

Annual governance statement by the Chair of Trustee for the year ending 30 June 2024

Introduction

Governance standards apply to defined contribution pension arrangements like the Defined Contribution Section our pension scheme. These are designed to help members achieve a good outcome from their pension savings.

As Chair of the Trustee of The APT Pension Scheme ('the Scheme'), I have to provide you with a yearly statement which explains what steps the Trustee (with guidance from our professional advisers) have taken to meet these standards within the Scheme. The information included in my statement is set out in law and regulation.

This statement covers the period from 1 July 2023 to 30 June 2024. The law requires me to show information about the return on investments within the statement (after the deduction of any charges and transaction costs paid for by members). These are included to help you, as members, understand how your investments are performing.

The Trustee is committed to having high governance standards and we hold regular meetings to monitor the controls and processes in place in connection with the Scheme's investments and administration.

I welcome this opportunity to explain what the Trustee does to help to ensure the Scheme is run as effectively as it can be.

Summary of the annual governance statement by the Chair of Trustees

For the Scheme year to 30 June 2024, the Trustee of the Scheme has reviewed the following areas and our main conclusions are as follows:

The default investment strategy and self-select fund range	<p>The Trustee completed a review of the Scheme's default investment strategy in the Scheme year to 30 June 2021 and no changes were made. The current review was due in the Scheme year to 30 June 2024 and this is currently underway. If any changes are made, these will be communicated to members and included in next year's Statement.</p> <p>This year for the first time, the Trustee has included the percentage of assets in the default arrangement allocated to various types of asset classes, as specified in legislation. This is to improve transparency so that members have access to all relevant information surrounding the investments being made with their pension savings and the outcomes these investments could have on their future retirement.</p>
Charges and transaction costs	<p>The charges that members pay to invest in the investment funds in the Defined Contribution Section range from 0.04% to 0.35% per annum. Annual transaction costs are between 0.00% and 0.19%. The Company pays for all other costs and charges.</p>
Performance of the investment options	<p>Tables showing information about the net return on investments (i.e., after the deduction of any charges and transaction costs paid for by Scheme members) have been included. This information is included to help Scheme members understand how their investments are performing.</p>
Value for members	<p>The Trustee has carried out a detailed assessment of value for members on a prescribed basis applicable to smaller pension arrangements.</p> <p>We're pleased to say that our assessment concluded that the Scheme represents good value for members in relation to charges and transaction costs, net investment returns, and governance and administration. Please note, though, that the value for members assessment may vary from year to year, as it is heavily influenced by investment performance, which can go down as well as up.</p>
Core financial transactions	<p>Overall, the Trustee is confident that the processes and controls in place within Gallagher (formerly known as Buck), the Scheme administrator, are robust and will ensure that the financial transactions which are important to members are dealt with properly. We will, however, continue working with Gallagher to review service levels, monitor the investment of monthly contributions and reporting on core financial transaction processing.</p>
Trustee knowledge and understanding	<p>The Scheme has a training programme to ensure the Trustees meet legal knowledge and understanding requirements and understand the Scheme and its documents. For instance, completing the modules within The Pensions Regulator's Trustee Toolkit that are considered essential for running a defined contribution scheme like the Defined Contribution Section of our Scheme.</p> <p>I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustee to the Scheme. As an improvement, the Trustee will consider evaluating the effectiveness of the Board at least annually.</p>

Further information

Full explanations of each of the above can be found in the annual governance statement by the Chair of Trustee for the year ending 30 June 2024, which can be found here <https://aptpensionsinfo.co.uk/>

Default investment strategies

A default investment arrangement is set up by the Trustee and provided for members who do not choose an investment option for their contributions. Members can also choose to invest in this default investment arrangement. The Trustee is responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. We take professional advice from regulated investment advisers.

Setting an appropriate investment strategy

Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles (SIP). A copy of the latest Statement of Investment Principles is included with this statement. This was last updated in January 2024.

We continue to use the Drawdown Lifestyle strategy as the default arrangement.

When deciding on an investment strategy, the Trustee recognises that the majority of members do not take active investment decisions and instead invest in the default option. Therefore, the Trustee's primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account factors such as the size of members' pension savings within the Defined Contribution Section, members' current level of income and likely expectations for income post-retirement etc. When choosing the default strategy, it is the Trustee's policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustee also recognises that there are various investment and operational risks and gives qualitative and quantitative considerations to such risks.

The Drawdown Lifestyle strategy is structured to provide the potential for a level of growth over and above inflation in the long term. In addition, as members approach retirement the monies in the Drawdown Lifestyle strategy are gradually switched to less volatile investments which aim to protect members' potential income in retirement.

The Drawdown Lifestyle strategy initially invests in global equities until twenty five years before retirement, where it starts gradually introducing an allocation to a diversified multi asset fund. At five years before retirement, the global equities allocation is phased out and the diversified multi asset fund allocation reduced in favour of a 25% cash allocation, which allows members to take their tax-free cash allowance at retirement.

Two alternative Lifestyle strategies are available for members to select, targeting Annuity Purchase and Cash Withdrawal instead of Drawdown.

Reviewing the default investment arrangement

The Trustee is expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the Scheme membership when designing it. The Trustee review the investment objectives and the performance of the default investment arrangement on an annual basis, taking advice from the Trustee's investment consultant and the investment manager.

The Trustee last formally reviewed the default investment arrangement during the Scheme year to 30 June 2021. The review was completed on 17 November 2021. No changes were made. A current review of the default investment arrangement was due in the Scheme year to 30 June 2024. This is currently underway and any changes made will be communicated to members accordingly and included within next year's Statement.

The Trustee also reviews the investment objectives and the performance of the default investment arrangement on a half yearly basis, taking advice from the Trustee's investment consultant. The Trustee considered that the funds in the default investment arrangement had performed in line with their benchmarks and deliver members reduced risk as they approach retirement. The default arrangement therefore remains consistent with the aims and objectives of the Statement of Investment Principles.

Self-select investment choices

In addition to the default lifestyle arrangement and the two alternative lifestyle arrangements, the Trustee allows members to self-select from a range of funds. Members may wish to take financial advice before choosing between these funds.

Fund Name
UK Equity Fund
Global Equity Fund ¹
Overseas Equity Fund
Corporate Bond Fund
Fixed Interest Gilt Fund
Index-Linked Gilt Fund
Cash Fund ¹
Diversified Multi-Asset Fund ¹
Future World Multi-Asset Fund

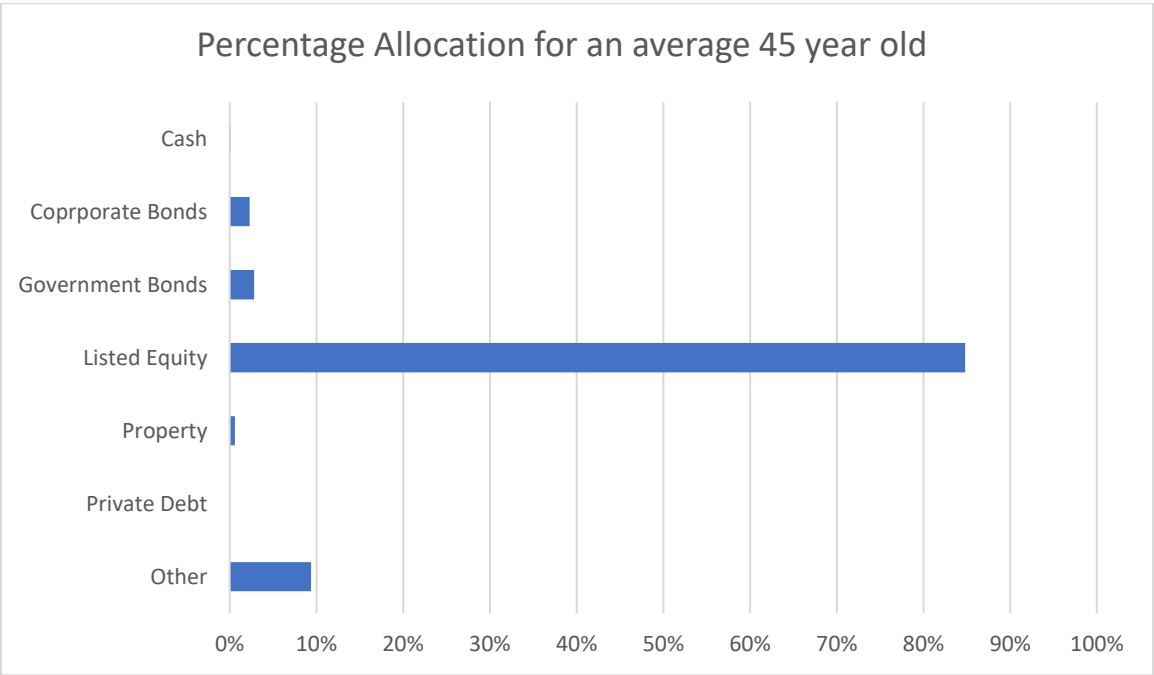
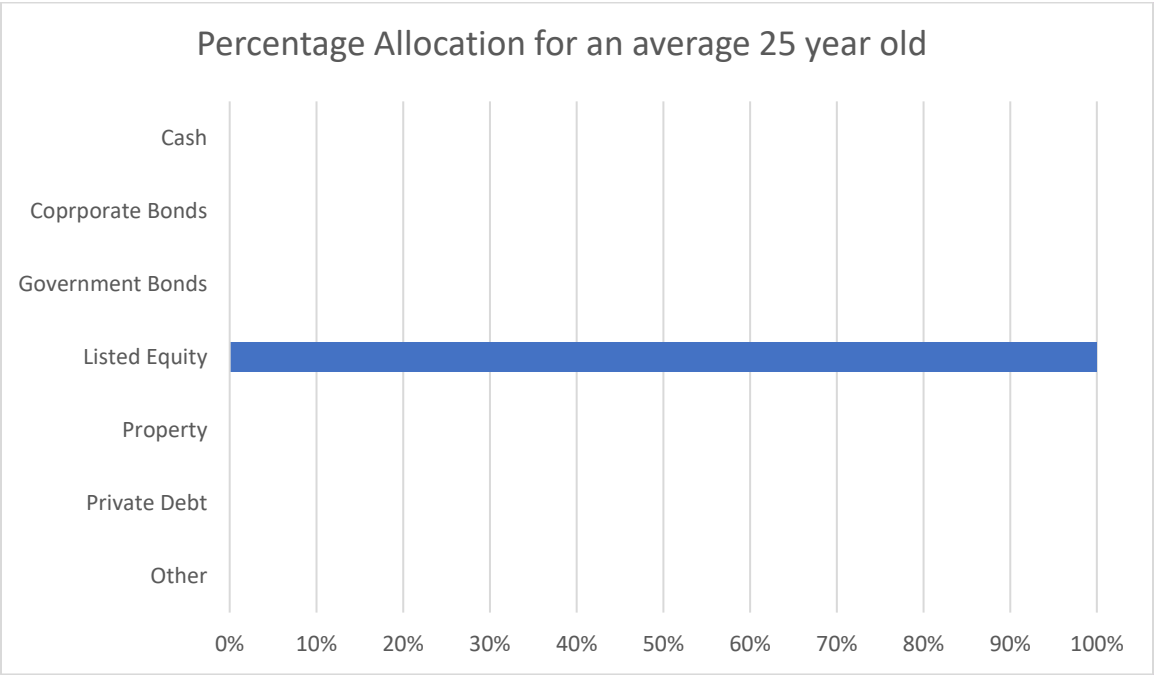
¹ Funds used within the default Drawdown Lifestyle strategy

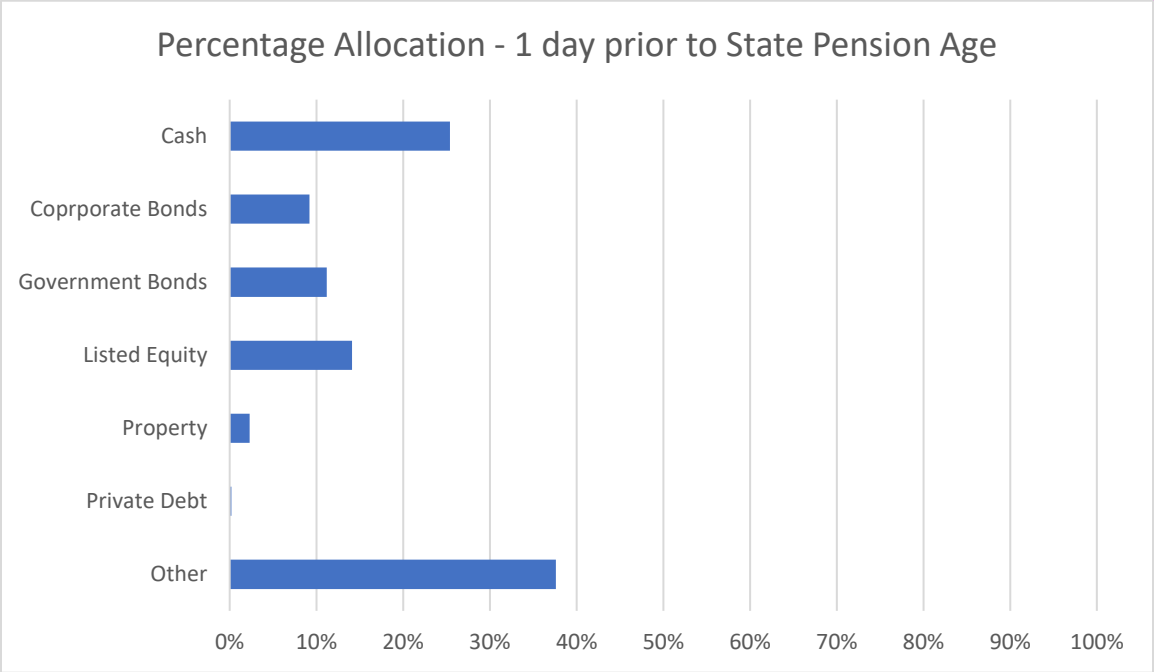
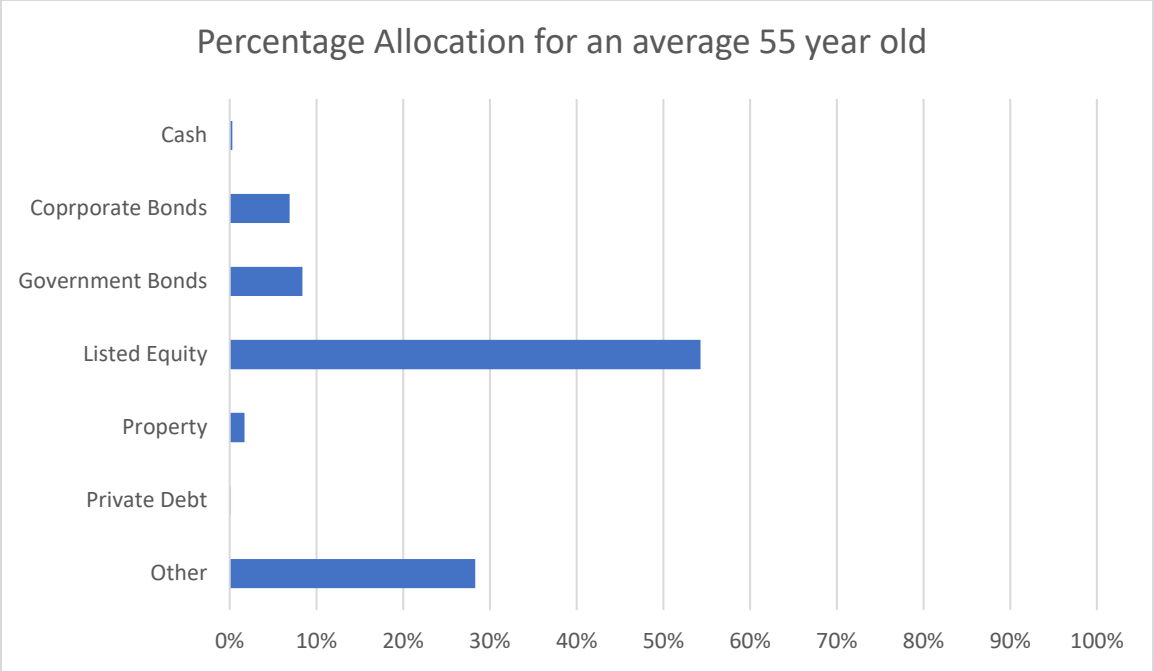
Asset allocation of the default investment arrangement

We are required to provide the percentage of assets allocated in the default arrangement to specified asset classes and show how the asset allocations change at different ages. This is to show members the different asset allocation phases that take place as pension savings accumulate in the default arrangement up to and at retirement.

We have prepared the below table and graph having taken account of the statutory guidance effective from 30 January 2023 issued by the Department of Work and Pensions in preparing this section of our statement.

Asset class	Percentage allocation- average 25 year old	Percentage allocation- average 45 year old	Percentage allocation- average 55 year old	Percentage allocation- 1 day prior to State Pension Age
Cash	0.0%	0.1%	0.3%	25.4%
Bonds	0.0%	0.0%	0.0%	0.0%
Corporate bonds	0.0%	2.3%	6.9%	9.2%
Government bonds	0.0%	2.8%	8.4%	11.2%
Other bonds	0.0%	0.0%	0.0%	0.0%
Listed equities	100.0%	84.8%	54.3%	14.1%
Private equity	0.0%	0.0%	0.0%	0.0%
Venture capital	0.0%	0.0%	0.0%	0.0%
Buyout funds	0.0%	0.0%	0.0%	0.0%
Property	0.0%	0.6%	1.7%	2.3%
Infrastructure	0.0%	0.0%	0.0%	0.0%
Private debt	0.0%	0.0%	0.1%	0.2%
Other	0.0%	9.4%	28.3%	37.6%
Total	100%	100%	100%	100%





Charges and transaction costs paid by members

The Trustee is required to explain the charges and transaction costs (i.e. the costs of buying and selling investments) in the Defined Contribution Section that are paid by members rather than the employer. In the Scheme, members typically pay for investment management and investment transactions, while the employer pays all the other costs of running the Scheme such as administration and governance.

The investment management and transaction costs can be explained like so:

- The total ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges). The ongoing charges figure for the default investment strategy is compared against the 0.75% charge cap set by legislation.
- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund or strategy. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike the ongoing charges figures, transaction costs are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is typically net of these transaction costs. It should be noted that the transaction costs are likely to vary from fund to fund and from year to year.
- In addition, there can be switching costs incurred as a result of the buying and selling of funds. This may relate either to member-driven trades (e.g., a self-select member switching between investment funds) or to automatic trades (e.g., those associated with fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the fund price used to place the trade and the price which would have applied to that fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.

The level of ongoing charges applicable to the Defined Contribution Section's default investment arrangement during the last Scheme year was 0.04% to 0.35%, reflecting any changes to charges made in the Scheme year.

The assets held in the default investment arrangement vary depending upon how close a member is to retirement as we have described earlier in this statement. An indication of how these costs change over time is shown below:

Years to retirement	Annual Charge
25 or more years to retirement	0.13%
20 years to retirement	0.17%
15 years to retirement	0.21%
10 years to retirement	0.25%
5 years to retirement	0.30%
At retirement	0.29%

The level of charges applicable to the Defined Contribution Section's other investment funds that members were invested in during the last Scheme year were as follows:

Fund Name	Ongoing charges
UK Equity Fund	0.13%
Global Equity Fund ¹	0.13%
Overseas Equity Fund	0.12%
Index-Linked Gilt Fund	0.04%
Cash Fund ¹	0.12%
Diversified Multi-Asset Fund ¹	0.35%
Corporate Bond Fund	0.07%
Fixed Interest Gilt Fund	0.05%
Future World Fund	0.10%

¹ Funds used within the default Drawdown Lifestyle strategy

The transaction costs applicable to the investment funds being utilised by members over the Scheme year were confirmed by Legal & General as being:

Fund Name	Transaction costs
UK Equity Fund	-0.02%
Global Equity Fund ¹	0.03%
Overseas Equity Fund	0.03%
Index-Linked Gilt Fund	0.04%
Cash Fund ¹	0.08%
Diversified Multi-Asset Fund ¹	0.19%
Corporate Bond Fund	-0.12%
Fixed Interest Gilt Fund	-0.01%
Future World Fund	0.02%

¹ Funds used within the default Drawdown Lifestyle strategy

Please note that where a transaction cost is negative, this means that transacting has resulted in a net gain rather than a net cost for the fund.

Switching between different investment funds in the Scheme

The funds used by the Defined Contribution Section of the Scheme operate on a single-swinging price basis with no explicit switching costs charged to members. However, implicit costs will apply when trades are placed, which will be reflected in the prices that members receive when placing their trades. These implicit costs will vary between members depending on what switches took place for each member and the date at which these occurred. The Trustee is not able to track what switching costs have been incurred in practice for particular members.

Completeness of transaction cost information

Where information about the member costs and charges 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. We are pleased to report that there was no information unavailable other than the transactions cost have now been averaged over 5 years.

Examples of the impact of costs and charges

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on members' savings.

We have prepared the following examples having taken account of the updated statutory guidance effective from 1 October 2021 issued by the Department of Work and Pensions¹ in preparing this section of our statement.

The APT Pension Scheme
Cost and charging illustration as at 30 June 2024
Sample projected pension pot for selected funds in today's money

		Fund choice						
		Drawdown Lifestyle Strategy	Index Linked Gilts		Diversified Multi Asset		Cash Fund	
		The funds used change based on the term to retirement	Only one fund is used throughout		Only one fund is used throughout		Only one fund is used throughout	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
	£	£	£	£	£	£	£	£
25	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
30	36,506	36,323	37,671	37,576	34,279	33,701	32,183	31,980
35	67,858	67,224	71,972	71,633	60,388	58,532	53,829	53,219
40	104,941	103,498	114,495	113,695	88,464	84,549	74,953	73,743
45	147,323	144,353	167,208	165,642	118,656	111,807	95,567	93,576
50	193,669	187,943	232,553	229,798	151,122	140,365	115,683	112,741
55	242,803	232,666	313,559	309,031	186,034	170,286	135,313	131,260
60	293,218	276,634	413,978	406,887	223,576	201,635	154,469	149,155
65	337,171	312,801	538,462	527,741	263,947	234,480	173,162	166,448

Notes

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £10,000
- Inflation is assumed to be 2.5% each year
- Contributions are included from age 25 to 65 based on contributions of 23%, assuming earnings increase by 2.5% each year, based on starting earnings of £20,000 per annum.
- Values shown are estimated and are not guaranteed
- The projected growth rate before expenses from each fund, which is based on AS TM1 as follows:
 Drawdown Lifestyle Strategy (growth stage): 3.41% above inflation
 Index Linked Gilts fund: 4.39% above inflation
 Diversified Multi Asset fund: 1.46% above inflation
 Cash fund: 0.49% below inflation
- Negative transaction costs have been treated as zero in line with how the FCA treats transaction costs for contract-based pension schemes

¹ <https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/reporting-of-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-schemes-effective-from-1-october-2021>

The APT Pension Scheme

Cost and charging illustration as at 30 June 2024 Sample projected pension pot for selected funds in today's money

	Fund choice							
	Drawdown Lifestyle Strategy		Index Linked Gilts		Diversified Multi Asset		Cash Fund	
	The funds used change based on the term to retirement		Only one fund is used throughout		Only one fund is used throughout		Only one fund is used throughout	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	& costs deducted
	£	£	£	£	£	£	£	£
40	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
45	107,537	106,728	112,531	112,203	100,819	98,833	93,641	92,949
50	172,220	169,373	190,047	189,025	155,468	149,996	136,227	134,452
55	242,655	235,907	286,140	283,903	214,233	203,600	177,785	174,556
60	316,915	303,775	405,262	401,078	277,426	259,762	218,339	213,310
65	385,910	364,348	552,932	545,793	345,381	318,604	257,914	250,758

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £50,000
3. Inflation is assumed to be 2.5% each year
4. Contributions are included from age 40 to 65 based on contributions of 23%, assuming earnings increase by 2.5% each year, based on starting earnings of £40,000 per annum
5. Values shown are estimated and are not guaranteed
6. The projected growth rate before expenses from each fund, which is based on AS TM1 as follows:
 Drawdown Lifestyle Strategy (growth phase): 3.34% above inflation
 Index Linked Gilts fund: 4.29% above inflation
 Diversified Multi Asset fund: 1.48% above inflation
 Cash fund: 0.49% below inflation
7. Negative transaction costs have been treated as zero in line with how the FCA treats transaction costs for contract-based pension schemes

The APT Pension Scheme

Cost and charging illustration as at 30 June 2024 Sample projected pension pot for selected funds in today's money

	Fund choice							
	Drawdown Lifestyle Strategy		Index Linked Gilts		Diversified Multi Asset		Cash Fund	
	The funds used change based on the term to retirement		Only one fund is used throughout		Only one fund is used throughout		Only one fund is used throughout	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
	£	£	£	£	£	£	£	£
40	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
45	11,703	11,591	12,397	12,350	10,753	10,477	9,758	9,663
50	13,455	13,154	15,367	15,253	11,564	10,977	9,523	9,338
55	15,196	14,613	19,050	18,838	12,435	11,501	9,293	9,023
60	16,858	15,892	23,616	23,265	13,372	12,050	9,068	8,719
65	18,040	16,641	29,275	28,733	14,379	12,625	8,849	8,426

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £10,000
3. Inflation is assumed to be 2.5% each year
4. No future contributions have been included as would be the case for a deferred member of the Scheme
5. Values shown are estimated and are not guaranteed
6. The projected growth rate before expenses from each fund, which is based on AS TM1 as follows:
 - Drawdown Lifestyle Strategy (growth phase): 3.41% above inflation
 - Index Linked Gilt fund: 4.39% above inflation
 - Diversified Multi Asset fund: 1.46% above inflation
 - Cash fund: 0.49% below inflation
7. Negative transaction costs have been treated as zero in line with how the FCA treats transaction costs for contract-based pension schemes

Past performance of the investment options

We have calculated the return on investments after the deduction of any charges and transaction costs paid for by the members. We have done this for the default investment arrangement and for each self-select fund which members are now able, or were previously able, to select and in which Scheme members have been invested during the Scheme year.

The net returns to 30 June 2024 are shown in the tables below and have been included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance. We have prepared the following tables, having taken account of the statutory guidance issued by the Department of Work and Pensions².

Annualised net returns (%) for the default investment arrangement (the Drawdown Lifestyle) over periods to 30 June 2024

Age of member at the start of the period*	5 years (2019-2024)	1 year (2024)
Age 25	9.7%	20.6%
Age 45	7.2%	17.5%
Age 55	4.3%	13.3%

*As the default investment arrangement is a lifestyle strategy made up of different investment funds, the returns may vary with the age of the member, so we have shown the returns at three example ages in line with regulatory guidance.

Annualised net returns (%) for the self-select funds over periods to 30 June 2024

Investment Fund	5 years (2019-2024)	1 year (2024)
Diversified Multi-Asset Fund	1.9%	9.2%
Index-Linked Gilt Fund	-7.5%	-0.6%
Global Equity Fund	9.7%	20.6%
UK Equity Fund	3.2%	13.9%
Overseas Equity Fund	12.2%	21.7%
Cash Fund	1.7%	5.3%
Corporate Bond Fund	-5.7%	6.3%
Fixed Interest Gilt Fund	-9.0%	2.6%

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

Notes for both tables:

1. Figures have been collected for the periods to 30 June 2024
2. Figures shown for the default lifestyle strategy are calculated based on changes to unit prices, given the unit prices incorporate all fees and charges, as well as the impact of price swings and hence switching costs. Please note that this is a different methodology from that used for the self-select fund range and hence there will be some differences between the figures shown here and those shown for the underlying self-select funds.
3. Composite performance figures for the lifestyle strategy assume allocations are in line with the switching matrix at each quarter end. We have not allowed for deviations due to market movements in the preceding period.
4. The Scheme's inception date is 4 June 2018 and therefore actual performance is unavailable for periods longer than 5 years.
5. Net investment return figures for 10, 15 years and 20 years to 30 June 2024 were not available.
6. Figures shown for the self-select investment options are calculated based on underlying investment manager performance. No Scheme members have been invested in the Future World Multi-Asset Fund during the Scheme year.

Core financial transactions

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

- investing contributions paid into the Scheme;
- transferring assets relating to members into and out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to, or on behalf of, members.

The Trustee must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme's administrator, Gallagher (formerly known as Buck). This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

There is a service level agreement in place between the Trustee and Gallagher which provides for Gallagher to ensure accurate and timely processing of the core financial transactions for which it is responsible. Where no specific service level agreement has been agreed, Gallagher adheres to its standard in-house service levels. Gallagher is also required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustee and in accordance with the Scheme's trust deed and rules.

In order to monitor this service, the Trustee receives regular reports confirming the payment and allocation of contributions, as well as information on events such as cash management and pension payroll. The Trustee also monitors transactions made via the Trustee's bank account on a regular basis.

As administrator, Gallagher prepares a regular report (AAF 01/06) setting out its internal controls in respect of pensions administration which is independently audited.

The following service standards apply to the core pension administration service:

Transaction	Service Standard (working days) following receipt of full data
Contribution Investments	5 Days
Deaths	2 Days
Investment Changes/Switches	5 Days
Leavers	10 Days
New Entrants	10 Days
Retirement	15 Days
Transfers Out	15 Days

Any mistakes or delays are investigated thoroughly, and action is taken to put things right as quickly as possible.

The Scheme Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

I am pleased that in the last Scheme year there have been no material administration service issues which need to be reported by the Trustee and core financial transactions have been processed within a reasonable time.

Overall, we are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Trustee knowledge and understanding

The law requires the Trustee Directors to be conversant with the Scheme's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Scheme effectively.

The Trustee Directors meet all the knowledge and understanding requirements and understand the Scheme and its documents. The Trustee Directors are aware that they must have a working knowledge of the trust deed and rules of the Scheme, the Statement of Investment Principles and the documents setting out the Trustee's current policies. They are also aware that they must 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. The Trustee Directors do this by regularly reviewing the relevant Scheme documents via the Scheme's online portal.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board.

- All of the longer-serving Trustee Directors have completed The Pensions Regulator's on-line trustee toolkit. The new trustee directors are working towards completing the toolkit within 6 months of becoming a member of the Trustee Board. Trustee directors must review the toolkit on an on-going basis to ensure their knowledge remains up to date.
- We have a training log for each Trustee Director and review regularly and update with our training activities. Training over the period covered by this statement relevant to the Defined Contribution Section of the Scheme included attending seminars from Buck on topical items, completion of additional sections from The Pensions Regulator's toolkit and attendance at a legal briefing update.
- The Trustee Directors receive "on-the-job" training. This means that as new topics arise their professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests, as well as training during the meeting so that the Trustee Directors may engage on such topics in an informed manner.
- An induction process is in place for newly appointed Trustee Directors and new Trustee Directors would be required to attend a trustee training course provided by the Trustee's professional advisers.
- The Trustee will be assessing the Scheme against the standards set out in The Pension Regulator's new general code of practice to ensure we can demonstrate that we are operating an effective system of governance and in order to carry out the new prescribed risk assessment in a timely manner. An update will be provided in future year's Statements.

Relevant advisers are in attendance at meetings and in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Scheme or in respect of pension or trust law.

During the Scheme year, training and development which impacted the Defined Contribution Section took place on the following topics:

- Statutory Money Purchase Illustration assumptions for 5 April 2024
- Pension Dashboards
- Chair's Statement and Value for Member assessment 2024
- Regulator's new code of practice

As a result of the training activities which have been completed by the Trustee Directors individually and collectively and taking into account the professional advice available to the Trustee Board, I am confident that the combined knowledge and understanding of the Trustee Board enables us to properly exercise our functions as a Trustee Board.

Defined Benefit Section - AVC arrangements

Our historic AVC arrangements associated with the Defined Benefit Section (which are closed to new members) are also provided by LGIM. The fund options available to members of the Defined Contribution Section are also available to members of the Defined Benefit Section who have AVC arrangements (and charges and transaction costs have been given in the section above). The review of the AVC arrangements is, therefore, also included within any review of the Defined Contribution Section's investment options.

Assessing value for members

As part of our assessment of the charges and transaction costs, the Trustee is required to consider the extent to which costs and charges within the Defined Contribution Section represent good value for members when compared to other options available in the market.

The Trustee has conducted three tests in assessing value for members for the Scheme year to 30 June 2024:

1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Scheme against key **governance and administration** criteria.

Based on our assessment, we conclude that the Scheme offered good value for members over the year to 30 June 2024, when measured against the definition required by legislation, using the three comparison schemes selected by the Trustee and using our interpretation of the updated statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

Appendix A sets out the approach that the Trustee has taken, the conclusions reached and an explanation of how and why we have reached those conclusions.

Feedback

If you have any questions about anything that is set out in this Statement, or any suggestions about what can be improved, please do let us know. The Trustee will also discuss this analysis with the Company to obtain their views.

.....*Stephen Knott*.....

Signed for and on behalf of the Trustees of The APT Pension Scheme by Stephen Knott, Chair of the Trustee.

Approved by the Trustee on 28 January 2025

Appendix A – assessing value for members

The Trustee has carried out a detailed value for members assessment which applies to the Scheme, as a result of the Scheme holding total assets under £100 million as at the Scheme year-end of 30 June 2024.

It should be noted that the approach is based on the statutory guidance on assessing ‘value for members’ for occupational DC pension schemes with total assets under £100 million.

In carrying out the assessment, the Trustee has had regard to the Department for Work and Pensions updated statutory guidance on “Completing the annual Value for Members assessment and Reporting of Net Investment Returns”³.

This section sets out the approach that the Trustee has taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Our approach

Assisted by our advisers and in line with the statutory guidance, we have taken the following approach:

1. We have collated information on costs and charges and net investment returns within the Scheme, as well as key governance and administration criteria within the Scheme;
2. We have collated information on costs and charges and net investment returns within three comparison schemes, selected using clear rationale agreed by the Trustee;
3. We have assessed the value that Scheme members receive by comparing the Scheme’s costs and charges and net investment returns relative to the comparison schemes and assessing the key governance and administration criteria on an absolute basis, having due regard to the updated statutory guidance; and
4. We have reflected on our key findings, before deciding whether the Scheme provides overall value for members and agreeing any actions that are required following the assessment.

For the avoidance of doubt, under the updated statutory guidance, trustees of occupational DC pension schemes who are not able to demonstrate that their pension scheme delivers value for members on all three areas (costs and charges; net investment returns; administration and governance) are expected to conclude that their pension scheme does not provide good value for members.

Such trustees should look to wind up their pension scheme and transfer the rights of their members into a larger pension scheme or set out the immediate action they will take to make improvements to the existing scheme (if the improvements identified are not made within a reasonable period, for example within the next scheme year, then those trustees would be expected to wind up and transfer members’ benefits to another pension scheme).

Preparations for the assessment

The Trustee received support from advisers around how to undertake the new detailed value for members assessment and also considered the updated statutory guidance.

1. A number of key decisions were made as part of these preparations, in two main areas which were; selecting the three comparison schemes and interpreting the statutory guidance.

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

1. Selecting the three comparison schemes

In order to carry out the value for members assessment, the Trustee's first step was to select three comparison schemes.

We took advice from our pension advisers in this regard to ensure that we conducted an appropriate selection process, as our pension advisers have the relevant market knowledge of defined contribution pension arrangements.

In line with the statutory guidance, the comparison schemes selected were all greater than £100 million in size and of a different structure to the Scheme, to ensure that a meaningful comparison was made with a larger pension arrangement.

As Trustee, we were required to set clear rationale for the schemes that we would select as comparators. On top of the statutory guidance requirements, the Trustee selected the following criteria for the comparison schemes:

- The comparison schemes would all be Master Trusts, as these are schemes that differ in structure to the Scheme (a trust-based occupational pension scheme) and would be able to accept a bulk transfer of members' assets without consent;
- The comparison schemes would support in-scheme drawdown (i.e. the ability for individuals to flexibly access their savings without changing pension schemes);
- The comparison schemes would have comparable scheme profiles to the Scheme (i.e. a significant proportion – say, 10% – of schemes that are of comparable size to the Scheme);
- The comparison schemes would be likely to offer terms to receive a bulk transfer of the assets and membership of the Scheme as part of a wind-up and bulk transfer;
- Finally, the comparison schemes would be able to provide the net investment return, charges and transaction costs required by the Trustee. From a practical point of view, the Trustee selected from a long-list of Master Trusts who have engaged with the 2023 round of our adviser's annual provider market data gathering exercise (i.e. the Trustee implicitly assumed that providers who did not engage with their advisers would not be able or willing to provide the data required).

By applying this clear rationale within the comparison scheme selection process, the Trustee selected the following comparison schemes:

- L&G Worksave Master Trust;
- Standard Life Master Trust; and
- The People's Pension.

The statutory guidance states that "Trustees of specified schemes are of course at liberty to choose their own comparison schemes, each time they conduct the value for members assessment". As a result, the Trustee reserves the right to select different clear rationale and choose different comparison schemes for future Scheme years.

2. Interpreting the statutory guidance

This is the third year in which the new value for member assessment has been rolled out across all occupational DC pension schemes with assets under £100 million.

The Trustee made the following key decisions for this Scheme year (where this relates to a particular paragraph of the statutory guidance, the relevant paragraph number is shown in [square brackets]):

- The Trustee notes that charges and transaction costs will vary by age for Scheme members in the 25 years prior to normal retirement date for the default investment arrangement. The Trustee has therefore shown figures for members at ages 25, 45 and 55 noting 10 years is the recommended intervals to show results but the figures would be the same for a member aged 25 and 35. [57];
- The Trustee has relied entirely on the data supplied by the providers of the comparison schemes [58/69];
- The Trustee has requested comparison data as at 30 June 2024;
- The Trustee has agreed that the charges and transaction costs over the year to 30 June 2024 are not unusually high for a reason that is unlikely to be repeated and so have used the last year's transaction costs rather than taking an average over the last 5 years [61];
- Where the Trustee has performed comparisons using the Scheme's default investment arrangement, we have compared them against the default arrangement put forward by each comparison scheme, where these schemes have different options for default arrangements [62/72];
- In the absence of a clear definition in the statutory guidance, the Trustee has defined self-select funds as "popular" or "frequently invested" if more than 5% of members are invested in the self-select funds [63/73/76/77];
- The Trustee has given the total charges and transaction costs and net investment returns in the default lifestyle arrangement a weighting of 100%, given that no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the above definition [64/74];
- The Trustee has placed more weight on the net investment returns over charges and transaction costs by weighting net investment returns by 80% and charges and transaction costs by 20% when assessing value for members [67];
- The Trustee has only been able to source and use five-year net investment returns to assess longer-term investment performance (10-year and 15-year data was not consistently provided) and have also placed more weight on the longer-term performance by weighting five-year net investment returns by 80% and short-term one-year returns by 20% [68];
- The Trustee was not provided with sufficient data by the comparison schemes to assess whether the demographic profile of the Scheme differed sufficiently to those of the comparison schemes to support a "clear strategic choice" that explains differences in performance [77];
- The Trustee has assumed that funds being compared that have charges and transaction costs with an absolute difference within 0.05% or that have net investment returns with an absolute difference within 0.5% are considered to be "closely comparable" [65/75];
- When assessing the value delivered by their governance and administration offering within the Scheme, the Trustee has considered and assessed the Scheme against the seven key metrics of Administration and Governance set out in the updated statutory guidance and note that the guidance also sets out an expectation that all [seven] of the metrics for administration and governance are satisfied for a pension scheme to be able to demonstrate satisfactory value for members [111/112]. In making this assessment, the Trustee has assumed the following:

- I. When assessing the **promptness and accuracy of core financial transactions**, the Trustee has placed greater weight on the proportion of member transactions that have been completed accurately and within required timeframes set in legislation compared to the proportion of member transactions that have been completed according to any service level agreements (SLA) when assessing whether the Scheme would represent “satisfactory value” for members in this area [81-85];
- II. When assessing the **quality of record keeping**, the Trustee has assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent “satisfactory value” for members in this area. The Trustee have also assumed that the lack of any regulatory action by The Pensions Regulator in light of the data scores for common and scheme-specific data reported in the Scheme’s historic annual scheme returns indicates that the Scheme’s data scores are “satisfactory value” for members [86-96];
- III. When assessing the **appropriateness of the default investment strategy**, the Trustee has considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent “satisfactory value” for members in this area [97-99];
- IV. When assessing the **quality of investment governance**, the Trustee has considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent “satisfactory value” for members in this area [100-101];
- V. When assessing the **level of trustee knowledge, understanding and skills to operate the Scheme effectively**, the Trustee has assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent “satisfactory value” for members in this area [102-104];
- VI. When assessing the **quality of communication with Scheme members**, the Trustee has assumed that concluding that they have met their statutory obligations and have also achieved satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent “satisfactory value” for members in this area [105-107];
- VII. When assessing the **effectiveness of management of conflicts of interest**, the Trustee has assumed that having all four of the controls set out in the updated statutory guidance in place and being able to show how these have been followed and are effective in practice would represent “satisfactory value” for members in this area [108-110];

The Trustee will revisit these decisions in future Scheme years, allowing for emerging industry-wide practices or case studies, particularly around the approach that The Pensions Regulator ends up taking when assessing how trustees carried out the new detailed value for member assessments.

Process followed for the assessment, including key factors considered

The Trustee requested the required information from each of the comparison schemes in order to undertake the relative assessment of costs and charges and net investment returns against the Scheme. The Trustee also requested the assistance of advisers to assist in assessing the Scheme against the criteria set out in the updated statutory guidance.

The assessment then involved three tests:

1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Scheme against key **governance and administration** criteria.

The Trustee has also had discussions with at least one of the comparison schemes about a transfer of the members' rights if the Scheme should ever be wound up (please note that this is a requirement of the statutory guidance, rather than a reflection of the future ambitions of either the Trustee or the Company).

The outcomes from our assessment

Test 1: costs and charges

The Trustee has identified the costs and charges that members pay for directly, as well as the costs and charges that are paid for by the Company.

It is the current policy of the Trustee and the Company that the only costs and charges that are paid by members are fund management charges and transaction costs for the investment funds used within the Scheme.

For all other costs and charges, the Company bears the full cost. This covers such areas as:

- wider investment support and governance (e.g., the costs of regularly reviewing and updating funds available to members, etc);
- administration of the Scheme (e.g., the costs of updating and maintaining member records, processing contributions and pension payments, dealing with member queries, producing annual financial statements, etc);
- member communications (e.g., the costs of producing and issuing member booklets, annual benefit statements, etc); and
- the management and governance of the Scheme (e.g., the expenses of the Trustee, the costs of legal/actuarial advisers and annual audit, etc).

The Trustee has gathered information about costs and charges from the three comparison schemes and compared them with the costs and charges paid by the members directly in the Scheme.

A summary of the comparison is shown in the table below.

For the year to 30 June 2024	Ongoing charges figures	Transaction costs	Total of ongoing charges figures and transaction costs
Our default investment arrangement			
Member aged 25	0.13%	0.03%	0.16%
Member aged 45	0.17%	0.06%	0.23%
Member aged 55	0.25%	0.12%	0.37%
Default investment arrangements proposed for the comparison schemes			
The People's Pension	0.50%	0.06%	0.56%
Standard Life Master Trust	0.24%	0.06%	0.30%
L&G Worksave Master Trust	0.26%	0.05%	0.31%
Average of the three comparison schemes	0.33%	0.06%	0.39%

The Trustee has given greater weight in the comparison to the total charges and transaction costs in the default arrangement than self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default investment arrangement since no self-select fund in the

Scheme has sufficient members investing in it to be considered “popular” or “frequently invested” under the definition set out earlier in this section.

Our conclusion on costs and charges is that the total charges and transaction costs are lower than or comparable with the average for the comparator schemes, so it is reasonable to assume that the Scheme as a whole represents good value for members from the standpoint of costs and charges.

Test 2: Investment returns (fund performance)

The Trustee has gathered past performance of the investment options within the Scheme and included this in the earlier section entitled “Past performance of the investment options”.

The Trustee has also gathered information about investment returns (after the deduction of any charges and transaction costs) for the investment options of the three comparison schemes and compared them with the net investment returns in the Scheme.

The Trustee has given greater weight in the comparison to the net investment returns in the default investment arrangement than self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default investment arrangement since no self-select fund in the Scheme has sufficient members investing in it to be considered “popular” or “frequently invested” under the definition set out earlier in this section.

We have, therefore, compared our default investment arrangement with the default investment arrangement proposed for each of the three comparison schemes.

The Trustee has compared net investment returns:

- in the short term (i.e., over a one-year period to the year ending 30 June 2024) to give an immediate indication of performance trend; and
- over a longer, more sustained, period for which broadly comparable data could be found (i.e., over a five-year period to the year ending 30 June 2024).

The Trustee plan to include longer-term performance (e.g., 10 and 15 years) when this data is available.

A summary of the comparison is shown in the table below.

For the period to 30 June 2024	One-year net investment return (annualised)	Five-year net investment return (annualised)
Our default investment arrangement (growth phase)	20.6%	9.7%
Default investment arrangements proposed for the comparison schemes		
The People’s Pension	13.6%	5.9%
Standard Life Master Trust	16.2%	*
L&G Worksave Master Trust	12.7%	4.1%
Average of the three comparison schemes	14.2%	5.0%

*Launched December 2020 so figure not currently available

Notes:

1. Figures have been collected for the periods to 30 June 2024.
2. Figures have been shown for the following strategies for each of the three comparison schemes:
 - The People’s Pension Global Investments (up to 85% shares) Fund
 - Standard Life Master Trust Sustainable Multi-Asset Growth Pension Fund
 - L&G Worksave Master Trust: LGIM 2040-2045 Target Date Fund

Both the one-year and five-year net return figures for our default investment arrangement are better than the average of the comparator default investment arrangements. Overall, it is reasonable to deduce that our default investment arrangement represents good value for members from the standpoint of investment returns for that arrangement.

Our conclusion on net investment performance is that the net investment returns across a majority of the funds offered by the Scheme in which members are frequently invested are better than the comparator schemes, so it would be reasonable to assume that the Scheme as a whole represents good value for members from an investment returns perspective.

Test 3: Governance and administration

The Trustee has assessed the value delivered by our governance and administration offering as the third and final part of our assessment of value for members. Effective scheme governance is essential for the operational and financial sustainability of the Scheme, for good outcomes from investment, and for the trust and confidence of our members.

Our assessment for governance and administration is based on seven key metrics as prescribed by legislation. Unlike the assessments for costs and charges and for net investment returns, this assessment does not involve a comparison with other schemes.

We have, however, taken advice from our pensions advisers as a reference for “best practice” and used this to explain our interpretation earlier in this section of the requirements set out in paragraphs 78 to 110 of the statutory guidance.

A summary of the comparison is shown in the table below.

Metric	Description	Rating	Main reason
1.	Promptness and accuracy of core financial transactions	Metric satisfied	The Trustee monitors the activity of the administrators, Gallagher, and there are no current issues.
2.	Quality of record keeping	Metric satisfied but steps to be taken to strengthen	The Trustee will continue with any plans to improve the Scheme-specific data scores
3.	Appropriateness of the default investment strategy	Metric satisfied	The Trustee believes that the requirements of this metric have been met but a current review is in progress
4.	Quality of investment governance	Metric satisfied	The Trustee believes that the requirements of this metric have been met
5.	Level of trustee knowledge, understanding and skills to operate the pension scheme effectively	Metric satisfied but steps to be taken to strengthen	The Trustee will consider evaluating the effectiveness of the Board at least annually.
6.	Quality of communication with scheme members	Metric satisfied	The Trustee believes that the requirements of this metric have been met.
7.	Effectiveness of management of conflicts of interest	Metric satisfied	The Trustee believes that the requirements of this metric have been met

Having considered all seven metrics within the theme of governance and administration, the Trustee has concluded that the overall governance and administration of the Scheme provides good value for members.

Final conclusions and points to note

The Trustee has concluded that the Scheme offered good value for members over the year to 30 June 2024, as set out in detail in this section.

It should be noted, though, that the value for members assessment under the new detailed framework may vary from year to year, as it is heavily determined by short-term and long-term assessments of relative costs and charges and relative net investment returns, which in themselves are heavily influence by the choice of the three comparison schemes.

As a reminder, should the Trustee feel in any future year that we are not able to demonstrate that the Scheme delivers value for members on **all** three areas (costs and charges; net investment returns; administration and governance), then the updated statutory guidance – and The Pensions Regulator – would expect the Trustee to conclude that the Scheme does not provide good value for members under the updated statutory guidance.

If the Trustee was to conclude that the Scheme does not provide good value for members at any Scheme year end in the future, the updated statutory guidance – and The Pensions Regulator – would expect that the Trustees look to wind up the Scheme and either:

- transfer the rights of the Scheme members into a larger pension scheme; or
- set out the immediate action the Trustee will take to make improvements to the Scheme (if the improvements identified are not made within a reasonable period, for example within the next Scheme year, then the Trustee would be expected to wind up and transfer Scheme members' benefits to a larger pension scheme).