Draft Chair's DC Governance Statement, covering 1 January 2022 to 31 December 2022

1. Introduction

The **Russell Investments Pension Plan** (the "Plan") is an occupational pension scheme providing 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).

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

- The design and oversight of the investment options in which members can invest, this means the default arrangements (the "Default") and a number of other funds that are also classified as default arrangements for governance purposes (the "additional default funds")). This involves funds where contributions are invested for members that do not wish to choose their own investments and other funds members can select or have assets in, such as "legacy" funds;
- processing of core financial transactions (ie administration of the Plan, 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 Plan is assessed; and
- Trustee knowledge and understanding.

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

- The Trustees regularly monitor the investment arrangements, and we are satisfied that the Default, additional default funds and other investment options remain suitable for the membership. However, in light of rising inflation the Trustees reviewed the Default's cash allocation at retirement, with the aim of protecting members against further inflation without considerably changing the risk and return profile and have decided to reduce the allocation to the Russell Sterling Liquidity Fund at retirement from 20% to 10%, reallocating assets to the Russell Global Bonds (SH) Fund. This changes is expected to be implement within the 2023 Plan year.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Plan year, and the Trustees 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 the Trustees remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain.
- The Trustees are looking after your best interests as members, and undertake regular training and receive advice as appropriate so that they have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

The Trustees have made available a range of investment options for members. Members who join the Plan and who do not choose an investment option are placed into the Default. The Trustees recognise that just over half of members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustees decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

Some additional default funds were created when members' funds were compulsorily mapped into a target fund chosen by the Trustees (i.e. moved without member consent) when one of their existing investment fund options closed.

These additional default funds must adhere to the legal requirements that apply to default arrangements.

As of 31 December 2022, there were four funds that are used as part of the Default (shown in **bold**) and six additional default funds as follows:

- **Russell Multi Asset Growth Strategy**
- **Russell World Equity II (SH)**
- **Russell Global Bonds (SH)**
- **Russell Sterling Liquidity**
- Russell Global High Yield
- Russell UK Equity Fund
- Russell World Equity
- Russell World Equity (SH)
- Legal & General Over 5 Years Index Linked Gilts Fund
- Legal & General All Stocks Index-Linked Gilts Index Fund

The Trustees are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the default arrangements are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the default arrangements is attached to this Statement.

The aims and objectives of the Plan's Default, as stated in the SIP, is as follows:

- to provide long-term returns significantly above inflation; and
- reducing volatility for members approaching their expected retirement age.

The Default is reviewed at least every three years and was last reviewed on 30 August 2022. The performance and strategy of the Default were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the Default as stated in the SIP, and to check that it continues to be suitable and appropriate given the Plan's risk profiles and membership.

The Trustees concluded that the Default has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members. However, as a result of rising inflation, the Trustees reviewed the Default's cash allocation at retirement, with the aim of protecting members against further inflation without considerably changing the risk and return profile. The Trustees therefore agreed to increase the allocation to the Russell Global Bonds (SH) Fund, by reducing the allocation to the Russell Sterling Liquidity Fund from four years to retirement to improve the expected return profile of the Default and provide better protection against higher levels of inflation than the current strategy. The changes to the Default lifestyle strategy are expected to be implemented within the 2023 Plan year.

In addition to triennial strategy reviews, the Trustees also review the performance of the default arrangements against their benchamarks on a quarterly basis.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan, Railpen (formally known as RPMI). Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

The Trustees recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. The Trustees have received assurance from Railpen that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Plan has a service level agreement ("SLA") in place with Railpen which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by Railpen to help it meet the SLA are as follows:

- all post, emails and telephone requests are logged by case type each year, with the relevant SLA and target date being applied;
- daily reports are run to ensure that all cases are allocated to be worked on within the SLA;
- daily reports are also run to ensure that all allocated cases have been completed within SLA;
- casework is completed using a system called IntelliPen, which issues automatic reminders for outstanding information;

- a full cash/unit reconciliation is completed weekly;
- follow up emails are sent to ensure that processing of trades and switches are completed efficiently until paid; and
- aim to process switch instructions received before 9am on the same day before 12pm to reduce out of market exposure for members.

The Trustees regularly receive presentations from Railpen at Trustee meetings, providing the opportunity to discuss any aspect of service delivery and to help them monitor that SLAs are being met. To meet the service performance targets for accuracy and timeliness within the SLAs, Railpen have confirmed that they have control processes in place including daily reconciliation of bank accounts, daily reconciliation of transactions recorded in the administration system, automated processing and data validation applied to contribution files and investment instructions and at least two persons involved with checking investment and banking transactions.

To help the Trustees monitor whether service levels are being met, the Trustees receive quarterly reports about Railpen's performance and compliance with the SLA. Any issues identified by the Trustees as part of its review processes would be raised with Railpen immediately, and steps would be taken to resolve the issues.

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

- Railpen 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 Plan year.

The SLA average for the year was 99% which is consistent with previous Plan year levels.

4. Member-borne charges and transaction costs

The Trustees 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. For funds managed by Russell Investments, the annual fund management charges ("AMC") are rebated to members on a quarterly basis and only additional fund expenses are paid by members. For funds managed by L&G, members pay the investment management costs and additional fund expenses. The charges shown in this section exclude administration costs since these are met by the sponsoring company of the Plan, not by members.

The Trustees are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan'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 transaction costs are borne by members and also reflected in the unit price of the funds.

The charges and transaction costs have been supplied by Russell Investments and L&G who are the Plan's investment managers. When preparing this section of the Statement, the Trustees 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. The Trustees have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations the Trustees have used zero where a transaction cost is negative to give a more reaslistic projection (ie the Trustees we would not expect transaction costs to be negative over the long term).

Default arrangements

The Default has been set up as a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table. The charges for the underlying funds used within the Default are shown in section 'Self-select fund charges and transaction costs' as are the charges for the additional default funds. Funds used in the Default are shown in **bold.**

Default charges and transaction costs

Years to target retirement date	Member borne charges (%)	Transaction costs
20 years to retirement	0.10	0.38
15 years to retirement	0.11	0.32
10 years to retirement	0.13	0.26
5 years to retirement	0.12	0.26
At retirement	0.11	0.21

Russell Investments have provided charges and transaction costs as at 31 December 2022.

Self-select options

The level of charges for each self-select fund (including those used in the Default and the additional default funds) and the transaction costs over the period covered by this Statement are set out in the following table. The annual AMC for funds managed by Russell Investments is rebated to members on a quarterly basis and as such, there is no effective AMC that members pay for these funds.

Self-select fund charges and transaction costs

Fund name	Annual Management Charge (% pa)	Additional expenses (% pa)	Total Expense Ratio (% pa)	Transaction cost (% pa)
Russell (MAGS) Multi Asset Growth Strategy*	0.00	0.13	0.13	0.26
Russell OpenWorld Global High Dividend Equity	0.00	0.11	0.11	0.21
Russell World Equity*	0.00	0.07	0.07	0.22
Russell World Equity – Sterling Hedged*	0.00	0.07	0.07	0.66

Fund name	Annual Management Charge (% pa)	Additional expenses (% pa)	Total Expense Ratio (% pa)	Transaction cost (% pa)
Russell World Equity II	0.00	0.08	0.08	0.33
Russell World Equity II – Sterling Hedged*	0.00	0.09	0.09	0.41
Russell Emerging Markets Debt Local Currency	0.00	0.23	0.23	0.17
Russell Unconstrained Bond	0.00	0.12	0.12	0.23
Russell UK Sterling Bonds	0.00	0.19	0.19	0.01
Russell Global Bonds	0.00	0.09	0.09	0.24
Russell Global Bonds – Sterling Hedged	0.00	0.09	0.09	0.27
Russell Global Credit – Sterling Hedged	0.00	0.13	0.13	0.48
Russell Global High Yield*	0.00	0.11	0.11	0.01
Russell Global High Yield – Sterling Hedged	0.00	0.11	0.11	0.03
Russell Continental European Equity	0.00	0.20	0.20	0.17

Fund name	Annual Management Charge (% pa)	Additional expenses (% pa)	Total Expense Ratio (% pa)	Transaction cost (% pa)
Russell Continental European Equity – Sterling Hedged	0.00	0.20	0.20	0.23
Russell Emerging Markets Equity	0.00	0.12	0.12	0.43
Russell Eurozone Equity	0.00	0.11	0.11	0.27
Russell Japan Equity	0.00	0.26	0.26	0.34
Russell Japan Equity – Sterling Hedged	0.00	0.27	0.27	0.33
Russell Pan European Equity	0.00	0.41	0.41	0.28
Russell US Equity	0.00	0.12	0.12	0.20
Russell US Quant	0.00	0.12	0.12	0.21
Russell US Small Cap Equity	0.00	0.32	0.32	0.43
Russell UK Equity*	0.00	0.13	0.13	0.36
Russell Global Real Estate Securities	0.00	0.13	0.13	0.37
Russell OpenWorld Global Listed Infrastructure	0.00	0.11	0.11	0.11

Fund name	Annual Management Charge (% pa)	Additional expenses (% pa)	Total Expense Ratio (% pa)	Transaction cost (% pa)
Russell Sterling Liquidity*	0.00	0.06	0.06	0.00
L&G All Stocks Index-Linked Gilts Index*	0.10	0.00	0.10	0.18
L&G Asia Pacific ex-Japan Equity Index	0.29	0.00	0.29	0.04
L&G Cash	0.12	0.00	0.12	0.03
L&G Europe ex-UK Equity Index	0.25	0.00	0.25	0.04
L&G Global Emerging Markets Index	0.51	0.00	0.51	0.05
L&G Index Linked 5 Years Gilts*	0.10	0.00	0.10	0.21
L&G Japan Equity Index	0.23	0.00	0.23	0.01
L&G North America Equity Index	0.20	0.00	0.20	0.08
L&G UK Equity Index	0.18	0.00	0.18	0.04
L&G UK Fixed Interest – All Stocks	0.23	0.00	0.23	0.07
L&G World Emerging Markets Equity Index	0.56	0.00	0.56	0.05

Fund name	Annual Management Charge (% pa)	Additional expenses (% pa)	Total Expense Ratio (% pa)	Transaction cost (% pa)
L&G World ex-UK Equity Index	0.22	0.00	0.22	0.07

Russell Investments and L&G have provided charges and transaction costs as at 31 December 2022.
An asterisk (*) denotes the additional default funds. Charges for the funds used in the Default are shown in bold.

Total charges, including transaction costs, have increased over the Plan year for most of the funds managed by Russell Investments compared to the previous year. Russell Investments confirmed that this was due to the funds experiencing reduced AUMs, leading to an increased impact of fixed costs.

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, the Trustees 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 over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The Trustees have used the average annualised transaction costs over the past four years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the Default, as well as two funds from the Plan's self-select fund range in which members were invested at 31 December 2022. The additional default arrangements have also been illustrated. The two self-select funds and additional defaults shown in the illustration are:
    - the fund with highest annual member borne costs (TER minus Plan rebate plus Plan year transaction costs) – this is the Russell Investments US Small Cap Equity Fund with a before costs expected return of 4.0% above inflation.
    - the fund with lowest annual member borne costs (TER minus Plan rebate plus Plan year transaction costs) – this is the Russell Sterling Liquidity Fund with a before costs expected return of 0.5% above inflation.
    - additional defaults – the Russell World Equity Fund with a before cost expected return of 4.0% above inflation.
    - additional defaults – the Russell World Equity (SH) Fund with a before cost expected return of 4.0% above inflation.
    - additional defaults – the Russell UK Equity Fund with a before cost expected return of 4.0% above inflation.
    - additional defaults – the Russell Global High Yield Fund with a before cost expected return of 2.5% above inflation.
    - additional defaults – the L&G All Stocks Index Linked Gilts Index Fund with a before cost expected return of 0.5% above inflation.
    - additional defaults – the L&G Index Linked Over 5 Years Gilts with a before cost expected return of 0.5% above inflation.

Projected pension pot in today's money

	Default option		Russell Investments US Small Cap Equity Fund		Russell Sterling Liquidity Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£18,400	£18,300	£18,400	£18,300	£17,900	£17,900
3	£34,100	£33,800	£34,100	£33,700	£31,800	£31,800
5	£51,100	£50,300	£51,200	£50,200	£45,900	£45,800
10	£99,700	£96,900	£100,000	£96,500	£81,700	£81,400
15	£158,800	£152,100	£159,500	£151,300	£118,400	£117,700
20	£230,500	£217,600	£231,800	£215,900	£156,000	£154,900
25	£316,600	£294,600	£319,800	£292,300	£194,600	£192,900
30	£418,900	£384,700	£426,900	£382,500	£234,100	£231,700
35	£535,900	£485,700	£557,200	£489,100	£274,700	£271,300
40	£656,600	£588,100	£715,700	£615,000	£316,200	£311,800

Projected pension pot for additional defaults in today's money

	Russell World Equity Fund		Russell World Equity (SH) Fund		Russell UK Equity Fund		Russell Global High Yield Fund		L&G All Stocks Index Linked Gilts Index Fund		L&G Index Linked Over 5 Years Gilts	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£18,400	£18,400	£18,400	£18,300	£18,400	£18,300	£18,200	£18,200	£17,900	£17,900	£17,900	£17,900
3	£34,100	£33,900	£34,100	£33,800	£34,100	£33,800	£33,100	£33,000	£31,800	£31,700	£31,800	£31,700
5	£51,200	£50,600	£51,200	£50,400	£51,200	£50,400	£48,800	£48,400	£45,900	£45,600	£45,900	£45,600
10	£100,000	£98,100	£100,000	£97,000	£100,000	£97,100	£91,700	£90,300	£81,700	£80,800	£81,700	£80,700
15	£159,500	£154,900	£159,500	£152,500	£159,500	£152,600	£140,100	£137,000	£118,400	£116,400	£118,400	£116,300
20	£231,800	£222,900	£231,800	£218,200	£231,800	£218,600	£194,900	£189,100	£156,000	£152,600	£156,000	£152,400
25	£319,800	£304,300	£319,800	£296,300	£319,800	£296,900	£256,900	£247,400	£194,600	£189,300	£194,600	£189,000
30	£426,900	£401,700	£426,900	£388,800	£426,900	£389,800	£327,100	£312,400	£234,100	£226,600	£234,100	£226,200
35	£557,200	£518,400	£557,200	£498,700	£557,200	£500,200	£406,500	£385,100	£274,700	£264,400	£274,700	£263,800
40	£715,700	£658,100	£715,700	£629,100	£715,700	£631,300	£496,300	£466,200	£316,200	£302,800	£316,200	£302,100

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%.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £11,000. This is the approximate average (median) pot size for active members aged 30 years and younger (rather than using a whole membership average, the Trustees have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age.
- The starting salary is assumed to be £57,000. This is the approximate median salary for active members aged 30 or younger.
- Total contributions (employee plus employer) are assumed to be 12.0% of salary per year as this is the average contribution for the active membership.
- The projected annual returns used are as follows:
- Default option: 3.95% above inflation for the initial years, gradually reducing to a return of 2.65% above inflation at the ending point of the lifestyle.
    - Russell Investments US Small Cap Equity Fund – 4.0% above inflation.
    - Russell Sterling Liquidity Fund – Sterling Hedged – 0.5% above inflation.
- Additional default options:
    - Russell World Equity Fund – 4.0% above inflation.
    - Russell World Equity Fund -Sterling Hedged – 4.0% above inflation.
    - Russell UK Equity Fund – 4.0% above inflation.
    - Russell Global High Yield Fund – 2.5% above inflation.
    - L&G All Stocks Index Linked Gilts Index Fund – 0.5% above inflation.
    - L&G Index Linked Over 5 Years Gilts – 0.5% above inflation.
- No allowance for active management outperformance has been made.

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 Plan year.

For Russell Investment funds, the returns are net of all expenses (before any rebate is applied). The Trustees are unable to accurately present the performance experienced by members as a result of this rebate process.

For arrangements where returns vary with age, such as for the Default, returns are shown over the Plan year for a member aged 25, 45 and 55 at the start of the period the returns are shown over.

Default strategy net returns over periods to Plan year end

Age of member at the start of the period	1 year (%)	2 year (%)
25	-13.9	0.6
45	-13.7	0.4
55	-11.8	-3.3

Performance has not been shown for the 5 year period as members have only been able to invest in the revised Default since January 2021, when it was implemented. We have instead also shown the performance for the 5 year period to 31 December 2020 for the previous Default that was in place.

Previous Default strategy net returns over periods to 31 December 2020

Age of member at the start of the period	5 year (%)
25	5.2
45	5.2
55	4.9

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

Fund name	1 year (%)	5 year (%)
Russell (MAGS) Multi Asset Growth Strategy*	-11.8	1.6
Russell OpenWorld Global High Dividend Equity	1.5	5.4
Russell World Equity*	-5.3	8.6
Russell World Equity – Sterling Hedged*	-14.6	5.2
Russell World Equity II	-15.7	5.5
Russell World Equity II – Sterling Hedged*	-14.4	4.8
Russell Emerging Markets Debt Local Currency	6.9	1.3
Russell Unconstrained Bond	-1.9	1.2
Russell UK Sterling Bonds	-22.2	-2.1
Russell Global Bonds	-6.2	1.2
Russell Global Bonds – Sterling Hedged	-12.6	-0.3
Russell Global Credit – Sterling Hedged	-17.1	-0.7
Russell Global High Yield*	-12.3	1.0
Russell Global High Yield – Sterling Hedged	-11.1	1.7
Russell Continental European Equity	-5.2	5.3
Russell Continental European Equity – Sterling Hedged	-9.8	5.1
Russell Emerging Markets Equity	-11.4	0.7
Russell Eurozone Equity	-10.2	3.0
Russell Japan Equity	-6.1	2.1
Russell Japan Equity – Sterling Hedged	-2.9	3.0
Russell Pan European Equity	-5.8	4.0
Russell US Equity	-10.9	8.7
Russell US Quant	-5.8	10.7
Russell US Small Cap Equity	-6.9	7.7
Russell UK Equity*	-6.3	1.8
Russell Global Real Estate Securities	-26.7	0.3
Russell OpenWorld Global Listed Infrastructure	10.2	6.5
Russell Sterling Liquidity*	1.2	0.5
L&G All Stocks Index-Linked Gilts Index*	-33.7	-4.1
L&G Asia Pacific ex-Japan Equity Index	-1.9	3.3
L&G Cash	1.3	0.5
L&G Europe ex-UK Equity Index	-8.0	4.9
L&G Global Emerging Markets Index	-10.2	0.9
L&G Index Linked 5 Years Gilts*	-38.0	-5.1
L&G Japan Equity Index	-5.0	2.6
L&G North America Equity Index	-9.0	11.5
L&G UK Equity Index	0.4	2.9
L&G UK Fixed Interest – All Stocks	-22.7	-2.8
L&G World Emerging Markets Equity Index	-7.4	1.7
L&G World ex-UK Equity Index	-7.9	8.8

Funds that form part of the Default are shown in bold. An asterisk (*) denotes the additional default funds.

6. Value for members assessment

The Trustees 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. The general policy of the Trustees’ in relation to value for member considerations is set out below.

The Trustees review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review was 18 May 2022, coving the Plan year to 31 December 2022. The Trustees note that value for money does not necessarily mean the lowest fee. Individual fund performance has also been considered in this assessment. The Trustees believe that the member borne charges are very competitive for the funds managed by Russell Investments due to the annual management charges being rebated to members. The member borne charges for the funds managed by L&G are not as competitive given the small size of the portfolio.

The Trustees’ assessment included a review of the performance of the Plan’s investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the growth component of the Default over the Plan year were negative apart from the Russell Sterling Liquidity Fund however this is in line with expectations due to the market conditions experienced in 2022.The growth stage experienced higher levels of volatility but with lower returns over the Plan year. Compared to similar diversified growth funds available in the market, the diversified growth component of the Default has comparable risk adjusted returns over a 3-year period.

Within the self-select range, 14 of the 28 actively managed Russell Investments funds underperformed their benchmarks over the 1 year period. In comparison, 10 of the funds underperformed over the 3 year period. Meanwhile, all but two of the passively managed L&G funds tracked their respective benchmarks within acceptable tolerances.

Overall, the Trustees believe that members of the Plan are receiving good value for money for the charges and cost that they incur. The Trustees believe this because the Plan is low cost to members as the additional management charges for Russell Investments funds are rebated, the sponsoring company pays all administration and other expenses and the funds have performed in line with expectation including those in the Default.

The Trustees believe 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. The transaction costs have been assessed for the Russell funds and the Trustees believe that they are relatively competitive however there are some funds which lie above the median which the Trustees will continue to monitor. However, transaction costs for L&G funds are in line with their peer groups.

7. Trustee knowledge and understanding

The Plan's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustees 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.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustees received training on the following topics:

- The Regulator's 'stronger nudge' guidance;
- regulatory and legislative changes including anti-scam measures, Single Code of Practice and actions that Trustees need to take to ensure compliance and guidance on trustee oversight of investment consultants;
- requirements of DWP's Stewardship guidance
- managing investment and liquidity risk in current economic climate; and
- cyber security.

In addition, at each Trustee meeting the Trustees receive briefings on legislative and topical developments from their advisers and the Trustees access the Pension Regulator's on-line resources and regulatory guidance.

All the Trustees are familiar with the Plan's governing documentation and documentation setting out the Trustees' policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed on a regular basis and as part of making any change to the Plan's investments. Further, the Trustees believe they 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 their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. At the end of the Plan year, all but one of the Trustees have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Isa Jalloh was appointed from 1 December 2022 to replace Peter Gonella; she will complete the toolkit within the first 6 months of appointment. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new Trustees.

The Trustees are all employees of Russell Investments, holding senior management positions across a range of disciplines and collectively having a wide range of knowledge and experience in the financial services industry. At the Plan year end, the Trustees were:

- **David Rae (Company Appointed Trustee, elected as Chair on 19 December 2020).**

  David is Managing Director, Head of Strategic Client Solutions, EMEA. He has over 20 years' experience in the financial services industry.

- **Rebecca Wyncoll (Company appointed trustee from 19 December 2019)**

  Rebecca is Director of Product Solutions for EMEA. She is head of the Product Governance Committee and manages a team that look after product development and management activities for the Irish and UK fund ranges, as well as broader strategic initiatives. She has worked for Russell Investments for 18 years, spending time in Fund Operations and the Investment Division before moving to Product Solutions

- **Isa Jalloh (Company Appointed Trustee from 1 December 2022)**

  Isa is Director of Risk Management for EMEA. She has been in the financial service industry for over 20 years focussing on risk management.

- **Neil Jenkins (Member Nominated Trustee from 6 March 2014)**

  Neil is Managing Director of the Investment Division and a director of Russell Investments Ireland Limited. He has over 30 years experience in the financial services industry.

Considering the knowledge and experience of the Trustees and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (eg investment consultants, legal advisers), the Trustees believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

DAVID RAE Date: 27 July 2023

Signed by the Chair of Trustees of the Russell Investments Pension Plan

Attachment: Statement of Investment Principles