

Chair's DC Governance Statement, covering 6 April 2023 to 5 April 2024

1. Introduction

The **Selfridges Pension Scheme** (the "Scheme") is an occupational pension scheme providing defined benefit ("DB") and defined contribution ("DC") benefits. A DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk. Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Scheme, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- processing of core financial transactions (ie administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.

- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Scheme is not used as a Qualifying Scheme for automatic enrolment purposes.

There is no default arrangement for the Scheme (a default arrangement is an investment strategy for members who join the Scheme but don't make an explicit investment selection themselves) as it has been closed to new contributions and new members since 2012.

The Scheme has one DC policy with Utmost Life ("Utmost") and two Additional Voluntary Contributions ("AVC") policies (one with Aviva Life & Pensions UK Limited ("Aviva") and the other with Utmost). Since there is no default arrangement the Trustee is not subject to the requirement to review the investment on a triennial basis. Nevertheless, the Trustee reviews the investments from time to time as appropriate. The last review was conducted in November 2023.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Scheme, Barnett Waddingham ("BW"). Core financial transactions include (but are not limited to): processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. We believe that BW has adequate internal controls in place to support prompt and accurate processing of core financial transactions.

The Scheme has a Service Level Agreement (“SLA”) in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The standard SLA for providing details to members is 10 working days (the SLAs for retirement payments and transfer payments after receipt of documentation is 5 working days). However, this can vary for each case depending on the length of time to arrange for disinvestments or request information from Aviva or Utmost.

BW has confirmed that any disinvestment request made for retirement or transfer purposes is actioned in line with the agreed SLA with the Trustee.

To process retirements BW initiates contact with Aviva or Utmost following receipt of the members retirement forms. All disinvestment requests from Aviva or Utmost require Trustee approval. Once Trustee approval has been provided, BW supplies Aviva or Utmost with the necessary documentation to request the disinvestments. On receipt of this documentation, the disinvestment usually takes 10-15 days to be completed. BW communicates with the relevant member initially by providing a holding letter advising of expected timescales, and then again once the pension payments have commenced.

All correspondence from Aviva and Utmost is sent to BW, who issues the correspondence to members on behalf of Aviva and Utmost.

The key processes adopted by BW to help it meet the SLA are as follows:

- BW's procedures follow a do-check-review process and also have a two-level authorisation stage before any payment can be processed.
- The Trustee bank account is a pooled bank account and any disinvestments are reconciled to the member record on a daily basis, once a payment has been received.
- The Trustee receives quarterly administration reports from BW. The quarterly administration report, which includes all DB transactions, shows the SLAs for all case types completed in the reporting period, along with the percentage of completed cases within the target for that period. Individual cases can comprise multiple stages.

Over the year to 30 April 2024, the percentage of stages completed in or near target (also including DB transactions) are summarised in the following table.

Period	Stages of cases completed in target	Stages of cases completed in target plus 3 days
1 May 23 – 30 Sept 23	95%	98%
1 Oct 23 – 31 Jan 24	95%	97%
1 Feb 24 – 30 Apr 24	96%	98%

Please note that BW's reporting time period covers 1 May 2023 - 30 April 2024, rather than 6 April 2023 - 5 April 2024, which is the period covered by the rest of the DC Chair Statement. We are comfortable that this will not significantly impact the monitoring of the administrator service levels.

We regularly review the administration reports as part of our monitoring of whether service levels are being met so can assess BW's performance and compliance with the agreed SLA. Any issues identified as part of our review processes would be raised with BW immediately, and steps would be taken to resolve the issues.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum (“pa”) figure and include any administration charges, since members incur these costs.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The TER and transaction costs are costs borne by members.

The charges and transaction costs have been supplied by Utmost and Aviva who are the Scheme's investment fund providers. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

The level of charges for each self-select fund (and the transaction costs over the period covered by this Statement are set out in the following table. Figures for the period to 5 April 2024 are not available at the time of drafting this Statement, so figures have been quoted as at 31 December 2023.

Manager – Fund name	TER	Transaction costs
Utmost Life – Multi-Asset Growth Fund	0.75%	0.18%
Utmost Life – Multi-Asset Moderate Fund	0.75%	0.22%
Utmost Life – Multi-Asset Cautious Fund	0.75%	0.26%
Utmost Life – European Equity Fund	0.75%	0.06%
Utmost Life – US Equity Fund	0.75%	0.08%
Utmost Life – UK Equity Fund	0.75%	0.22%
Utmost Life – UK FTSE All Share Tracker Fund	0.50%	0.05%
Utmost Life – Fund of Investment Trusts	0.75%	0.30%

Manager – Fund name	TER	Transaction costs
Utmost Life – UK Government Bond Fund	0.50%	0.19%
Utmost Life – Property Fund	1.00%	0.15%
Utmost Life – Global Equity Fund	0.75%	0.08%
Utmost Life – Money Market Fund	0.50%	0.01%
Utmost Life – Managed Fund	0.75%	0.11%
Aviva – Pacific Equity Standard Series	0.70%	0.10%
Aviva – My Future Focus Consolidation	0.70%	0.07%
Aviva – UK Index Tracking Standard Series	0.70%	0.07%
Aviva – Mixed Invest (40-85% Shares)	0.70%	0.06%
Aviva – Deposit Standard Series	0.70%	0.00%

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers subject to a floor of zero (so the illustration does not assume a negative cost over the long term). They have been calculated over the 12-month period to 31 December 2023.
- The illustration is shown for two funds from the range available to members in the Scheme's, as follows:
 - the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) – this is the Utmost Life Property Fund.
 - the fund with lowest annual member borne costs – this is the Utmost Life Money Market Fund.

Years invested	Utmost Life Property Pension Fund (highest cost)		Utmost Life Money Market Fund (lowest cost)	
	Before costs	After costs	Before costs	After costs
1	£2,400	£2,400	£2,300	£2,300
3	£2,500	£2,500	£2,400	£2,400
5	£2,700	£2,600	£2,500	£2,400
10	£3,200	£2,900	£2,600	£2,500
15	£3,800	£3,200	£2,800	£2,600

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long-term annual inflation assumption used is 2.5%.
- The starting pot size used is £2,300. These are the median pot sizes for members still invested in the Utmost AVC policies of the Scheme as at 5 April 2024.
- The projection is for 15 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- We have made no allowance for future contributions to the Scheme.
- The projected annual returns used are based on asset class assumptions as at 31 March 2024 and are as follows:
 - Utmost Property Pension Fund: 3.5% above inflation.
 - Utmost Money Market Fund: 1.4% above inflation.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the scheme year. We have had regard to the statutory guidance in preparing this Section.

Self-select fund net returns over periods to scheme year end

Fund name	1 year (%)
Utmost Life – Multi-Asset Growth Fund	12.72
Utmost Life – Multi-Asset Moderate Fund	10.76
Utmost Life – Multi-Asset Cautious Fund	5.98
Utmost Life – European Equity Fund	12.55
Utmost Life – US Equity Fund	29.02
Utmost Life – UK FTSE All Share Tracker Fund	7.70
Utmost Life – Fund of Investment Trusts	13.66
Utmost Life – UK Government Bond Fund	-0.01
Utmost Life – Property Fund	-3.32
Utmost Life – Global Equity Fund	25.53
Utmost Life – Money Market Fund	4.68
Utmost Life – Managed Fund	9.38
Aviva – Pacific Equity Standard Series	14.97
Aviva – UK Index Tracking Standard Series	7.54
Aviva – My Future Consolidation	6.01
Aviva – Mixed Invest (40-85% Shares)	10.16
Aviva – Deposit Standard Series	4.47

The above Aviva and Utmost Life performance figures as at 31 March 2024.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available), with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Scheme is currently undertaking a review in relation to the DC benefits provided. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received is also being considered in this assessment.

Our assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

The majority of the Scheme's funds had delivered positive returns over the periods reviewed. The Aviva Pacific Equity Fund and Aviva Mixed Investment (40-85% Shares) had outperformed their respective benchmarks over the year to 31 March 2024. The majority of Utmost Life funds produced positive returns over the year to 31 March 2024. However, benchmark data at this date was unavailable.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Scheme are receiving reasonable value for money for the charges and cost that they incur, for the reasons set out in this section. The Trustee will look to improve value for money as part its ongoing review of the Scheme's DC benefits over the 2024/25 Scheme Year.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, we:

- Received training provided at Trustee meetings, particularly around responsible investment;
- Maintained a training log to support decision-making;
- Identified knowledge gaps (which is part of the Trustee's annual governance plan) through a specific agenda item at each meeting;
- Monitored our governance processes via an external agency on an ongoing basis and being subject to peer review through representation on the board of an independent Trustee; and
- Received updates on topical pension issues from our legal and pension advisers.

We are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, we believe that we have sufficient knowledge and understanding of the

law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

Over the year to 5 April 2024, Independent Governance Group ("IGG"), which is also a provider of professional trustee services, has acted as the independent Trustee for the Scheme. IGG has a high level of Scheme-specific knowledge and conversance with Scheme documentation. All IGG's trustee directors are accredited members of the Association of Professional Trustees, or are in the process of obtaining accreditation, and undertake continuous professional development activity. Over the latest Scheme year, this consisted of a formal training programme including regular meetings with industry participants and away days where business strategy, regulatory matters and client case studies were discussed.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Scheme properly and effectively.

_____ Date: _____

Signed by the Chair of Trustees of the Selfridges Pension Scheme