed by external fund managers. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee expects the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance practices on request.

Monitoring

This is administered and monitored:

- Obtaining and periodically reviewing a copy of the fund manager's sustainable investment policies, which outline how SI factors are integrated into their investment process;
- Ensuring that fund managers are signatories of the UN Principles for Responsible Investment and the UK Stewardship Code;
- Certifying that fund managers engagement strategy is aligned with the Red Line Voting Initiative;
- Requiring investment managers report periodically on voting approach, history and any potential conflicts (in line with the UK Stewardship Code), ensuring managers are voting thoughtfully;

- Confirming that fund managers have a publicly documented voting policy;
- Working with fund managers to explore ways of reporting on SI issues, including metrics for assessment of climate-related risks and opportunities and for disclosure of greenhouse gas emissions; and
- The Trustee are willing to collaborate with investors and undertake engagement activities to improve the chances of achieving positive change in members' best interest

The Trustee aims to meet with all fund managers on a periodic basis. The Trustee will provide the fund managers with an agenda for discussion, including as appropriate issues relating to performance, strategy, risks, individual holdings and ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Security of assets

The funds we offer to members are provided through a policy of insurance issued to the Trustee. As a result, the value of our members' funds may be affected in the event of the provider getting into financial difficulties. The Trustee has considered the financial strength of the providers and believe that it offers our members a high degree of security. This position will be kept under review on a regular basis. As part of the process to become an authorised Master Trust, Smart Pension had to fulfil very stringent requirements, including in relation to financial stability and the Trustee draws comfort from the fact that the Master Trust is now fully authorised by the Pensions Regulator.

The underlying funds used by the provider's platform are accessed through a variety of different investment structures and are managed by a range of different fund managers. In the unlikely event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract between Smart Pension and the fund vehicles used by the fund managers' funds. The Trustee have reviewed the structure of the funds that we offer to members and are comfortable that the structure is appropriate when compared with other options available in the market.

For the record

The Trustee obtain and consider proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement and the alternative lifestyle options are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The investment platform uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

Equities (company shares);

Fixed interest and index-linked bonds issued by governments and companies; Cash and other short-term interest bearing deposits;

Commercial and residential property;

Illiquid assets including infrastructure, forestry, private equity and private debt; Commodities through collective investment vehicles; and

Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee considers that these types of investments are suitable for the Trust. The Trustee is satisfied that the funds used by the Scheme provide adequate diversification both within and across different asset classes.

Appendix A: Investment implementation for the default arrangement

Main default arrangement

The default arrangement is a lifestyle strategy which targets drawdown at retirement.

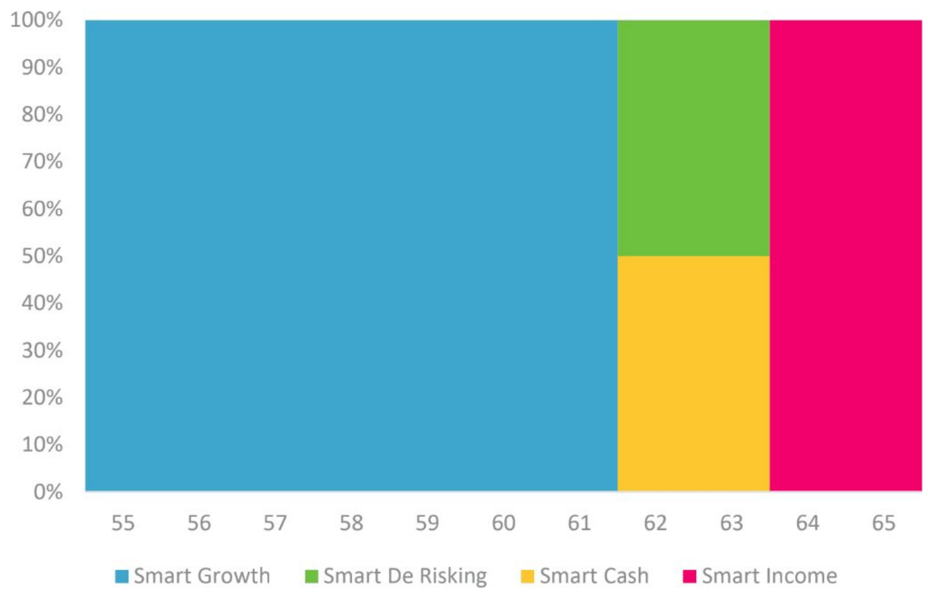
Members are invested in funds expected to give higher returns relative to inflation up to 4 years before their selected retirement date.

Members are switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 4 and 2 years before their selected retirement date.

Finally, members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 2 years up to their selected retirement date.

Fund allocation

The allocation to each fund in the default arrangement at yearly intervals up to a member's selected retirement date pictured below:



Funds

The funds used by the default arrangement are:

Platform Fund	Underlying fund
Smart Growth	LGIM UK FTSE 100 Index Fund LGIM World (ex UK) Developed Equity Index Fund LGIM North America Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund
Smart De-Risking	LGIM UK FTSE 100 Index Fund LGIM World (ex UK) Developed Equity Index Fund LGIM Overseas Bond Index Fund - GBP currency hedged LGIM All Stocks Index-Linked Gilts Index Fund LGIM Cash Fund
Smart Cash	LGIM Cash Fund
Smart Income	LGIM Retirement Income Multi Asset Fund

Investment costs

Fund charges

The investment platform provider's and fund managers' charges for the investment options are borne by the members. In addition to these charges, members also pay an administration fee. This will depend on the fee negotiated by the participating employer.

The Trustee has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees for each fund). The additional fund expenses may vary from quarter to quarter.

Trust is a "qualifying scheme" for auto-enrolment purposes, which means that the Default Option is subject to the charge cap introduced by the Government from April 2015.

Transaction costs

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values. The Trustee monitors the overall level of costs periodically to ensure members are receiving good value for money, including transaction costs.

Review

The Trustee reviews the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment manager with respect to performance within any guidelines set. The investment strategy in place was not set by Hymans Robertson and is in the process of being reviewed.

The performance of the investment manager will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Gen Life Default Arrangement

The Trustee has selected a multi-asset fund as a default arrangement because it invests in a wide range of asset classes. Through its diversified approach it aims to achieve a balance between risk and long-term investment returns. It is called the Legal & General (PMC) Multi-Asset Fund 3.

The aim of the Multi-Asset Fund is to provide long-term investment growth through exposure to a diversified range of asset classes. The diversified nature of the Fund means that it is expected to have less exposure than an equity-only fund to adverse equity market conditions. However, the Fund may perform less strongly than an equity-only fund in benign or positive market conditions.

Appendix B: Investment implementation for investment options outside the default arrangement

Lifestyle options

The Trust offers members a choice of alternative lifestyle option as an alternative to the default arrangement.

Objective

While the default arrangement's lifestyle strategy targets drawdown at retirement with an intermediate overall level of expected investment risk, the alternative lifestyle options continue to target drawdown at retirement with a lower and higher overall level of expected investment risk. There is also the option to change the target to an annuity or cash.There is also the option to change the target to an annuity or cash.

Approach

Members are invested in funds expected to give higher returns relative to inflation up to 4 years before their selected retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 4 and 2 years before their selected retirement date.

Finally, members are automatically switched into funds that align to their expected retirement choices during the last 2 years up to their selected retirement date.

Funds

The funds used by the alternative lifestyle options are the same as the main default fund but have a fund growth fund: Smart Growth Cautious and Smart Growth Speculative for the lower and higher risk strategies respectively.

Platform Fund	Underlying fund
Smart Growth Cautious	LGIM UK FTSE 100 Index Fund LGIM World (ex UK) Developed Equity Index Fund LGIM North America Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund
Smart Growth Speculative	LGIM UK FTSE 100 Index Fund LGIM World (ex UK) Developed Equity Index Fund LGIM North America Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund
Smart Annuity	LGIM Pre-retirement Fund
Smart Cash	LGIM Cash Fund
Smart Future Fund	Matches the lifestyle fund, but uses the Smart Future World Funds: LGIM Future World Equity Index Fund LGIM Future World Europe (ex UK) Equity Index Fund LGIM Future World North America Equity Index Fund LGIM Future World Japan Equity Index Fund LGIM Future World Asia Pacific (ex Japan) Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund

Self-select fund range

The Trust offers members a choice of self-select funds options as an alternative to the default option and alternative lifestyle options.

Fund range

The choice of self-select funds are:

Platform Fund	Underlying fund
Smart UK FTSE 100 Equity Index Fund	LGIM UK FTSE 100 Equity Index Fund
Smart World (ex UK) Developed Equity Index Fund	LGIM World (ex UK) Developed Equity Index Fund
Smart All Stocks Index Linked Gilts Fund	LGIM All Stock Index Linked Gilts Fund
Smart North America Equity Index Fund	LGIM North America Equity Index Fund
Smart Cash	LGIM Cash
Smart Overseas Bond Index Fund - GBP Hedged	LGIM Overseas Bond Index Fund - GBP Hedged
Smart Retirement Income Multi Asset Fund	LGIM Retirement Income Multi Asset Fund*
Smart Diversified	LGIM Diversified Fund
Smart World Emerging Markets Equity Index Fund	LGIM World Emerging Markets Equity Index Fund
Smart Ethical Global Index Fund	LGIM Ethical Global Index Fund
Smart Sharia Fund	HSBC Islamic Global Equity Index Fund

Investment costs

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values and are borne by members.