

# Chair's Annual Governance Statement 1 April 2020 to 31 March 2021

## Introduction

This Statement has been prepared by the Trustee of the Johnson Matthey Employee Pension Scheme ('JMEPS') ('the Scheme') to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 in relation to:

- Providing a default investment arrangement for members (the 'default arrangement');
- Processing financial transactions promptly and accurately;
- Details and impact of charges and transaction costs borne by members;
- Assessment of the value members received from being a member of the Scheme; and
- Meeting the requirements for trustees' knowledge and understanding.

The period this Statement covers is the Scheme Year from 1 April 2020 to 31 March 2021 ('the reporting period').

This Statement covers the following populations within the Scheme: **Career Average Revalued Earnings members** (with JMEPS Extra Accounts), **JMEPS Elements members** with DC assets through either an Investment Account or a JMEPS Extra Account and **JMEPS DC only members**.

The Trustee believes that it has taken the necessary steps to ensure compliance with the governance standards.

A copy of this document has been published on a publicly accessible website and can be found at: <https://elements.matthey.com/#/public-jmeps-trustee-governance-statement>.

## Investment

### General investment principles

The Trustee's objective is to make available to members an investment programme via pooled funds which seek to generate income and capital growth which, together with new contributions from members and the Sponsor, will provide a fund at retirement with which to provide retirement benefits.

The Trustee's general investment aims are as follows:

- To offer a suitable default strategy appropriate for the profile of the defaulting members that takes into account their expected risk tolerances and potential target retirement outcomes; and
- To supplement the default strategy with a range of self-select investment options as well as two further Glidepath strategies, which offer sufficient investment choice to satisfy members' differing risk appetites and risk profiles, and retirement objectives.

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### Investment strategy – relating to the Scheme's default arrangement(s)

Although members have the choice of where to invest, the Trustee must also make available a default arrangement for members that do not select an investment option.

During the reporting period, the default arrangement changed from the **Annuity Glidepath** to the **Drawdown Glidepath**. This change was implemented on 23 July 2020, which was later than initially planned due to investment market volatility caused by the Covid-19 pandemic.

Following the most recent review of the default arrangement, which was undertaken in November 2018, the Trustee concluded that a growing majority of members were likely to prioritise drawdown at retirement rather than annuity purchase. This was based on a combination of membership analysis and modelling which indicated that the majority of members were likely to have sizeable JMEPS accounts at retirement and market data that showed members with larger funds are more likely to enter a drawdown arrangement and withdraw regular or ad-hoc sums from their fund.

Therefore, the Trustee decided to implement the **Drawdown Glidepath** as the default arrangement for all members.

The **Drawdown Glidepath** invests primarily in shares of UK and overseas companies when members are a long way from retirement with the aim of providing growth at a time when an investor can generally afford to take more investment risk.

During the 25 years prior to reaching retirement, the glidepath gradually switches into a Diversified Growth Fund which consists of a wide variety of investments including shares, bonds, property, private equity and commodities. This diversification has the aim of providing some protection against sudden market falls as members approach retirement whilst at the same time still providing the expectation of some growth. This is aligned with the expectation that most members will want to keep the majority of their JMEPS Account invested and maintain growth during retirement whilst drawing out money on an ad-hoc or regular basis. The **Drawdown Glidepath** also gradually switches 25% of a member's investment holding into cash over the five years prior to retirement with the expectation that the majority of members will take part of their JMEPS Account as a cash lump sum.

All members in the **Annuity Glidepath** were transferred into the **Drawdown Glidepath** unless they decided to remain in the **Annuity Glidepath** or made an alternative selection.

The Trustee is required to review the default investment strategy every three years, or sooner if there has been a material change to the Scheme, membership or investment policy. No further review was undertaken during the reporting period and the next review is due to take place in November 2021.

### Other default arrangements

The Trustee has undertaken two historic consolidation exercises where default mapping funds (or Glidepath strategies) were selected by the Trustee for members that did not make an investment choice of their own. The Trustee recognises that the funds involved would also be considered 'default' funds under the regulations and have identified them as such in the 'Charges and transaction costs' section in the appendix to this statement. All default mapped funds are reviewed by the Trustee on an ongoing basis in accordance with its guiding principles for default strategies.

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A copy of the Scheme's Defined Contribution Statement of Investment Principles which includes the investment principles for the default arrangements and details of the Scheme's glidepaths, is enclosed with this Statement and is also accessible online at: <https://elements.matthey.com/#/public-jmeps-trustee-governance-statement>.

### Fund changes during the reporting period

The Trustee undertook a review of the fund range, including the default options in November 2018. As a result of this review, the following changes were made:

Fund	Changes
Global Equity Index Tracker Fund	<ul style="list-style-type: none"> <li>The Global Equity Index Tracker Fund previously had an allocation of 30% to the UK market and 70% to overseas markets. The Trustee made a change to rebalance this to 10% UK market and 90% overseas markets. This change was made in order to more closely match the actual global market distribution (where the UK represents just under 10%) thereby increasing diversification across global markets and broadening exposure to overseas market growth opportunities.</li> <li>The Trustee has also reduced the level of currency hedging (or managing the risk of overseas currency fluctuations against sterling) within the Fund to a more optimal level.</li> <li>This fund features in the initial phase of all the glidepaths as well as being available as a self-select 'Freestyle' option.</li> </ul>
JMEPS Global Equity Fund	<ul style="list-style-type: none"> <li>The Trustee had been monitoring this fund closely over recent periods and had concerns that it was unlikely to add value net of fees over the long term. Therefore, the Trustee replaced the underlying investment manager in the reporting period.</li> <li>Following a selection exercise, the Trustee, in conjunction with its investment adviser, selected an equal blend of funds provided by River &amp; Mercantile and Baillie Gifford. The Trustee took into consideration a qualitative assessment of these funds as well as past performance history.</li> <li>The overall objective and risk rating of this fund remains the same</li> </ul>
JMEPS Emerging Markets Fund	<ul style="list-style-type: none"> <li>The Trustee had been monitoring this fund closely over recent periods and had concerns that it was unlikely to add value net of fees over the long term. Therefore, the Trustee replaced the underlying investment manager in the reporting period.</li> <li>Having evaluated the market, the Trustee made the decision to select a passively managed BlackRock fund on the basis that it would be strongly aligned with the Trustee's investment beliefs at the same time as reducing the charges members pay for investing in this fund.</li> <li>The objective of this fund changed to reflect the 'passive' investment style. The risk rating has remained unchanged.</li> </ul>

For further details of all of the Scheme's investment options including objectives and risk ratings, please refer to the SIP which is appended to this Statement.

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### **Investment monitoring**

The Trustee has sufficient and appropriate knowledge and understanding to provide sound and prudent oversight of the investment strategy and investment/risk management expertise to critically evaluate and oversee the investment strategy and associated risks. The Trustee receives professional investment advice in this capacity which supports the Trustee in its investment oversight and strategic decision-making process.

The Trustee regularly reviews the underlying performance of the funds within the default strategy and the self-select fund range. The Trustee receives quarterly investment performance reports which enables it to review the performance of all of the funds against their benchmarks. The Trustee also receives bi-annual qualitative reports from its investment adviser which provide an assessment of the fund managers' skill with identification of any changes which may impact on the appropriateness of the funds. This combined approach enables the Trustee to effectively monitor the funds and, in conjunction with its investment advisers, make changes to the investment managers if required. The Trustee is satisfied that over the reporting period, the performance of the investment funds has been consistent with their aims and objectives as set out in the SIP.

The Trustee has a policy on sustainable investing and monitors asset managers' sustainable investment practices, including the approach to ESG integration through desk-based research. Further details on the Trustee's ESG framework can be found in the Scheme's DC Implementation Statement which covers how the Trustee implemented its investment policies over the reporting period. This document can be found at the following address: <https://elements.matthey.com/#/public-jmeps-trustee-governance-statement>.

### **Financial transactions**

#### **Overview**

The Trustee has selected Aegon as its bundled DC provider. Aegon carries out the back-office administration and acts as the investment platform provider. Group Reward & Benefits carry out the majority of member facing administration functions.

All tasks are set up on the in-house administration system and are monitored by a workflow system that is managed by a senior member of the team. To help ensure work is accurate, all administration tasks completed are peer reviewed. Time critical financial transactions are flagged and prioritised and all work is monitored against a Service Level Agreement. Monthly contributions are processed by the Johnson Matthey payroll department and Aegon has a separate contribution processing team which ensures investment and banking transactions are checked and fully reconciled. There is also a separate Scheme Accountant who monitors the Trustee's bank account.

#### **Trustee administration monitoring**

The Trustee regularly monitors the core financial transactions of the Scheme. These include the collection and investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members. This is achieved through the review of quarterly reporting from Aegon, and the monthly monitoring of contribution payments calculated and paid by the Johnson Matthey payroll to Aegon.

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The Trustee monitors administration effectiveness against the Service Level Agreement (SLA) it has in place with Aegon. The SLA is dependent on each administration task as the table below illustrates:

Task	Service Level Agreement (SLA)
Investment of contributions	100% in 1 day (or 95% in 3 days if not fully automated)
Transfer-in payment	95% in 5 days
Fund switches	100% in 1 day
Payment of benefits including retirements and transfers	95% in 2 days

Please note that this table only shows administration tasks which constitute core financial transactions and has been simplified to better provide a meaningful narrative.

Over the reporting period, Aegon completed 97.61% of core financial transactions within SLA and 96.70% of all tasks (including core financial transactions) within SLA.

There is also a formal SLA in place with JM Group Reward & Benefits, who report against this and present the results to the DC Sub-Committee on a regular basis. The results are reported back to the Board at each quarterly Trustee meeting. As the Scheme is fundamentally a hybrid DB/DC arrangement, the majority of members have both DB & DC benefits. Consequently, the Trustee monitors the SLA performance of DB and DC tasks together and is satisfied that during the reporting period, the overall administration provided by JM Group Reward & Benefits has been undertaken in a timely and accurate manner.

During the reporting period, Group Reward & Benefits have enhanced the transfer out process, primarily to provide additional focus on pension scams and have also introduced new member identification and documentation verification requirements before any payments are made from the Scheme.

### Contribution processing

Group Reward & Benefits has an agreed payroll timetable and escalation process in place with Aegon which provides a further structured control to monitoring contribution processing. Over the reporting period, monthly contributions were remitted by the Company and received and invested by Aegon in advance of statutory deadlines. Confirmation of the dates of each monthly investment cycle are advised to the Trustee and monitored on a quarterly basis.

### Administration issues

Over the reporting period, there were two complaints regarding transfer out requests that were addressed through the Trustee's Internal Dispute Resolution Procedure (IDRP).

### Wider oversight

At the end of the reporting period, with the support of its advisers, the Trustee revisited its review of the Scheme's governance processes and internal controls and was satisfied that these remain compliant with the legal requirements as set out in the Pensions Regulator's updated DC Code of Practice No. 13 in the sections covering 'Scheme management skills' and 'Administration'.

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The Trustee last reviewed Aegon's bundled DC proposition in the 2019-2020 reporting period. This review confirmed Aegon's continued suitability for the Scheme and highlighted the bespoke services currently provided to the Trustee as a key benefit. As with all its advisers, the Trustee will keep Aegon under review and will formally assess its continued suitability on regular basis.

The Scheme's accounts are also audited annually by the Scheme's appointed auditors.

### Conclusion

Based on the above, the Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the scheme year.

## Charges and transaction costs

### Charges

The Total Expense Ratio (TER) applied to the funds available for selection by members of the Scheme as at 31 March 2021 are set out in the Appendix. TER is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of Annual Management Charges (AMC) and variable additional expenses such as trading, legal and auditor fees and other operational expenses. The Trustee has taken into account the DWP statutory guidance in preparing this information.

### Transaction costs

Transaction costs and gains are those incurred by fund managers as result of buying, selling, lending or borrowing investments. These costs are allowed for within the unit price of each of the Scheme's funds.

The Financial Conduct Authority (FCA) has set out a specific method for providers and managers to calculate transaction costs and they are typically categorised as being explicit costs or implicit costs.

- **Explicit costs** are directly observable and include broker commissions and taxes.
- **Implicit costs** cannot be observed in the same way but occur, for example, where the price on placing a trade instruction is different to the price paid when the trade is executed. This can also lead to 'negative' transaction costs or small 'gains' where the price when placing a trade instruction is higher than the price when the actual trade is executed.

Details of the 'day to day' transaction costs for each of the Scheme's funds over the period available are set out in the Appendix. The Trustee has undertaken some benchmarking in conjunction with its advisers and has concluded that, based on the market data available, the transaction costs incurred over the period were reasonable.

There was also the potential for transaction costs to be incurred as part of the investment changes that were planned to take place in March 2020, but were delayed until July 2021 and therefore after the year end. Due to the investment flows experienced on the day of the changes, the Scheme on aggregate experienced a small net gain. However, details of the transaction costs that were incurred for each fund are shown in the Appendix.

### Illustration of costs and charges

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce a "£ and pence" illustration showing the compounded effect of costs and charges.

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DWP statutory guidance sets out the elements that must be considered but there is some flexibility to reflect plan experience albeit illustrations do not have to be personalised. The Trustee, in conjunction with its advisers, has taken account of the DWP's statutory guidance and carefully considered the use of different representative members of the Scheme's membership when preparing these illustrations. These essentially represent illustrative members across each of JMEPS Silver, Gold and Platinum sections. The funds for the illustration were selected on the basis of being the most prevalent among members (default lifestyle strategy), as well as for having the highest and lowest expected returns, costs and charges.

These illustrations are presented in full in the Appendix to this statement and show the projected value, over different time horizons, for selected investment funds and representative members.

### Value for Members (VfM)

Members of the Scheme meet the core costs through the TER levied against their funds by Aegon. The Trustee is committed to ensuring that the total member borne costs and charges (including transaction costs) deducted from members' funds represent good value. In June 2021, the Trustee, in conjunction with its advisers, undertook a comprehensive 'Value for members' assessment to assess the value offered by the Scheme over the reporting period.

This assessment framework was closely aligned to the Pensions Regulator's 'How to guide' for 'value for members' and included an evaluation of the following:

- The value of the charges members were paying in comparison to similar schemes and relevant market comparators.
- Identification of the scope and quality of the services members receive in the areas of investment, administration and communications and an evaluation of the performance of those services based on the member needs and the charges incurred.
- Additional 'broader' value, i.e. the value of services members receive for which they do not bear the cost.

### Assessment conclusion

This assessment concluded that the overall value provided to members continued to be **excellent**, based on the quality and comprehensive suite of services members receive for the total charges and transaction costs incurred. The independent report highlighted the following key aspects to support this conclusion:

- The Trustee has implemented a new **Drawdown Glidepath** as the Scheme's default arrangement. This glidepath is strongly aligned with the profile and expected needs of the membership alongside members' likely retirement objectives.
- A number of changes have been made to improve the fund range over the reporting period – further details were provided in the **investment monitoring** section of this Statement.
- Over the reporting period, the Trustee negotiated a fee reduction with Aegon that provided reduced AMCs for the majority of members. This has enhanced the value members have received from the Scheme as they are essentially receiving the same services for a lower cost.
- The Trustee has benchmarked the Scheme's charges against other similar pension schemes and has concluded that these are competitive when compared to the broader market. Furthermore, the Company pays a subsidy to Aegon for administration costs, which partly reduces the Annual Management Charge (AMC) for employees.
- Administration performance over the period has been strong, with SLAs adhered to.



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- Members are part of a well governed Scheme, which offers a broad suite of highly rated active and passive investment options to meet the needs of the membership. Investments have performed broadly in line with expectations. Absolute performance has been particularly strong for the Scheme's two key funds which feature in the default Glidepath strategy.
- Members have a single point of contact, i.e. Group Reward & Benefits that provide full and joined up information on all benefits within the Scheme.
- As part of the administration service, members have access to information on all Scheme benefits in one place and this information feeds into joined up bespoke member communication materials provided by Group Reward & Benefits i.e. investment communications, online benefit statements, retirement guidance packs, pre-retirement seminars and newsletters.
- Members have access to Group Reward & Benefits and have the opportunity to arrange 1:1 sessions with representatives from the team for pre-retirement counselling, seminars and other pensions related topics. Feedback from the members is that these sessions are popular and informative.
- Annuity broking and income drawdown is facilitated through external providers for members wishing to access this flexibility at retirement.
- Members have access to a bespoke Scheme specific online projection tool which helps them to better understand the level of income they need at retirement.
- During the reporting period, Aegon made a bespoke retirement modeller available to members.
- Members are able to use their JMEPS Accounts to fund part/all of their total tax-free cash at retirement under the Scheme.

The Trustee continually seeks to ensure the Scheme provides 'value' and will complete the next assessment in 2022.

### Trustee Knowledge and Understanding (TKU)

The Trustee has a strong TKU process in place which enables it, together with the advice available, to exercise its function as Trustee of the Scheme and ensure appropriate levels of TKU are maintained.

#### Assessing TKU

The last TKU assessment was undertaken in the 2019-20 reporting period. Using a questionnaire based on TPR's Code of Practice 7, the Trustee assessed the depth of their collective knowledge on various relevant issues relating to the Scheme (also covering trust law, investment and funding principles) and put in place a training plan based on the results. The training plan has been used to shape the topics of the training provided during this reporting period.

The Trustee intends to undertake a further formal TKU assessment later in the 2021 – 2022 Scheme Year to assess the extent to which the training has been successful in closing any knowledge gaps. The Trustee undertakes more regular assessments of knowledge on at least an annual basis through activities such as its yearly assessment against the DC Code of Practice.



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### Training

Formal training is incorporated into regular Trustee meetings and additional quarterly training sessions are run by the Scheme's legal advisers. Training topics are planned in advance and are based on the Trustee's training plan and other topical items. Examples of the training the Trustee has received during the reporting period include:

- Balance of powers within the Trust Deed & Rules – Mayer Brown
- Environmental, Social and Governance (ESG) principles and climate change – Johnson Matthey
- Consultation on charge-caps – Willis Towers Watson
- Consultation on 'the future of trusteeship and governance' – Willis Towers Watson
- Updates on the Pensions bill and long-term objectives – Mercer

Group Reward & Benefits circulate periodic technical updates to the Trustee, which supplements the quarterly training run by the Scheme's lawyers. This ensures the Trustee maintains an up to date knowledge on pension and trust law. Trustees receive general updates from their advisers about matters relevant to the Scheme.

JMEPS Trustee is a member of PMI Trustee Group and benefits from training sessions offered by PMI. PMI certify annually that JMEPS Trustee meets Continuing Professional Development (CPD) requirements.

A training log is maintained for each trustee director by the JMEPS Secretary. A central record is maintained of the Trustee's objectives for the Scheme and an update on the key activities undertaken. This framework helps to ensure the Trustee is constantly evaluating its performance against its objectives.

### New Trustee Director induction process

New Trustee Directors complete a robust induction process during the first six months which includes overviews of the Scheme's investment, funding, administration and communication strategy. All new Trustee Directors are also required to complete the Pensions Regulator's trustee toolkit.

There was one new Trustee Director appointed in February 2021. As part of the induction process, the new Trustee Director undertook initial training with the Chair and Group Reward and Benefits to provide an introduction to the Scheme and the duties of a pension scheme Trustee. The induction process will continue following the end of the reporting period.

### Ensuring effective operation of the Scheme

The Trustee reviews its 'effectiveness' on a periodic basis. The last review was undertaken by the Trustee's adviser in May 2019 and consisted of a survey covering areas such as succession planning, decision-making processes, external relations, monitoring and review framework, trustee meetings and the role of the Chair. Overall, the results of the assessment were very positive. The Trustee however improved its effectiveness further by:

- Implementing a new DC sub-committee which meets at least three times annually outside of the main quarterly Trustee meeting schedule. The Scheme's DC advisers are invited to attend all of these meetings and also provide updates on relevant hot topics.
- Evolving the approach to assessing and mitigating DC risks.
- Commissioning its DC investment advisers to provide a more tailored and comprehensive format of investment performance reporting.

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The Trustee intends to review the effectiveness of its DC sub-committee approach at the same time it conducts its formal TKU assessment.

The JMEPS Trustee Board is chaired by a professional independent trustee bringing significant expertise and knowledge to the Board through having fulfilled several high-profile industry and Trustee roles. The Trustee is supported by a Scheme Secretary, a team of professional advisers and Group Reward & Benefits.

The JMEPS Board believes it is important to be able to attract Directors from a diverse and inclusive population and that a Trustee Board is able to draw from a wide range of appropriate skills and experience. During the reporting period, a pensioner and an employee Member Nominated Trustee election were undertaken. This resulted in a new Trustee appointment in February 2021 (as covered in the previous section) and one new Trustee appointment after the end of the Scheme Year (which will be covered in next year's Chair's Statement). In order to attract a diverse range of candidates, applications for the employee vacancy were taken online for the first time. Also, a short video explaining the role of a Trustee was created along with simplified communication materials. The new approach resulted in 19 applications and all candidates were interviewed with a shortlist of 8 employees going through to the election stage.

When considering Scheme design change, or ensuring legislative requirements are met, the Trustee consults the Scheme's Trust Deed & Rules and associated documents and seeks appropriate professional advice. The strategic investment aims have also been integrated into the adviser's performance reporting to better support the Trustee in monitoring the investments in line with the SIP.

The above processes ensure that the Trustee is conversant with the Scheme's documentation and that appropriate knowledge on trust law, funding and investment principles is maintained.

### **Conclusion**

Based on these factors and in conjunction with the advice the Trustee receives from its professional advisers, the Trustee is satisfied that it has the combined knowledge and understanding required to properly exercise its function as Trustee.

### **Statement of compliance**

On behalf of the Trustee of JMEPS, I confirm that the Trustee is comfortable that the Scheme met and exceeded the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 1 April 2020 to 31 March 2021.

The Trustee has also reviewed the Pensions Regulator's expectations set out in the DC Code of Practice and will continue to monitor adherence on an ongoing basis.

**Signed by the Chair on behalf of the Trustee of the Scheme:**



**Date:** 16 September 2021

# Appendix A: Charges and transaction costs

The charges applied to all funds, including those in the Scheme's default Glidepath arrangement are set out in the below appendix. Funds that make up the default investment options are shown in bold for ease of reference (this includes those for previous consolidation exercises). The Trustee has taken into account the DWP statutory guidance in preparing this section, however it should be noted that the guidance does not contain a separate section on the level of charges and transaction costs.

Fund name	Total Expense Ratio p.a. (TER) %			
	Deferred member	Pre 2012 Active member*	Post 2012 Active member*	Transaction Costs
<b>JMEPS Global Equity Index Tracker Fund</b>	0.27	0.19	0.21	0.00
<b>JMEPS Diversified Growth Fund</b>	0.43	0.36	0.37	0.00
<b>Blackrock Over 15 years UK Gilt Index Fund</b>	0.21	0.11	0.16	-0.04
<b>Blackrock Cash Fund</b>	0.18	0.18	0.18	0.01
<b>Blackrock UK Equity Index Fund</b>	0.21	0.11	0.16	0.00
<b>BlackRock World (ex-UK) Index Fund</b>	0.21	0.14	0.16	0.00
<b>BlackRock Over 5 Years UK Index-Linked Gilt Index Fund</b>	0.21	0.11	0.16	-0.01
BlackRock All Stocks Corporate Bond Index Fund	0.22	0.15	0.17	0.05
JMEPS Global Equity Fund	0.87	0.80	0.81	0.24
JMEPS Emerging Markets Equity Fund	0.36	0.29	0.31	0.00
JMEPS Sustainability Fund	1.03	0.88	0.98	0.00
JMEPS Global Corporate Bond Fund	0.78	0.64	0.73	0.00

\* represents the reduction in charges paid for by the Company subsidy.

Please note that the Trustee made a number of changes to the fund range during the reporting period (as described in the 'Investment' section of the Chair's Statement. The charges and transaction costs relate to the funds in place as at 31 March 2021 (i.e. the end of the reporting period).

The transaction costs disclosed above include 'implicit costs', which may include market impact or delay costs as well as inflows to a fund, both of which can also result in a gain for a fund (i.e. negative transaction cost).

All of the above charges are correct as at 31 March 2021 and the transaction costs reported are all in respect of the period 1 April 2020 to 31 March 2021.

# Appendix B: Costs and charges illustrations

The following tables have been produced to show the compounding effect of costs and charges over time based on a range of funds available under the Scheme covering the default investment option, the fund with the highest charge and the fund with the lowest expected growth rate. You should note that charges differ and these are illustrative only. The Trustee is required to include this information in the Chair's Statement and the relevant statutory guidance from the DWP has been taken into account when producing these illustrations.

The assumptions used are intended to model the behaviour of assets and market conditions over the long term. They are not meant to be reflective of the possible, or even likely, course of those investment markets in the short term. The return forecasts are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance of the future performance of the funds in question, either favourable or unfavourable. If you are considering making changes to your investment strategy, you should read through the Scheme's investment guide which includes details of each of the Scheme's investment funds and their objectives.

## Example member (A)

This example member is 18 years old with a pensionable salary of £28,000 per annum. Contributions of 9% of pensionable salary are being paid into JMEPS Elements Silver and the existing fund value is £6,500. Please refer to the notes at the end of this section for further details on the overall assumptions used.

Example Member	Projection period (years)	Drawdown Glidepath (Default strategy)		JMEPS Sustainability Fund		BlackRock Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Silver	1	£9,400	£9,400	£9,400	£9,300	£9,100	£9,000
	3	£15,500	£15,400	£15,500	£15,200	£14,200	£14,200
	5	£22,200	£22,000	£22,200	£21,500	£19,400	£19,300
	10	£41,700	£41,200	£41,700	£39,200	£32,700	£32,300
	15	£66,100	£64,700	£66,100	£60,300	£46,300	£45,500
	20	£96,500	£93,800	£96,500	£85,400	£60,200	£58,900
	25	£134,300	£129,600	£134,300	£115,200	£74,500	£72,500
	30	£181,500	£173,400	£181,500	£150,500	£89,100	£86,300
	35	£240,300	£226,900	£240,300	£192,500	£104,100	£100,300
	40	£313,500	£292,100	£313,500	£242,300	£119,500	£114,500
	45	£400,200	£367,500	£404,800	£301,500	£135,300	£129,000
	47	£434,800	£397,200	£447,300	£328,100	£141,700	£134,800

## Appendix B: Costs and charges illustrations continued

The investment guide can be found online at <https://elements.matthey.com>. Neither the Trustee, or JM Group Reward & Benefits can give you financial advice. You should seek advice from an independent financial adviser if you are unsure about your investment choices. For help with finding a financial adviser in your area, please contact Money Helper (the updated Money Advice Service) at <https://www.moneyhelper.org.uk/en?source=mas#>.

### Example member (B)

This example member is 41 years old with a pensionable salary of £60,000 per annum. Contributions of 15% of pensionable pay over the earnings threshold paid into JMEPS Elements Gold and the existing fund value is £5,000. No contributions are being made into JMEPS Extra.

Example Member	Projection period (years)	Drawdown Glidepath (Default strategy)		JMEPS Sustainability Fund		BlackRock Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Gold	1	£72,600	£72,400	£72,600	£72,000	£70,000	£69,900
	3	£99,600	£98,800	£99,600	£97,100	£90,200	£89,800
	5	£129,000	£127,400	£129,000	£124,100	£110,600	£109,800
	10	£214,900	£209,800	£214,900	£200,300	£162,500	£160,300
	15	£313,500	£302,600	£322,100	£290,700	£215,600	£211,600



## Appendix B: Costs and charges illustrations continued

### Example member (C)

This example member is 50 years old with a pensionable salary of £75,000 per annum. Contributions of 21% of pensionable pay over the earnings threshold are being paid into JMEPS Elements Platinum and this member is also contributing 3% into JMEPS Extra (and is receiving the Company's 3% matching contribution). The existing fund value is £60,000.

Example Member	Projection period (years)	Drawdown Glidepath (Default strategy)		JMEPS Sustainability Fund		BlackRock Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Platinum	1	£12,500	£12,500	£12,500	£12,400	£12,100	£12,000
	3	£13,700	£13,600	£13,700	£13,300	£12,200	£12,100
	5	£15,000	£14,700	£15,000	£14,200	£12,300	£12,200
	10	£18,600	£18,000	£18,600	£16,800	£12,600	£12,400
	15	£23,200	£22,000	£23,200	£19,900	£12,900	£12,600
	20	£28,100	£26,100	£28,900	£23,600	£13,300	£12,800

### Example member (Deferred)

This example member is 45 years old with a DC fund size of £12,000. They have no contributions being paid into the Scheme.

Example Member	Projection period (years)	Drawdown Glidepath (Default strategy)		JMEPS Sustainability Fund		BlackRock Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Gold	1	£6,700	£6,700	£6,700	£6,700	£6,500	£6,500
	3	£10,400	£10,300	£10,400	£10,200	£9,500	£9,400
	5	£14,400	£14,300	£14,400	£13,900	£12,500	£12,400
	10	£26,100	£25,600	£26,100	£24,500	£20,200	£20,000
	15	£40,700	£39,500	£40,700	£37,000	£28,100	£27,600
	20	£58,800	£56,400	£58,900	£51,900	£36,200	£35,400
	24	£74,500	£70,900	£76,600	£65,800	£42,800	£41,700



## Appendix B: Costs and charges illustrations continued

### Assumptions and notes:

- Projected pension account values are shown in today's terms.
- Contributions and costs/charges that are shown as a monetary amount and reductions are made halfway through the year.
- Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
- Charges and costs are deducted before applying investment returns.
- Switching costs are not considered in the lifestyle strategy.
- Inflation is assumed to be 2.5% each year.
- Contributions for active members increase in line with assumed earnings inflation of 0% per year (in real terms).
- Values shown are estimates and are not guaranteed.
- The real projected growth rates for each fund are as follow:
  - i. Annuity Glidepath (default strategy) – from 3.5% to 4.5% (adjusted depending on term to retirement)
  - ii. JMEPS Sustainability Fund – 4.5%
  - iii. BlackRock Cash Fund – 0.5%
- Transactions costs and other charges have been provided by Aegon and cover the period 01 January 2018 to 31 March 2021. Transaction costs have been averaged by WTW using a time-based approach. The transaction costs for Blended funds were estimated by WTW based on the transaction costs for the underlying funds.
- Pension scheme's normal retirement age is 65.

