

RADIUS GROUP PENSION SCHEME

YEAR ENDED 5 APRIL 2020

CHAIRMAN'S STATEMENT ON DC GOVERNANCE (CONTINUED)

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustee Directors also make available the above range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

Cumulative effect of charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee Directors have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples and the DB AVC investment options have also been considered.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of significant funds within the Scheme. The funds we are required to illustrate to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The fund or strategy with the most members invested (*Default Strategy*)
- The most expensive fund (*Aviva Global Bond (NU) Standard Series 01 Pension*)
- The least expensive fund (*L&G Cash Fund*)
- The fund with the highest expected return (*L&G Global Equity 70:30 Index*)
- The fund with the lowest expected return (*L&G Cash Fund*)

To illustrate the impact of charges on a typical active member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

Illustrations for an "Average" member								
Years from now	Default Strategy		L&G Global Equity 70:30 Index <i>(highest expected return fund)</i>		L&G Cash Fund <i>(lowest expected return and cheapest fund)</i>		Aviva Global Bond (NU) Standard Series 01 Pension - DB AVCs <i>(most expensive fund)</i>	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£20,311	£20,274	£20,311	£20,274	£19,315	£19,291	£19,608	£19,377
3	£21,969	£21,848	£21,969	£21,848	£18,893	£18,822	£19,767	£19,076
5	£23,761	£23,544	£23,761	£23,544	£18,481	£18,364	£19,926	£18,779
7	£25,081	£24,766	£25,700	£25,372	£18,077	£17,917	£20,087	£18,487
9	£25,615	£25,214	£27,797	£27,341	£17,682	£17,481	£20,249	£18,199
10 (retirement)	£25,564	£25,127	£28,909	£28,383	£17,488	£17,267	£20,330	£18,057

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Illustrations for a "Young" member								
Years from now	Default Strategy		L&G Global Equity 70:30 Index <i>(highest expected return fund)</i>		L&G Cash Fund <i>(lowest expected return and cheapest fund)</i>		Aviva Global Bond (NU) Standard Series 01 Pension – DB AVCs <i>(most expensive fund)</i>	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£11,898	£11,876	£11,898	£11,876	£11,315	£11,301	£11,487	£11,351
3	£12,869	£12,798	£12,869	£12,798	£11,068	£11,026	£11,579	£11,175
5	£13,919	£13,792	£13,919	£13,792	£10,826	£10,757	£11,673	£11,001
10	£16,935	£16,627	£16,935	£16,627	£10,244	£10,115	£11,909	£10,578
15	£20,604	£20,044	£20,604	£20,044	£9,694	£9,511	£12,151	£10,171
20	£23,100	£22,284	£25,068	£24,163	£9,173	£8,943	£12,397	£9,780
21 (retirement)	£23,054	£22,207	£26,071	£25,084	£9,073	£8,833	£12,447	£9,704

It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Young" members' pots at retirement would be £15,162 and £6,723 respectively in today's money.

Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

Age	<ul style="list-style-type: none"> • "Average" member • "Young" member 	55 <i>(the average age of the Scheme's membership)</i> 44 <i>(the average age of the youngest 10% of members)</i>
Scheme Retirement Age		65
Starting Pot Size	<ul style="list-style-type: none"> • "Average" member • "Young" member 	£19,530 <i>(the median pot size of the Scheme's membership)</i> £11,441 <i>(the median pot size for the youngest 10% of members)</i>
Inflation		2.5% p.a.
Expected future nominal returns on investment:	<ul style="list-style-type: none"> • Default Strategy <ul style="list-style-type: none"> ○ L&G Global Equity 70:30 Index ○ L&G AAA-AA-A Bonds Over 15 Year Index ○ L&G Cash Fund • L&G Global Equity 70:30 Index • Aviva Global Bond (NU) Standard Series 01 Pension • L&G Cash Fund 	4.0% above inflation 0.1% above inflation 1.1% below inflation 4.0% above inflation 0.1% above inflation 1.1% below inflation

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CHAIRMAN'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Value for members

Albeit no formal value for money assessment has been carried out over the reporting period, the Trustee Directors have a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustee Directors have assessed the fees disclosed above and we are satisfied that we have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile. The Trustee Directors also regularly monitor the performance of the funds used in the Scheme and they have all performed in line with their expectations over the period covered by the statement.

The Trustee Directors have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at the following URL <https://www.civica.com/en-gb/resources/corporate-downloads/> and will notify members about this in their annual benefit statements.

Additional Voluntary Contributions (AVCs)

The Trustee Directors also make available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Scheme benefits. The facility is provided via L&G (which is invested in the same way as the DC section) and Aviva; the available funds together with associated fees are shown below.

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Aviva Global Bond (NU) Standard Series 01 Pension	0.88	0.3163%
Aviva Pacific Equity (NU) Standard Series 01 Pension	0.88	0.1141%
Aviva Gilt (NU) Standard Series 01 Pension	0.88	0.1049%
Aviva UK Equity (NU) Standard Series 01 Pension	0.88	0.1085%
Aviva European Equity (NU) Standard Series 01 Pension	0.88	0.1545%
Aviva Mixed Invest (40-85% Shares) (NU) Standard Series 01 Pension	0.88	0.0719%
Aviva Global Equity (NU) Standard Series 01 Pension	0.88	0.0572%
Aviva US Equity (NU) Standard Series 01 Pension	0.88	0.0071%
Aviva Deposit (NU) Standard Series 01 Pension	0.88	-
Aviva Property (NU) Standard Series 01 Pension	0.88	0.1919
Aviva With-Profit (NU) Standard Series 01 Pension	0.88	0.0370%
Aviva With-Profit Guaranteed (NU) Standard Series 01 Pension	0.88	0.0370%

Source: Aviva

Aviva were not able to provide the transaction costs applicable to one of the funds above but the Trustee Directors will continue to challenge them to obtain the required information.

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CHAIRMAN'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee Directors have put in place arrangements for ensuring that we take personal responsibility for keeping ourselves up-to-date with relevant developments. Two of the Trustee Directors have carried out a self-assessment of training needs to help identify any knowledge gaps and the other is due to do so. The Chair of Trustee will review the responses to help identify training needs.

Over the last year, the Trustee Directors have received training on DC Pension Arrangement Alternatives, DC Governance Requirements, CMA Objectives for Investment Consultants, Statement of Investment Principles Updates, Administration's Financial Management Policy and the impact of Covid-19 on the Scheme. In addition, the Trustee Directors receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustee Directors also include legislative updates and Trustee Knowledge and Understanding on the agenda for each of our meetings.

All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are encouraged to complete this in its entirety within six months of taking up office. All the Trustee Directors are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles (SIP). Throughout the scheme year the Trustee Directors have demonstrated a working knowledge of the trust deed and rules and they seek legal advice from the Scheme's legal advisor CMS where any ambiguities over the interpretation the Rules arise. This was obtained recently for a query relating to a member who was reaching their 75th birthday and wanted to explore how their benefits would be treated. Scheme documentation was also reviewed and the Trustee Directors demonstrated a working knowledge of current policies when they were looking into the current trustee discretions in place.

In March 2019 and then again in April 2020, the Trustee Directors received training on the new requirements for the SIP and how these should be reflected in the document. This was useful for when the Trustee Directors had to revise the SIP in July 2020 to account for the October 2020 regulation changes. During this process, the Trustee Directors demonstrated that they are conversant with the SIP. With regards to demonstrating sufficient knowledge and understanding of the law relating to pensions and trusts, the Trustee Directors receive current pension issues documents at every meeting where legal issues are discussed. The Trustee Directors also attended a number of webinars and conferences over the year which helped with understanding of the relevant principles relating to the funding and investment of occupational schemes.

The DC assets and performance are reviewed at each meeting where our investment advisers help support discussions and decision making. Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustee Directors consider that we are enabled properly to exercise our functions as Trustee of the Scheme. Our combined knowledge has helped us over the year with exercising discretions and answering member disputes. In addition, the Trustee Directors plan to carry out an annual evaluation of the performance and effectiveness of the Trustee board as a whole in the near future.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise trustees cannot be certain that a scheme remains fit for purpose.

Given the extent of the training and ongoing agenda items stated above, the Trustee Directors are comfortable that we have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. I am also satisfied that the Trustee Directors have demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustee's current policies.

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YEAR ENDED 5 APRIL 2020**

CHAIRMAN'S STATEMENT ON DC GOVERNANCE (CONTINUED)

The Chair's statement regarding DC governance was approved by the Trustee and signed on its behalf by:



Mr D Spicer

Chair of the Trustee

Date: 29/10/2020