LINK FUND SOLUTIONS LIMITED
INDEPENDENT GOVERNANCE COMMITTEE

ANNUAL REPORT

1 JANUARY 2022 TO 31 DECEMBER 2022

FOR THE UNITHOLDERS OF THE
LF STAKEHOLDER PENSION SCHEME

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CHAIR'S REPORT

I am pleased to present the report of the Independent Governance Committee ("IGC") of the LF Stakeholder Pension Scheme ("SPS"), the Scheme, for the year 1 January to 31 December 2022.

It provides you with important information about your plan and how to compare it with possible alternatives in the market. It also tells you what the IGC thinks of the value for money that you are receiving.

The IGC's objectives are to:

- assess and report annually on the "value-for-money" ("VFM") from your pension plan and in your dealings with Link Fund Solutions Limited ("LFSL").
- consider and report on LFSL's policies on environmental, social and governance (ESG) issues, member concerns and stewardship, and for policies that the IGC oversee.
- identify areas for improvement and make recommendations to the LFSL Board.
- escalate any concerns to the Financial Conduct Authority ("FCA") and bring them to the attention of customers in the event that LFSL fails to address these concerns appropriately.

There are five of us serving on the Committee – details are contained in Appendix 1. During the year, the employer sponsored representative on the Committee changed from Adam Tookey to Nigel Boyling. We use our combined knowledge, experience, and skills to oversee the operation of the SPS in the areas of charges and value for money, choice and suitability of funds, communications, and access to information, and how you are able to access your pension pot.

The requirement on IGCs to produce an annual report are set out in FCA rules and guidance. The IGC is fully supportive of the need for transparency, particularly in providing enough information to enable you to evaluate the VFM assessment, balanced with the need to keep the report as short as possible to maximise the likelihood of it being read in full.

Background

In 2019, LFSL developed an "Optimisation Plan", which was designed to give members a more suitable range of funds and default investment strategies whilst benefitting from lower fund costs. After a number of delays this was finally implemented on 21 October 2022. As part of the Optimisation Plan the SPS was merged with the LF Personal Pension Trust ("PPT") and the administration of the SPS was transferred to EQ Retirement Solutions ("EQ") from Capita. The reasons for the switch to access an effective administration platform for the SPS, to provide better web access for members and to reduce charges.

As a part of the Optimisation Plan and the decision to improve the risk profile of some of the default flightpaths, in October 2022, LFSL introduced three new funds to the SPS, the LF Future World Multi-Index Pension Fund, LF Global Emerging Market Equity Index Pension Fund and LF UK Gilt Index Pension Fund. The decision by LFSL to improve the diversity of the funds on offer to the members is welcome.

Furthermore, as a result of the delays to the implementation of the Optimisation Plan, LFSL made a positive decision to reduce the charges for the funds, by applying a discount, was on a pro rata basis to the charges levied. The allocation of the rebate was agreed by the Committee and has been in place since 31 December 2020.

This report covers the SPS over the calendar year including after merger with the LF Personal Pension Trust. We have provided a summary of the performance of the LF Personal Pension Trust from 1 January 2022 to the date of the merger on 21 October 2022 in Appendix 4.

Value for Money

The FCA's view of value for money considers the costs and charges, investment performance and the quality of the services. The IGC will equally weight all these three factors, and in addition considers other important factors in assessing VFM.

We have therefore assessed VFM across six areas using a **Red**, **Amber**, and **Green** (RAG) rating. The dashboard summarising our findings is set out in the next section with more information contained later in the report.

There has been an improvement in outcomes for the members over the course of the year, with many of the improvements coming in the last quarter of 2022, but that improvement is not significant enough to warrant a green rating for the Scheme, particularly given the delays implementing the Optimisation Plan.

The scheme provides adequate value for money when compared with Master Trust arrangements but fairly poor value for money when compared with personal pension plans. The overall Value for Money for the Scheme is marked as amber, because the charges and other factors are less than satisfactory.

More detail of our assessment is given in the VFM section below.

Pension Freedoms

With effect from April 2015 Government introduced 'Pension Freedoms' which grants greater flexibility around access to your pension benefits.

The SPS did not offer pension freedoms during 2022 prior to the merger with the PPT and as a result the assessment of the VFM of investment pathways was not a requirement.

The PPT has offered some pension freedoms in the past, but the arrangement was withdrawn in 2021. Prior to the withdrawal of these arrangements, as there were fewer than 500 non-advised members, the PPT did not offer investment pathways. As a result, the assessment of the VFM of investment pathways was not applicable to membership of the PPT for the period 1 January 2022 to 21 October 2022, which is why it is not reported on here.

As the SPS no longer offers such freedoms, members wishing to avail themselves of such flexibility will be required to transfer away from the Scheme.

Vulnerable Persons Policy

The FCA has concluded that one in two individuals could be deemed vulnerable. LFSL has a 'Vulnerable Persons Policy,' but it is only identifying a small minority of investors as vulnerable. We have asked LFSL to review the effectiveness of the policy.

Your views – how we take them into account

We have adopted the following approach in working in partnership with LFSL:

- analyse the member data that LFSL provide to us to identify any areas of concern.
- analyse any feedback, complaints, etc. that is received from members and take any corrective action deemed appropriate.
- approach members directly (by letter) where issues arise which could lead to fundamental decisions made that might otherwise be incorrect, leading to inappropriate outcomes.

Environmental, social and governance ("ESG") strategy

As a Committee, we are tasked with considering VFM and the potential to deliver long-term returns, so ESG credentials are going to have an increasing impact on the risks and the potential future returns. The Committee will continue to monitor the financial and non-financial performance of the funds. The Committee will encourage the wider use of ESG focused funds to enhance the financial and non-financial outcomes for the members.

The future

Key actions and challenges for 2023 include:

While the first few months of administration by EQ were very disappointing, in part due to an inadequate handover from Capita, we hope to see a significant improvement in member service over the coming year.

We are looking to work with LFSL to improve communications with the membership and awareness of the availability of the online service facility. We have asked LFSL to highlight the various lifestyle options and guidance available for members.

We are keen to hear what you think about the report, or any aspect of our work. Please do contact us at SHP.admin@equiniti.com.

Many thanks for reading our report.

Sarah Farrant

Chair

VALUE FOR MONEY ASSESSMENT (VFM) DASHBOARD

The dashboard below gives you a summary of whether we think you are getting value for money from your pensions within the remit of the IGC.

We have assessed the value for money by obtaining quarterly reports from LFSL and the delegated suppliers on investment performance, ESG and customer care performance. During the year, the Chair engaged weekly with the project manager of the Optimisation Plan to discuss issues and progress. Any concerns were raised directly with LFSL.

We have assessed VFM across six areas using a **Red**, **Amber**, and **Green** (RAG) rating and an overall assessment.

More detailed information on each point can be found in the pages that follow.

Reporting year is 1 January 2022 to 31 December 2022

Overall level of VFM we think the SPS provided to investors		
Costs and Charges:	Are the costs and charges you pay reasonable for what you get in return?	
Investment Solutions:	Are your investment options adequate and well managed?	
Investment Management and Performance:	How are your investments performing?	
Customer Service:	What is the quality of the service you receive?	
Communications and Engagement:	How well does LFSL communicate and engage with you, and are you kept up to date with your pension?	
Environmental, Social, and Governance (ESG) Considerations	Does LFSL's investment strategy and investment decision making adequately reflect quality ESG policies in relation to financial considerations, non-financial matters, and stewardship?	

Our assessment of the VFM for the PPT for the period 1 January 2022 to 21 October 2022 is contained in Appendix 4.

The details of the assessments are set out in the sections below.

The investment performance of the funds has been satisfactory, versus the benchmark indices, over the reporting period especially if you look at the relative returns of the new underlying funds which were put in place in December 2021.

Throughout the year until 30 September 2022, the fund charges have benefitted from the discounting of the underlying fund charges from LGIM, and the fund rebates provided by LFSL as a result of the delay in the implementation of the Optimisation Plan.

The quality of communications and member engagement, and resulting investor experience remains amber, with poor communications, especially around the risk warnings and vulnerable persons warnings in the letters, and little flexibility to benefit from the Pensions Freedoms unless they transfer out of the Scheme. The delay in the implementation of the Optimisation Plan extended the poor experience for the members.

The Committee would like to thank LFSL for the introduction of three new lifestyle flightpaths. There is an additional lifestyle specific to the legacy SPS members which represents £238m of assets and this lifestyle targets the provision of cash at retirement. Our red rating arises from the fact that all these members are deemed to be self-select and they may not appreciate the options now available to them. The Committee is concerned that the members may not be in the most appropriate investment solution for their circumstances and have asked LFSL to write to members to raise awareness of the various lifestyle options available.

Details of the investment and administration costs and charges, together with the data we have on transaction costs, are on pages 9 to 10 of this report. Further details can be obtained on Link's website Link Fund Solutions Pensions (linkassetservices.com).

COMMUNICATIONS

Website

The main focus of the Website is to offer the members information about the personal pension plan, retirement planning and investment risks in order to help them make informed decisions. The information currently available on the website complies with the regulations.

One of the largest risks facing all members is investment risk as it will have a material impact on the member's benefits and ultimately their standard of living in retirement. The wording around risk is limited, for example under Inflation risk the suggestion is that only Cash Funds and cash deposits found in the other funds are exposed to inflation, when inflation impacts the purchasing power of all pension pots wherever they are invested.

Since the transfer of administration to EQ members now have access to a member-only website which enables individual members to access personal information about their own plans. This is a substantial improvement which now meets market norms although it is a standard solution offered to all EQ's clients with limited ability to alter, so lacks some of the top of the range functionality and communications tools offered by certain personal pension plan providers. There has been limited take up of the member site so far, which is not unusual especially for a product with limited customer engagement.

Correspondence

As reported on previously, the Committee established a process in 2020 for the continuous review of the documents used to communicate with members.

During 2022 the Committee continued this process and reviewed over 50 documents, prioritising the communication to members prior to and at the point taking their benefits, with a focus on looking after vulnerable persons. However, the changes we proposed to improve the clarity of communications were not implemented during the reporting period by Capita because of the pending move to EQ. In addition, the Committee reviewed and proposed changes to the proposed documentation to be issued to members of the PPT in relation to the merger.

We have subsequently created a revised priority review of the new suite of documentation being used by EQ, details of which shall be reported on next year.

Vulnerable Customers

In previous reports we had noted concerns regarding the approach to vulnerable customers, and that the Committee's proposals and additional wording to enhance the policies and communications to protect vulnerable customers had not been implemented. Since the transfer of administration to EQ in October 2022, new procedures are in place which the Committee reviewed in detail and discussed them with LFSL and believe the processes to be adequate.

Records suggest fewer customers have been classified as vulnerable than we would expect based on the Committee's experience with other workplace schemes offered by other providers. The Committee's conclusion which also shared by LFSL is that there is a need for training amongst the staff. LFSL have confirmed that the training has started, and the Committee would expect to see an increase in the number of members classified as being vulnerable persons.

The Committee understands that there is low engagement by the members with LFSL. The Committee requests that there is a comprehensive plan to increase member engagement. LFSL are going to report to the Committee on its progress in this area.

CUSTOMER SERVICE

Service Level Agreement – period prior to the merger

The Committee has had concerns for a number of years which we have articulated in previous reports and on which we have provided challenge to LFSL regarding the Customer Service being offered by Capita. Ultimately this engagement resulted in the movement of the administration of the Scheme to EQ in October 2022. Unfortunately, since notice had been given of the move to EQ it accelerated the loss in scheme knowledge and team stability in the Capita administration team.

The Committee are disappointed the transfer of the administration was delayed for three years, while negotiations were completed.

The Committee and the LFSL have agreed a number of Key Performance Indicators, KPIs, and receive quarterly reports from Capita and EQ. Most of the members interact with LFSL by telephone. Consequently, the telephony service is very important to the members.

The table below sets out telephony performance for the SPS during the first nine months of 2022.

Standard of telephony Service											
	Measure	Target	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
% Speed of Answer	% of calls answered within 20 seconds during the reporting period	80%	54.50%	87.00%	86.40%	81.00%	84.10%	85.30%	75.60%	77.90%	67.50%
% Speed of Answer	Underlying data – # Calls answered in 20 secs		307	432	533	384	386	524	335	362	378
% Speed of Answer	Underlying data – # Calls offered		552	548	645	474	459	614	443	465	560
% Abandonment Rate	% of calls abandoned during the reporting period	5%	10.50%	2.90%	1.70%	3.20%	2.40%	2.90%	5.20%	3.20%	9.50%
% Abandonment Rate	Underlying Data – # Calls abandoned		58	16	11	15	11	18	23	15	53
% Abandonment Rate	Underlying Data – # Calls offered		552	548	645	474	459	614	443	465	530

The poor performance in January 2022 was a continuation of poor management at Capita, and the Committee would like to thank LFSL for turning round the service at Capita between February and June. The Committee was disappointed that the service fell away as the move to EQ came closer.

The Committee has not received comparable data from EQ for the last quarter of 2022, and we are awaiting the outcome of the discussions between EQ and LFSL on the most important KPIs which will be used to measure customer service. LFSL have committed themselves to securing more detailed information from EQ for the Committee.

The Committee have received the standard data from EQ, which shows a picture of increased activity in November 2022, soon after the merger. In December 2022, we saw a reduction in the number of calls and emails, which was reflective of the time of year.

Complaints were lower than in 2021, but fairly consistent with previous years.

The figures for the SPS for the year are shown in the table below. The last three months of the table is for the combined scheme.

Months of 2022												
Complaints	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
% of complaints acknowledged within 5 days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	78%	82%
Complaints acknowledged in 5 days	1	8	4	3	3	6	2	6	2	5	24	32
Complaints acknowledgements	1	8	4	3	3	6	2	6	7	5	31	39

Trading errors

The number of trading errors were in line with the previous two years. The Committee remains satisfied with LFSL in respect of the trades placed. The number of errors shown below is a miniscule number versus the number of trades completed every year by LFSL on behalf of its customers. Here is a summary of the number of trading errors and the costs of indemnifying the client during this period. This data is for SPS exclusively from 1 January 2022 to 31 December 2022.

	Year to					
Trading errors	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Number of errors	6	11	11	20	28	25
Cost of remedial activity – £	205	877	0	0	0	125

The Committee would like to recognise that LFSL continue to execute the majority of trades accurately and in a timely way.

Period following the Merger

Any change of administrator causes disruption and tends to affect customer service adversely, with a team new to the system/scheme having to get to grips with it at the same time as an inevitable peak in demand driven by the change and the communications linked to it. However, the transition to EQ has not gone as smoothly as had been planned. There are a couple of specific reasons for this which we highlight below.

LFSL discovered in early 2023 that Capita had not correctly recorded a significant number of cases. This meant that a backlog of cases was handed over to EQ. LFSL identified this issue when they undertook a review of EQ's systems and conducted a series of site visits. LFSL continue to monitor the situation very closely, with regular reports back to the Committee.

LFSL undertook detailed due diligence on EQ before their appointment, and reported to the Committee that their system is fit for purpose. While the systems and processes are well designed, there was an issue with the management controls. There was a problem with the training, management, and integration of a number of teams across various locations.

Complaints increased dramatically in the final quarter of 2022 (to 76). This has been exacerbated by the backlog of cases transferred to EQ which were not identified and included within the workflows until February 2023 during a site visit by the LFSL team. There was also some evidence of incorrect use of the workflow system, and failure to identify complaints made on telephone calls which may mean that the complaint number was understated.

Both LFSL and the Committee take this situation very seriously, with LFSL undertaking a weekly call with the administration team during the reporting period [and beyond] to ensure appropriate remedial action is taken and a number of interventions including training have taken place. The Committee remains of the view that the fundamental systems in place at EQ are adequate and indeed better than those at Capita; however, it remains to be seen whether these service issues are "teething troubles" connected with the transition or whether the amount and quality of experienced resource allocated to the Scheme is adequate. The Committee is monitoring this closely.

Taking Benefits

There is a regular flow of individuals taking their benefits from the Plan. Over the year LFSL decided not to collect the data, so the Committee is unable to determine whether the communications and the website are helping the members to make better decisions when taking their benefits.

LFSL has assured the Committee that the data will be collected for the year to the 31 December 2023.

To ensure that the members remain aware of the historic record, we have amalgamated the data for the SPS and the PPT, so we are able to make a fair comparison going forward.

	Year to			
	31-Mar-19	30-Mar-20	31-Mar-21	31-Mar-22
Number of people taking benefits	363	346	314	378
Number advised	83	68	45	62
Not advised, but pension guided	91	92	89	120
Unadvised	189	186	180	196
% unadvised	52%	54%	57%	52%
Number of members taking > £50,000 benefits	7	7	9	18
Number of unadvised members, >£50,000 benefits	2	3	4	9
% unadvised with >£50,000 benefits	29%	43%	44%	50%

There are considerable number of individuals transferring assets away or taking benefits. The sums are not immaterial for the average saver, and therefore there is a need to increase the chances of the member receiving as much support as possible to reduce the risks of a poor decision being made. The Committee have impressed upon LFSL the importance of this information.

LFSL have asked EQ to collate and share this data with the Committee going forward.

RISKS

Risk register

LFSL maintains a risk register covering potential operational risks for all products it operates including the SPS and the PPT. During the period covered in this report there were no red rated risks relating to the SPS or the PPT.

Operational risks

The operational risks changed after Capita was informed that the administration of the PPT and SPS were moving to EQ.

A number of people were lost from the teams looking after the SPS and PPT, and Capita did not replace a number of staff after they were transferred internally or left the organisation. At this time, Capita experienced a high turnover of staff across many of their teams, which increased the operational risks. LFSL mitigated the risks through arranging monthly meetings with Capita, as well as more closely monitoring the Service Level Agreement key performance indicators (KPIs).

Some KPIs breached the target limits, and these were discussed with the Committee regularly throughout 2022 to minimise the impact on members. The Committee would like to recognise the commitment made by LFSL to mitigate the operational risks during this difficult period.

Management risks

For some time, the Committee has been concerned about the level of resources allocated to the management and administration of the SPS and the PPT. The Committee recognises the commitment of LFSL with the allocation of a number of senior staff and the continuity of those staff members, especially with the appointment of Nigel Boyling to the Committee. In addition, two other members of staff have been given responsibility for the oversight and liaison with EQ.

LFSL and the Committee have been working closely throughout the year to reduce the management risks.

There is recognition that the SPS is a unique business to LFSL at the moment, and there are questions around what approach LFSL will take with this pension plan especially in light of the planned merger between LFSL and Waystone.

Investment risks

The membership of the Scheme is diverse, with the membership joining through a large number of conduits. Some of the members were advised when they joined, but the majority were not advised. However, in the product design there were a number of lifestyle strategies in place. With the merger of the SPS and the PPT, the overall picture is much better.

Period to	Number of Lifestyle members	Total number of Members	% of members Lifestyled	% of members with SPS Cash Lifestyle
31-Dec-19	21,317	27,546	77.4%	70.4%
31-Mar-21	20,479	26,440	77.5%	70.6%
31-Dec-21	19,506	25,394	76.8%	70.1%
31-Dec-22	18,949	23,577	80.4%	72.9%

The latest data brings the Lifestyle membership into line with the averages for other workplace pension schemes, where typically the level is 80%+ of the members. While the headline numbers look attractive, the majority of these members have a Lifestyle flightpath targeting an outcome where all their benefits are taken as cash at the normal retirement age, which the Committee remains concerned about.

There are still a substantial number of members, some 4,600 members, who LFSL have classified as "Self-Select". The Committee has a concern that the "Self-Select" members might not have been suitably informed when making their decisions and whether the members clearly understood the ramifications of their decisions. The Committee's opinion is supported by the fact that there has been limited engagement by the members in relation to their investments and there are a significant number of "self-select" members where we would have expected investment switches to have taken place.

For example, there are a number of older members in the growth funds, who would be expected to have made some decisions if they would have classified themselves as "Self-Select" and they were responsible for the funds in their pension pots.

Consequently, the Committee have asked LFSL to ensure that the members are given sufficient information to make informed decisions. The objective of the members' education on financial matters is to reduce the risk to members of experiencing excessive volatility in the value of their pension funds as they approach the time, they are drawing their benefits, (i.e., when they crystallise their funds).

While the data suggests a substantial improvement, most of that has come from the pool of Stakeholder policies. Notwithstanding this, there has been a material reduction in the "Self-Select" members with no Lifestyle flightpath, from about 5,500 down to 4,600.

GOVERNANCE

The governance of all the funds in the SPS and PPT lies with LFSL.

The management of the underlying assets is delegated by LFSL to Legal & General Investment Management, LGIM. LGIM has an Environmental, Social and Governance (ESG) policy and the Committee receives regular reports on the governance outcomes quarterly.

There is no industry wide benchmark data on governance and stewardship, which would allow the Committee to measure the quality of the governance undertaken by LGIM.

Environmental, Social and Governance (ESG)

The Committee is required to consider and report on how ESG considerations are considered in LFSL's investment decisions that impact the members' pension funds. The UK Government has a strategy of ensuring that pension savings play their part in combatting climate change and promoting good outcomes for society as well as good outcomes for pension savers.

There are three key areas of investment considerations around what the provider intends to do regarding each and how good LFSL are at doing it. The three areas are:

- **ESG financial considerations** – environmental, social and governance factors (including climate change) that are material to the sustainability.
- **Non-financial matters** – the non-financial outcomes for the funds, such as the amount of carbon used to generate profits or remuneration of Board members.
- Stewardship – as defined by the FRC (Financial Reporting Council) – stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

LFSL's Environmental, Social, and Governance (ESG) policy follows the UK Stewardship Code, https://www.linkfundsolutions.co.uk/media/umjmg30g/lfs-engagement-stewardship-and-voting-policy-mar-22.pdf. LGIM follow the same code for all the underlying funds. The Committee receives regular reports on the governance outcomes from LGIM.

The Committee's focus is limited to the adequacy and quality of the policies that impact the investment returns that members receive. The prime goal is to ensure that Responsible Investment principles are followed in all aspects of the production and distribution of the product to the members. The Committee discharge this duty by:

- Reviewing LFSL's ESG policy annually
- Analysing and discussing the ESG reports of the underlying funds every six months
- Arranging an annual meeting with LGIM to discuss their ESG framework and results of their corporate engagement. The Committee have reviewed the resources in place at LGIM and LFSL. The Committee has plans to collate more in-depth information from LGIM with the goal of completing longitudinal studies of the corporate engagement.

Following the discussion about ESG policies between LFSL and the Committee, there was the introduction of one ESG-influenced fund in 2021, and the majority of the members' pension pots are invested in this fund. Matters improved further for the SPS when the assets were transferred from the PPT, in that the majority of the assets are held in a new ESG fund to the SPS, the LF Future World Multi-Index Pension Fund.

The Committee's conclusion is that LFSL's policy on ESG matters and Stewardship is clearly set out.

- It covers the key financial risks, and also opportunities, arising from ESG considerations.
- It sets out clear standards that must be followed in the investment of in-scope customers' savings.
- It highlights the importance of being responsible investors, having a policy of active engagement with the firms that are invested in, including exercising voting rights, and holding management to account over their governance standards and business behaviour.
- The policy framework also recognises the significance of non-financial matters to many customers, and a range of appropriate investment options is available to respond to their ethical concerns.

The standards are linked to the United Nations Principles for Responsible Investment, which is a helpful reference point as to adequacy and quality, which LGIM has been involved with its inception.

LFSL's Environmental, Social, and Governance (ESG) policy follows the UK Stewardship Code, https://www.linkfundsolutions.co.uk/media/umjmg30g/lfs-engagement-stewardship-and-voting-policy-mar-22.pdf. LGIM follow the same code for all the funds in which your money is invested. The Committee receives regular reports on the governance outcomes from LGIM.

The issue with the ESG policies is measuring the outcomes to make sure the corporate behaviour across the E, S and G are improving. While there is some improvement in the quality and the quantity of the data to measure the outcomes, there is still a huge amount of variance in the methodology to measure the three factors within the industry. The investment management industry appreciates the importance of the standardisation, but it remains very much a work in progress item.

One of the simplest measurements is around carbon, Scope 1, 2 and 3 carbon, usage, and reserves. There are still some variances in the calculation around this across the world, but it is important to report with imperfect data, rather than waiting for perfection which could be many years hence.

The Committee understands the importance of other ESG measures, especially Social and Governance. The Committee will work with LFSL to identify other ESG characteristics, which we feel are important to the membership. In time the expectation is that LFSL will engage with the members to seek their input on what is most important to them.

The ESG data for the SPS funds where there is ESG data is set out in Appendix 3. The PPT ESG data is set in Appendix 4.

Task Force on Climate-Related Financial Disclosures – TCFD

LFSL has undertaken its responsibilities in publishing the TCFD data for all the funds. The full information on each fund and an explanatory document is set out on LFSL's website, https://pensions.linkgroup.eu/pension-products/.

There are a number of Lifestyle Flightpaths under the SPS, as of the 31 December 2022, which are set out in the table below. The Committee has taken the average age for the Flightpath, and then used the asset allocation for each flightpath, at the average age of the current membership.

Lifestyle Flightpath	Average age	Carbon Footprint Scope 1, 2, 3 (upstream and downstream)	Carbon Intensity Direct
Annuity Targeting Lifestyle	54		
Drawdown Targeting Lifestyle	53	543	88
Drawdown Targeting Lifestyle – 5 years to retirement	47		

The Committee has identified the Carbon Footprint, Scopes 1, 2 and 3 (upstream and downstream) and the Carbon Intensity Direct as the most relevant numbers for this report. Details on the carbon reporting are set out in https://pensions.linkgroup.eu/media/5iuj4uzz/lfs-tcfd-guide.pdf and this contains an explanation of the figures in the table above.

INVESTMENT

Investment Mandates

The Committee supported the Optimisation Plan, on the grounds the members would experience lower charges and in turn should achieve more attractive returns, as well as gain access to funds with robust investment processes and consistent investment return profiles.

The Committee would like to recognise the work LFSL undertook for the benefit of the members, as well as the quality of the communications to members.

Over the year the members of the PPT had their funds integrated into the SPS. Full information on the PPT and their funds are set out in Appendix 4.

In 2022, the historic members of the SPS secured access to two additional Lifestyle Flightpaths, which intended to allow them to manage risk and potential returns more effectively on the run up to their normal retirement ages.

Investment outcomes

The Scheme should be operated in the interests of members reflecting the current environment for savers (which can change over time), rather than assuming it will remain suitable indefinitely. Investment mandates for the Scheme are set out in the Appendix 2.

The factors LFSL considered when designing a suitable default fund includes issues such as:

1. Time horizon
2. Risk profile
3. Financial knowledge and experience
4. Liquidity
5. Return targets

Our report is divided between return-seeking assets and de-risking assets. Appendix 2 sets out the performance and risk characteristics of the funds.

The performance is judged by analysing the data of the behaviour of each fund versus its stated benchmark, over the life of the funds. Performance is not solely the returns, but also considers two risk measures volatility and maximum drawdowns. In addition, the Committee analyses the non-financial performance of the funds, specifically the levels of corporate engagement, carbon footprint and the carbon intensity of the funds.

Return-seeking funds

LF Global Multi-Index Fund

The LF Global Multi-Index Personal Pension Fund is invested in the L&G Future World Multi-Index 4 fund.

The LF Global Multi-Index Personal Pension fund has no specific primary benchmark, but its risk characteristics are comparable to the Investment Association's Mixed Investment 20-60% Share Sector Median, which will be used to assess its performance outcomes.

The Committee expects the ESG filters in the fund to feed through to more attractive risk adjusted returns for the coming period. However, over the year, employing ESG filters for the fund held back the returns versus its peers, by 1.50%.

For short term investors the Committee considers the performance over the year in question was satisfactory. However, we have to be mindful that for the majority of the unit holders of the funds have held its predecessor fund where the investment outcomes were less favourable, which will be addressed later in the report.

View – Satisfactory.

LF Global Developed Equity Index Fund

The Global Developed Equity Index Fund is invested in the L&G Future World ESG Developed Index. The ESG filter for the fund has held back the returns versus a traditional global equity index fund. The Committee are happy with the variance and this is expected. No cause for concern.

View – Satisfactory.

LF Global Emerging Markets Index Fund

The Global Emerging Markets Index Fund is invested in the L&G Global Emerging Market Index fund   The Committee are happy with the returns, and the variance in the performance is line with expectations. No cause for concern.

View – Satisfactory.

De-risking funds

LF Cash Fund

The Cash fund has a clear investment strategy. The performance of the funds is in line with expectations.

View – Satisfactory.

LF UK Gilt Index Fund

The UK Gilt fund continues to track the FTSE Government Bond All Stocks Index. The performance of the funds is in line with expectations, gross of charges.

The only issue with the fund is that the actual return profile over the year has been very different to that suggested in the client facing documentation, that the fund is described as a "lower risk" investment. The marketing material or the support documentation explains all the risks in these funds relative to its benchmark, but not the absolute returns or the relative returns versus inflation especially around the quantum of the drawdowns in the capital values.

The Committee has been consistent in its approach in seeking LSFL to provide detailed information to the members, so all members understand the risks associated with holding units in this fund.

View – Satisfactory

LF Sterling Corporate Bond Index Fund

The Sterling Corporate Bond Index fund has been tracking the iBoxx Non-Gilt AAA to A Index fund. The performance of the fund is in line with expectations, gross of charges.

The only issue with the fund is that the actual return profile over the year has been very different to that suggested in the client facing documentation, that the fund is described as a "lower risk" investment. The marketing material or the support documentation explains all the risks in these funds relative to its benchmark, but not the absolute returns or the relative returns versus inflation especially around the quantum of the drawdowns in the capital values.

The Committee has been consistent in its approach in seeking LFSL to provide detailed information to the members, so all members understand the risks associated with holding units in this fund.

View – Satisfactory

Fund Combinations

The Lifestyle members will have a wide variety of combinations of funds. The history of each member will dictate the actual outcomes in relation to the behaviour of their pension pots. Appendix 2 shows the history of the returns achieved by a number of members. The reporting has focused on the largest cohort of members after taking their benefits on the 31 December 2022, after 10, 15 and 20 years.

1. Ex Stakeholder Pension Plan members,
2. Ex Personal Pension Trust Profile 1 Flightpath members
3. Ex Personal Pension Trust members invested in the LF Multi Asset fund.

The reporting is based upon a single investment of £10,000 and regular savings of £100 per month, gross of tax relief.

Apart from comparing the returns versus the benchmark indices for each of the funds, we have also introduced an inflation benchmark, the Consumer Prices Index, to show whether the members have secured "real returns."

Overall, the absolute performance and relative returns versus price inflation outcomes have been reasonable over the last 15 and 20 years for all three cohorts of members. However, for the last 10 years the absolute and the relative returns have been more challenging especially for the ex PPT members invested in the LF Multi Asset fund.

Suitability

Risk-seeking Funds

There is a limited amount of data on the membership profile. There is no requirement for LFSL to ask each member about their attitude to risk, time horizons and investment objectives. Neither is there any information about the financial knowledge and experience of participants. Some data is available about the number of members invested in each fund, their ages, and the average value of their holding, which is shown in the table below.

Date	Fund	Number of members	Value	Value per member	Average age	Weighted average age
31-Dec-16	LF Tracker Fund	20,456	297,475,616	14,542	45.1	47.2
31-Dec-17	LF Tracker Fund	19,635	322,334,827	16,416	45.6	47.6
31-Dec-18	LF Tracker Fund	18,931	279,208,135	14,749	46.3	48.2
31-Dec-19	LF Tracker Fund	18,262	323,655,323	17,723	47.0	48.8
31-Dec-20	LF Tracker Fund	17,449	287,286,912	16,464	47.6	49.2
31-Dec-21	LF Global Developed Index	16,796	315,626,583	18,792	48.2	49.8
31-Dec-22	LF Global Emerging Markets Index	1,221	998,594	818	49.6	49.7
31-Dec-22	LF Global Multi Index	5,664	99,949,644	17,646	55.1	57.6
31-Dec-22	LF Global Developed Index	18,505	281,575,221	15,216	49.5	50.5

"Weighted average" is the average age of members, weighted to reflect the value of the assets they hold, i.e., a larger fund will attract a higher weighting. We have used weighted average as the basis for our comments.

There are 274 "self-select" members over age 66 holding units in the Global Multi-Index Fund, with an average fund value of £33,862, as of the 31 December 2022. We have asked LFSL to approach these members to ensure that they understand that the profile of this fund is medium risk and may not be appropriate for them.

Turning to the highest real return seeking asset available under the policy, the LF Global Developed Equity Index fund, the number of years until the normal pension ages is 10 years, which is satisfactory.

De-risk funds

Investment in each of the funds is shown below as of 31 December 2022, along with an analysis of investors.

Date	Fund	Number of members	Value	Value per member	Average age	Weighted average age
31-Dec-16	LF Money Market	2,645	31,927,919	12,071	59.0	61.7
31-Dec-17	LF Money Market	2,682	36,140,830	13,475	59.4	61.9
31-Dec-18	LF Cash	2,770	39,349,027	14,205	59.8	62.3
31-Dec-19	LF Cash	2,877	43,741,481	15,204	60.3	62.5
31-Dec-20	LF Cash	3,116	50,870,609	16,326	60.7	62.8
31-Dec-21	LF Cash	3,195	56,197,942	17,589	61.2	63.2
31-Dec-22	LF Cash	4,564	70,063,588	15,351	60.2	63.0
31-Dec-16	LF Corporate Bond	5,305	23,637,915	4,456	46.3	51.1
31-Dec-17	LF Corporate Bond	5,039	24,068,752	4,776	46.7	51.4
31-Dec-18	LF Corporate Bond	4,794	22,664,718	4,728	47.2	51.9
31-Dec-19	LF Corporate Bond	4,587	23,493,107	5,122	47.7	52.4
31-Dec-20	LF Corporate Bond	4,319	22,380,041	5,182	48.2	52.4
31-Dec-21	LF Sterling Corporate Bond Index	4,133	21,412,265	5,181	48.8	53.0
31-Dec-22	LF Sterling Corporate Bond Index	7,098	35,859,004	5,052	52.4	55.9
31-Dec-22	LF UK Gilt Index	1,659	8,431,882	5,083	55.1	58.9

The weighted average age of unitholders is as expected for the L&G Cash and the L&G UK Gilt Index funds, with funds being held by individuals approaching retirement. The Committee notes that there are a significant number of younger members (under age 50) who have a holding in the Cash Fund.

The Committee has been highlighting the inflation risk of holding the L&G Cash, L&G Sterling Corporate Bond Index, and the L&G UK Gilt Index funds for a number of years, the latter when the fund was held by members under the PPT arrangement. The Committee have asked LFSL to highlight the risks to members, even though on a look forward basis the "real return" picture is looking more positive.

The average age and weighted average age for the LF Sterling Corporate Bond Index is slightly lower than we would ordinarily expect. There are a large number of younger "self-select" members holding this fund and we have asked LFSL to send some targeted communications to highlight the issues, especially around inflation.

Members leaving the Scheme

LFSL is now collating more granular records of how the members are taking their benefits, which is a positive step. The details of how the benefits are taken, please see the section above.

For the year to the 31 December 2022 LFSL should be congratulated in now measuring the destinations for the transfers to third party pension product providers. There is now a proactive system in place where a member is challenged where there is an elevated level of risk of the member being the target of a pension scam.

Charges

The costs for the default funds need to be competitive. For the majority of the reporting period the charges for the funds have been as shown below, highlighted in blue. As a result of the delays to the implementation of the Optimisation Plan, LFSL made a positive decision to reduce the charges for the funds, by applying a discount, which is on pro rata basis to the charges levied. The allocation of the rebate was agreed to by the Committee and has been in place since 31 December 2020.

The charges for the funds, when compared with the funds' IA Sector Median, are set out as below:

Return-Seeking Funds

Fund	Ongoing Charges Figure (OCF)
LF Global Multi Index Pension Fund	0.76%
IA Sector Median	0.79%
LF Global Developed Index Pension Fund	0.72%
IA Sector Median	0.80%
LF Global Emerging Markets Index Pensions Fund	0.73%
IA Sector Median	0.96%

De-Risking Funds

Fund	Ongoing Charges Figure (OCF)
LF Cash Personal Pension	0.17%
IA Sector Median	0.11%
LF Sterling Cop. Bond Index Pension Fund	0.64%
IA Sector Median	1.02%
LF UK Gilt Personal Pension	0.43%
IA Sector Median	0.47%

- The charges above are net of the discounts currently in place.
- The charges for Workplace Pensions generally continue to fall.
- The ongoing charges for the funds was based upon the report and accounts for the funds to 31 March 2023. There are no ongoing charge details for the funds audited to the 31 December 2022.

Over the period the Committee would like to record on behalf of the members, the appreciation of the subsidy to the members in recognition of the higher ongoing charges. The subsidy between the 1 January 2022 and 31 December 2022 was £218,261. The subsidy was removed after October 2022, when the merger of the two plans was completed.

Funds	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Total
JFM SHP - LF Global Developed Pension Fund	21,583.80	21,739.09	22,355.04	22,217.93	22,096.66	22,115.99	22,239.05	22,668.17	22,668.17	**199,683.90**
JFM SHP - LF Sterling Corporate Bond Index Pension Fund	1,619.58	1,603.79	1,497.43	1,527.47	1,537.50	1,534.93	1,512.47	1,428.36	1,428.36	**13,689.89**
JFM SHP - LF Cash Pension Fund	526.07	528.30	507.85	530.90	546.62	572.71	562.28	561.41	561.41	**4,887.55**
Total	**23,719.45**	**23,871.18**	**24,360.32**	**24,276.30**	**24,180.78**	**24,223.63**	**24,313.80**	**24,657.94**	**24,657.94**	**218,261.34**

Other potential charges

All administration costs are included within each fund's annual management charge.

LFSL currently makes no charge for the following:

- Transaction
- Plan set up
- Transfer-in
- Transfer-out to UK scheme
- Transfer-out to overseas scheme
- Fund Switch
- Pension Splitting on Divorce
- Small pot lump sum payment
- Account closure fee
- Arranging death benefits
- Annual Statements
- Duplicate copies of correspondence
- Account closure

All switches take place on a bid-to-bid basis, i.e., they will be free of charge. Whilst LFSL does not currently charge for any of the above, it reserves the right to do so in the future. The processing of pension sharing orders, for example, can be particularly complex and a specialist's technical input may be required.

Liquidity

All funds available continue to provide daily liquidity to investors and there are no reports of members being unable to buy or sell funds during the period.

Transactional charges

Transaction costs are incurred when a fund manager buys or sells assets on behalf of a fund, e.g., equities or bonds. Transaction costs represent the average charge over prescribed periods and include both Explicit costs (such as brokers' fees, exchange costs, stamp duty and other taxes), and Implicit costs which is an assessment of the cost of entering or exiting the market (in simple terms the difference between the price of the instrument at the time the order was placed and the actual price at which it was executed). Where a fund invests in other funds, the average transaction costs of those other funds are included as indirect transaction costs (look-through costs).

Comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the manager's investment decisions in improving returns and the associated costs of investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a fund invests.
- As the manager's investment decisions are not predictable, transaction costs are also not predictable.
- There can be inconsistency in the Calculation method used by different providers. (LFSL uses the full PRIIPS "Arrival" method).

The only transaction charges for the underlying funds to the 30 June 2023, as below:

Fund Name	Cost (bps)	Cost (%)
LF Cash Personal Pension Fund	0.001790	0.1790%
LF UK Corporate Bond Index Personal Pension Fund	0.000000	0.0000%
LF UK Gilt Personal Pension Fund	0.000410	0.0410%
LF Global Multi-Index Personal Pension Fund	0.000916	0.0916%
LF Global Emerging Markets Personal Pension Fund	0.000223	0.0223%
LF Global Equity Index Personal Pension Fund	0.000000	0.0000%

AREAS REQUIRING ATTENTION

The "Optimisation Plan," which was designed to give members a more suitable range of funds and default investment strategies whilst benefitting from lower fund costs, was finally implemented in October 2022.

All the areas requiring attention that we had highlighted in the previous three years are listed below and were improved following the implementation of the Optimisation Plan.

- Updating the mandate of the LF Global Developed Index Fund
- Reducing the charges of the LF Sterling Corporate Bond Index Fund and the LF Global Developed Index Fund
- Introducing appropriate life styling options for members
- The further areas that we have identified in this period that require attention are set out below.

Administration

There have been a significant number of administration problems following the transfer to EQ. LFSL have been working very closely with EQ to rectify these problems and this focus needs to continue over the next year to ensure that members receive a satisfactory service.

Value for money

The scheme provides adequate value for money when compared with Master Trust arrangements but fairly poor value for money when compared personal pension plans.

Web Access

Most product providers in the marketplace now offer their members online servicing to their accounts. This is now available to members following the transfer of the administration of the Plan to EQ. However, the membership take-up of this facility is exceptionally low and work needs to be done to ensure that members are aware of this feature.

Communications

Three years ago, your Committee implemented a strategy for reviewing the communications issued to members to ensure that they were clear and concise, and they could be easily understood by members. The suggested changes highlighted by the Committee are still yet to be implemented in full.

There is a current project in place to implement these changes and we hope that member communications will be updated by the end of the fourth quarter.

One of the most significant risks facing LFSL will be the increasing number of members, who would be classified by the FCA as being vulnerable for the coming period, as the UK faces a "cost of living" crisis. At present LFSL have only identified a small number of members who would be classified as vulnerable which is not in line with the numbers that we were expecting. We intend to review these numbers and how these people are identified to ensure that all members' needs are covered.

Ongoing analysis of how unitholders are taking their benefits

In the last report the Committee asked for ongoing analysis of those members taking benefits and the funds sold to help inform whether the investment strategies are suitable. The Committee have asked LFSL to provide this data regularly, ideally quarterly, to allow for more in-depth analysis and identify trends so issues do not become problems. This data is just becoming available so an in-depth analysis needs to be undertaken during the following year. We strongly encourage LFSL to have continued focus on the risks of Pension Scams.

Provision of information

Over the year, there has been a patchy record of the Committee receiving timely management information from LFSL which has created a challenge for the Committee to oversee the pension fund. Most of the gaps in the provision of the information has arisen from the migration of the administration from Capita to EQ, as well as each institution employing different reporting formats. The Committee and LFSL have agreed a framework for the provision of information going forward.

Risk Register

To help the minimise the risks to the members, your Committee has required LFSL inform the Committee on any "red" items which will have or has the potential to have a significant impact on the SPS. We summarise these findings in the annual report.

Lifestyle Investment Solutions

Following the implementation of the Optimisation Plan there are now three lifestyle options for members. These target members who wish to take cash at retirement, an annuity at retirement and also those who wish to transfer to a drawdown arrangement. We have asked LFSL to implement a targeted and concerted communication campaign to ensure that members are adopting the right lifestyle flightpath for their particular circumstances.

Provision of Advice

The Committee would like to see an increasing number of members seeking advice or guidance, either through services such as Pensions Wise, or directly, to reduce the risks that the members make poor decisions in relation to their pension pots. The goal is that 100% of the members seek advice or guidance when taking their pension scheme benefits.

At each of the quarterly meetings the Committee have sought information on the behaviour of the members when taking their benefits or transferring them to third parties. For the Committee, the provision of support is of vital importance for the members.

APPENDIX 1

CONSTITUTION OF THE IGC

The Committee is comprised of four independent members and one member appointed by LFSL. FCA guidance was observed over selection of the employer-appointed member.

With the exception of Nigel Boyling, who is the Employer Representative member of the Committee, under COBS 19.5.12(g) the Committee four other members are deemed to be independent by the fact that they are not an employee of LFSL, they were not an employee of any company within the LFSL group in the last five years and they do not have a serious business relationship with LFSL.

The Committee has been constructed to have knowledge and experience in the actuarial, legal, investment and pensions arenas. Committee members during the year were:

Sarah Farrant (Chair)

Ms Farrant has been a qualified actuary for over 30 years. She has been Scheme Actuary to many schemes, including a number of FTSE 100 and FTSE 250 companies and has enjoyed senior roles with national employee benefit consultancies and a "Big four" firm of Chartered Accountants.

Naomi L'Estrange
Managing Director of 20-20 Trustee Services Limited

Professional qualifications

- Solicitor (current practising certificate)
- Qualified Executive Coach
- Certificate in Advanced Business Management from Ashridge

Ms L'Estrange has 25 years' experience as a pension lawyer and a director of the Pension Protection Fund. She advised the Institute of Actuaries and many individual pension schemes and was seconded to Government to advise on Pensions Act 2004.

As the PPF's Director of Strategy and Policy, Ms L'Estrange has worked with various Government departments and the EU on matters of pension policy. She is a professional trustee to a number of pension schemes of all types. She is a member of the Financial Reporting Council's Advisory Board.

Mark Garnett
Director of Advisory Investment Services Limited

Professional qualifications

- Associate of the Chartered Institute for Securities & Investment
- Associate of the Chartered Insurance Institute

Mr Garnett provides investment management and advice for pension schemes and is a former Partner of Smith & Williamson Investment Management LLP.

He advises employers and boards of trustees, and regularly presents on the economy and investment markets.

Nigel Boyling
Director, Link Fund Solutions Limited ("LFSL")

Nigel joined Link in 2009 and became a Director in 2011. Prior to joining Link, Nigel was Compliance Director with Prudential and M&G where he led the business through various significant regulatory changes including the implementation of Financial Services and Markets Act 2000 (FSMA) and Markets in Financial Instruments Directive (MiFID). Prior to this Nigel was a member of the Executive Engagement Team at Manulife Financial, where he was IMRO Compliance Officer and Head of UK Internal Audit. Subsequent to moving into financial services Nigel worked in utilities and local authorities, including London Boroughs and district councils. Nigel is a Chartered Public Finance Accountant, Fellow of the Institute of Internal Auditors, and a Fellow of the Royal Statistical Society.

Gareth Sawyer
Director, Evelyn Partners Trust Corporation Ltd, Evelyn Partners Financial Services Ltd

Gareth is Evelyn Partners Financial Services Ltd.'s representative on the Committee. He is a financial service and fintech solutions specialist with over 40 years industry experience. A Chartered Practitioner, Fellow of the Chartered Insurance Institute, and Associate of the Pensions Management Institute.

Having worked at major product providers and advisory firms, and established/owned/managed fintech, financial services and trustee businesses, he brings to the committee over 35-years' experience of advising and supporting employers, trustees, and pension scheme members on all aspects of pensions and retirement, and over 20 years establishing and advising personal pension governance committees, and acting as professional trustee to defined benefit and defined contribution pension schemes, as well as establishing and managing personal pensions products and a master pension trust.

APPENDIX 2

SPS INVESTMENT

This appendix sets out the performance of the funds available in the SPS product as of 31 December 2022.

Fund Details

The available fund range is shown below:

- LF Global Multi-Index Pension Fund
- LF Global Developed Index Pension Fund
- LF Global Emerging Markets Index Pension Fund
- LF Sterling Corporate Bond Index Pension Fund
- LF Cash Pension Fund
- LF UK Gilt Index Pension Fund

During the year there was a LF Cautious Managed Fund, which was closed on the 21 October 2022. We will report on the performance of this fund from the 1 January until 30 September 2022 in Appendix 4.

There are two elements to the recording of the performance. Appendix 2 reports on the percentage returns of the funds, both the current and the previous funds, which existed prior to the merger of the PPT and the SPS.

Appendix 2 illustrates the actual outcomes for the members.

Return-Seeking Assets

Fund Objectives

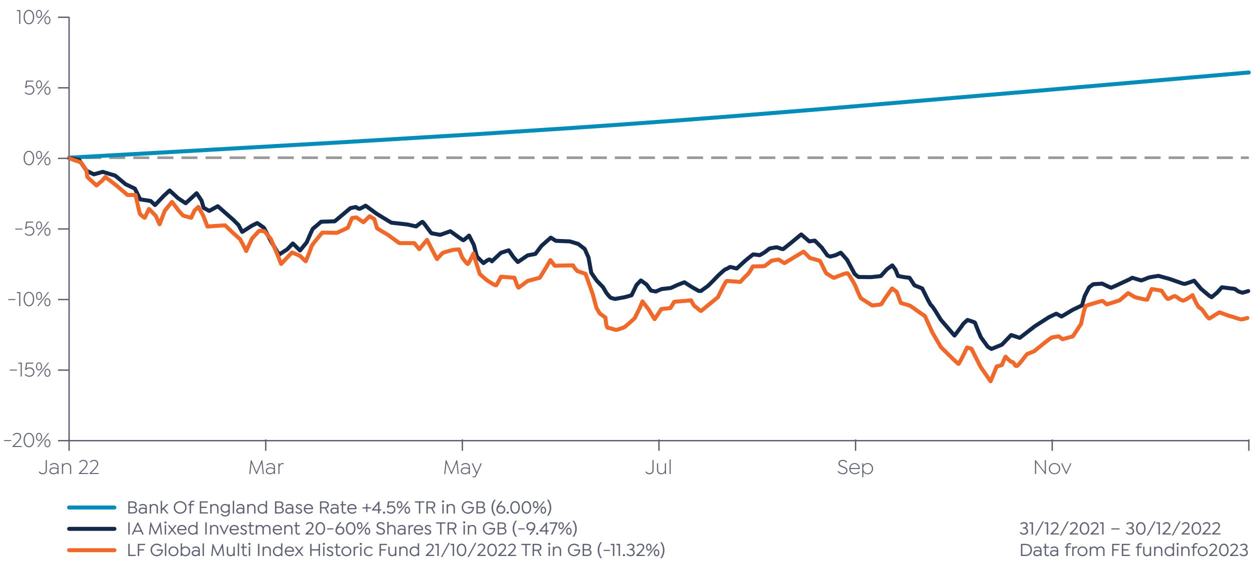
There are three funds which are defined as those as return-seeking assets, and the objective of each is

1. The **LF Global Multi-Index Pension Fund** is invested in the L&G Future World Multi Index 4 fund, whose objectives are "The Fund's objective is to provide a combination of growth and income within a pre-determined risk profile. The Fund's potential gains and losses are likely to be constrained by the aim to stay within the risk profile. The Fund also aims to incorporate environmental, social and governance considerations into the investment strategy."
2. The **LF Global Developed Equity Index Pension Fund** is invested in the L&G Future World ESG Developed Index fund whose objectives are "The objective of the Fund is to provide a combination of growth and income by tracking the performance of the Solactive L&G Enhanced ESG Developed Index NTR (the "Benchmark Index")".
3. The **LF Global Emerging Markets Index Pension Fund** is invested in the L&G Global Emerging Markets Index Fund whose objectives are "The objective of the Fund is to provide growth by tracking the performance of the FTSE Emerging Market Index. This objective is after the deduction of charges and taxation".

Performance Commentary

LF Global Multi-Index Pension Fund

For the last year, the underlying fund manager has been LGIM. Prior to December 2021 abrdn was responsible for the management of the fund. Therefore, we have only shown the performance since LGIM became responsible, as illustrated in the chart below, which shows investment returns relative to the fund's peers and the prime benchmark, cash plus 4.5% per annum, gross of charges.

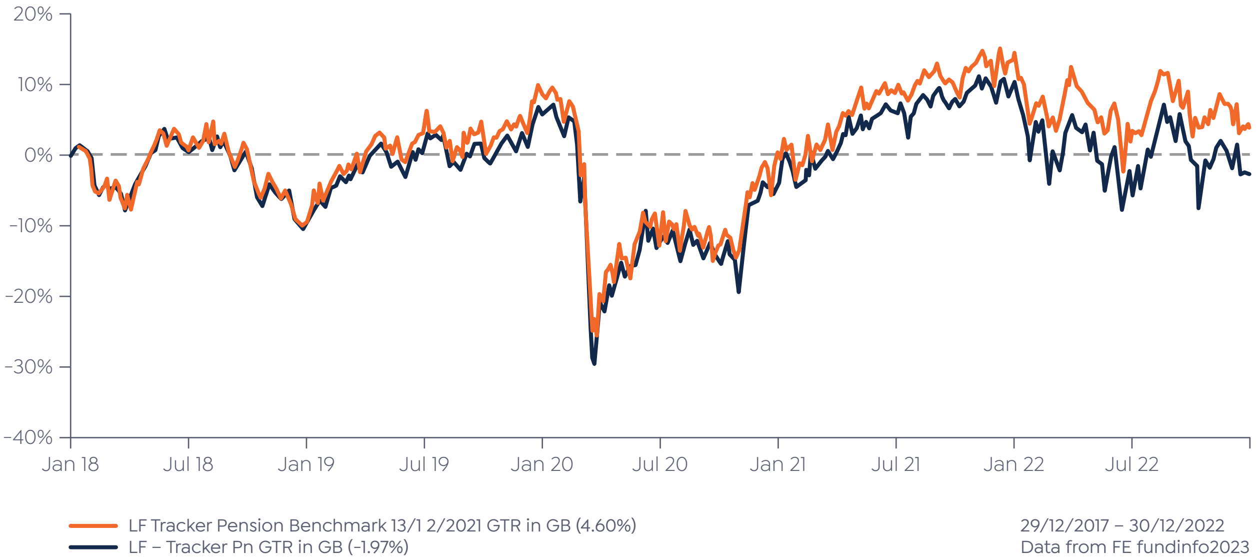


The recurring issue is the suitability of the fund as a fund for some 535 members aged below 50 years, with investments with a total value of £7.1 million, considering their ages. We have asked LFSL to send targeted communications to educate these members to illustrate the risks of the current mandate for them.

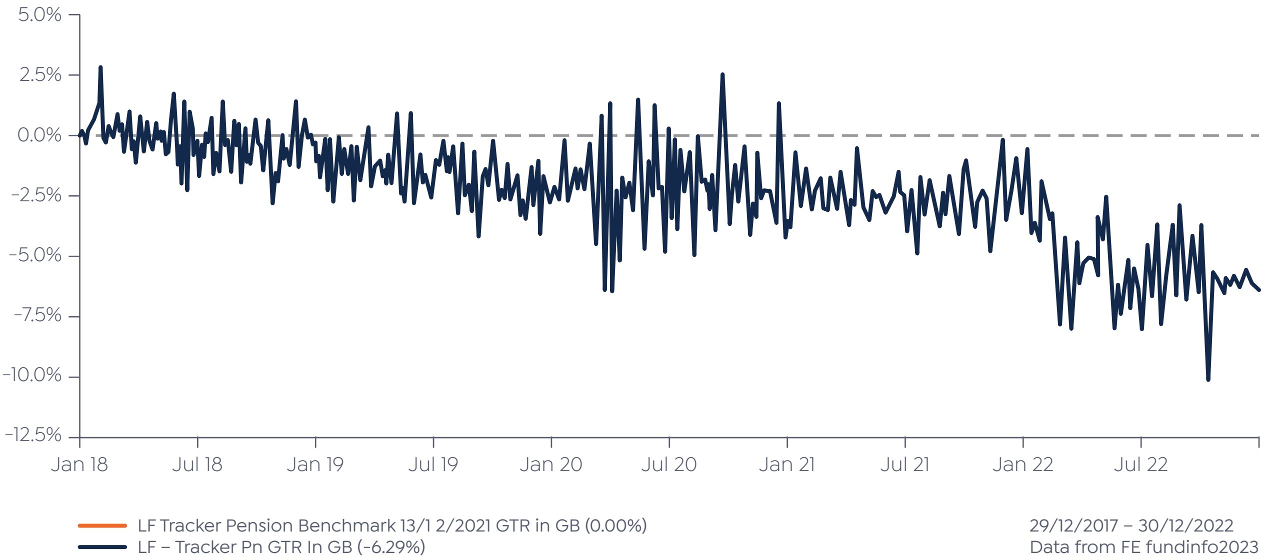
For the total population of the unit holders the average term until the nominated pension age is about 10 years, and when weighted for the value of the funds where the average age falls to 7.5 years. Therefore, for the average unit holder of this fund, the new mandate remains appropriate.

LF Global Developed Equity Index Pension Fund

The fund has performed in line with expectations. The mandate for this passive fund has changed over time. Until December 2021 the fund tracked the FTSE All Share Index, and then the mandate of the fund switched to tracking the FTSE Global Developed Solactive Index, which is a composite index created by LGIM and Solactive. There is no published data for this benchmark index, so we have used the FTSE Global Developed Index since the 14 December 2021.



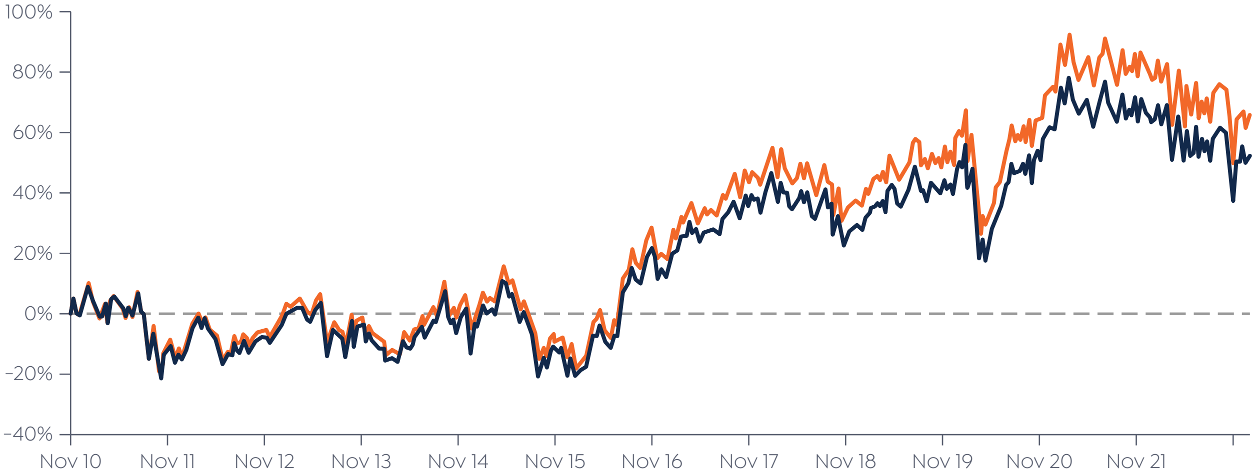
In the chart below the report has used the FTSE Global Developed Index, which illustrates the impact of the ESG filters employed by Solactive and LGIM. The benchmark indices have been flatlined to show the relative returns more clearly.



The underperformance of the FTSE Developed Index fund is down to the natural overweight positions in the "growth" sectors, which underperformed early in 2022. We would expect the ESG filter to have a positive impact on the long-term relative returns. Therefore, the Committee is comfortable with the performance of the fund.

LF Global Emerging Markets Index Pension Fund

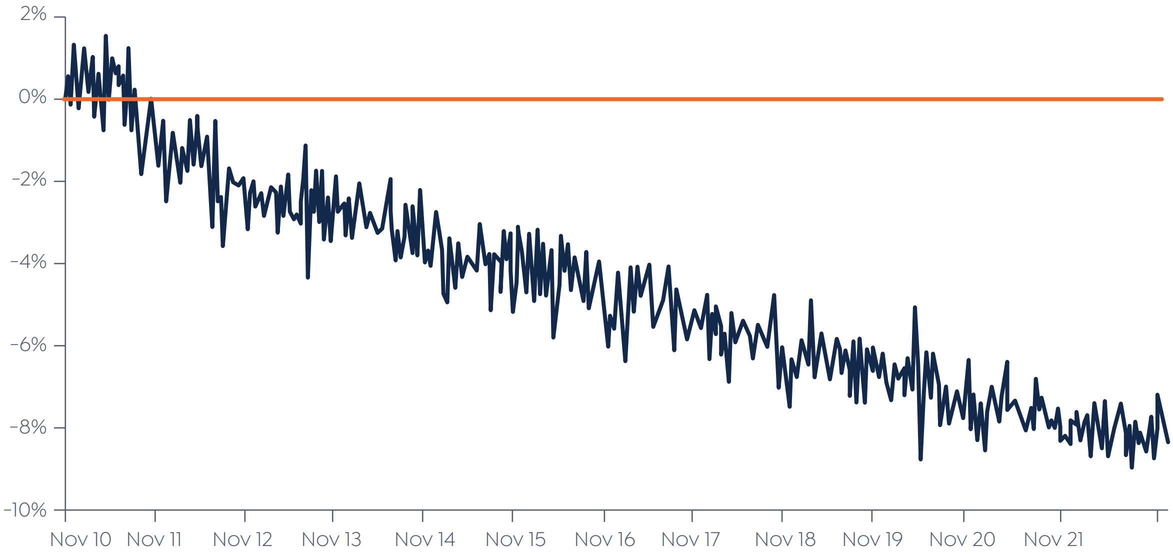
The LF Global Emerging Markets Index Pension Fund is a new fund with a 3 month track record. However, the fund is invested in the L&G Global Emerging Markets Index, which has been in place since 2010, whose record is set out below.



FTSE Emerging GTR in GB (66.61 %)
L&G – Global Emerqinq Markets Index I Acc In GB (53.08%)

29/10/2010 – 30/12/2022
Data from FE fundinfo2023

The chart shows the relative performance of the fund, and all the underperformance is down to the impact of costs over the history of the fund. The charges for the fund have been reduced substantially more recently, and therefore we would expect the LF fund to track the benchmark index going more closely forward.



FTSE Emerging GTR in GB (0.00%)
L&G - Global Emerging Markets Index I Index Acc in GB (-8.12%)

29/10/2010 – 30/12/2022
Data from FE fundinfo2023

PERFORMANCE TABLES

The cumulative performance of two of the three funds (i.e., total return) is shown below, over various periods to 31 December 2022. In the case of the LF Global Emerging Markets Equity Index fund the fund has only been in place for less than three months of the year and therefore there are no performance figures.

The LF Global Developed Index Personal Pension Fund, there is a longer-term record, but the variances in the investment mandate before the 31 December 2021, means that the statistics are not relevant.

The LF Global Multi Index Personal Pension Fund was only created in the SPS on the 21 October 2022, but the majority of the investors had been the LF Multi Asset Personal Pension Fund, whose record the Committee are looking at for this report. As noted above the mandates for the LF Multi Asset fund have changed regularly over the life of the fund, with the last change taking place in December 2021.

Fund Statistics to 31 December 2022	3 months	6 months	1 year	3 years - % p.a.
LF Global Developed Index Pension Fund	-1.08%	1.72%	-11.39%	-2.80%
IA Global Equity	2.19%	4.02%	-11.06%	6.45%
L&G Global Equity Indices	1.07%	5.20%	-7.82%	8.01%

Fund Statistics to 31 December 2022	3 months	6 months	1 year	3 years - % p.a.	5 years - % p.a.
LF Global Multi Index Pension Fund	3.27%	-0.57%	-11.32%	-1.55%	-1.14%
IA Mixed Investment 20-60% shares	3.05%	-0.03%	-9.47%	0.15%	1.32%
Base rates +4.5% p.a.	1.80%	3.35%	6.00%	5.11%	5.15%

The colour coding outlines the quartile position of the fund relative to its peers	1st Quartile
	2nd Quartile
	3rd Quartile
	4th Quartile

The tables below for the LF Global Multi Index Pension Fund and the LF Global Developed Index Pension fund use three measures of fund behaviour over the last five years to 31 December 2022.

Fund Statistics to 31 December 2022	Volatility	Jensens Alpha	Maxium Drawdown/Fall
LF Global Developed Index Pension Fund	19.46	1.35	-14.42
IA Global Equity	14.44	0.00	-14.35
L&G Global Equity Indices	13.50	1.24	-11.57

Fund Statistics to 31 December 2022	Volatility	Jensens Alpha	Maxium Drawdown/Fall
LF Global Multi Index Pension Fund	6.86	-2.98	-15.04
IA Mixed Investment 20-60% shares	7.75	0.00	-16.67
Base rates +4.5% p.a.	0.00	0.00	0.00

DE-RISK FUNDS

Fund Objectives

The risk averse assets comprise three funds, the LF Cash Pension Fund, the LF UK Gilts Pension Fund- and the LF Sterling Corporate Bond Index Pension Funds.

1. The **LF Cash Pension Fund** is invested in the LGIM Sterling Liquidity Plus fund, and its objectives are “the principal investment objective of the Sterling Liquidity Plus Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return. The Fund invests in high quality short term fixed income and variable rate securities listed or traded on one or more Recognised Exchanges, across a range of financial institutions, sovereign, and corporate issuers.”
2. The **LF UK Gilts Pension Fund** is invested in the L&G UK Gilts All Stocks Index, and the fund objective is “to provide a combination of income and growth (if the income is reinvested) by tracking the performance of the FTSE Actuaries British Government All Stocks Index. The fund will invest in bonds (a type of loan which pays interest). The fund’s investments will closely match those that make up the Index. This Index consists of bonds which are issued by the UK Government (known as gilts). The gilts that the fund invests in will be investment grade bonds (rated as lower risk). Investment grade bonds are bonds that have achieved a higher credit rating from a rating agency. Credit ratings give an indication of how likely it is that the issuer of a bond will be able to pay back interest and the loan on time. 35% or more of the fund can be invested in bonds issued by the UK Government. The fund may use derivatives (contracts which have a value linked to the price of another asset) to:
   • reduce risk or cost; or
   • generate additional capital or income with no, or an acceptably low, level of risk.
   If you hold accumulation units, income from investments held by the fund (interest) will be reinvested into the value of your units. If you hold distribution units, income from investments held by the fund will be paid out to you every six months (as interest).”
3. The **LF Sterling Corporate Bond Index Pension Fund** is invested in the L&G Sterling Corporate Bond Index fund, and the fund objective “is to provide income by tracking the performance of the Markit iBoxx Sterling Non-Gilts ex BBB Index. The fund will invest between 70% and 100% in bonds (a type of loan which pays interest) included in the Index. The fund’s investments will closely match those that make up the Index. The Index consists of bonds which are issued in Sterling by UK or overseas companies. The bonds that the fund invests in will be almost entirely investment grade (rated as lower risk). Investment grade bonds are bonds that have achieved a higher credit rating from a rating agency. Credit ratings give an indication of how likely it is that the issuer of a bond will be able to pay back interest and the loan on time. The fund may use derivatives (contracts which have a value linked to the price of another asset) to reduce risk or cost; or generate additional capital or income with no, or an acceptably low, level of risk. The fund may also invest in deposits, money market instruments and cash. Money market instruments are a type of security where cash can be deposited for short periods of time. This fund may not be appropriate for investors who plan to withdraw their money within five years.”

PERFORMANCE

The fund returns are as shown below:

Fund Statistics to 31 December 2022	3 months	1 year	3 years – % p.a.	5 years - % p.a.	10 years - % p.a.
LF Cash	0.87%	1.06%	0.58%	0.60%	0.42%
IA Money Market	0.89%	1.28%	0.55%	0.57%	0.35%
Bank of England SONIA	0.68%	1.40%	0.54%	0.54%	0.53%
LF Sterling Corporate Bond Index	3.51%	-17.88%	-5.91%	-2.78%	1.08%
IA Sterling Corporate Bond	5.66%	-16.09%	-3.92%	-1.03%	1.83%

Performance of the LF Cash Fund is in line with expectations, i.e., at a discount to Bank of England Base Rates, with the underperformance reflecting charges for the fund. The returns are in line with its peer group.

The LF Corporate Bond fund has struggled throughout its history when the underlying assets were subject to an active management mandate. Since the fund moved to a passive mandate in 2021, the returns are now nearer the benchmark index.

The table sets out the risk metrics for the last 5 years to the 31 December 2022.

Fund Statistics to 31 December 2022	Volatility	Jensens Alpha	Maxium Drawdown/Fall
LF Sterling Corporate Bond Index	5.29	-3.22	-23.63%
IA Sterling Corporate Bond	5.88	0.00	-22.99%

In summary, the performance of the three funds has been satisfactory, relative to their benchmarks.

GLOSSARY

The Committee has selected three fund characteristics to help members appreciate the risks and the rewards of their selections.

"Volatility"

illustrates the level of risk over the last five years. The unit price will vary from day to day and will oscillate around the average returns for the period. Deviation against the long-term averages will provide a measure of risk; greater deviation in the unit price = higher volatility = higher risk. Ideally, a fund will have a deviation in line with (or less than) its benchmark, which is highlighted in light blue. The lower the volatility, the higher will be its quartile ranking.

Where a fund is more volatile than the benchmark index, an investor should expect to achieve a higher return, relative to the benchmark index. This is to compensate them for the higher level of risk.

"Jensen's Alpha"

is a measure of the marginal return a fund has achieved, relative to its peer group, i.e., other comparable funds, net of fees, adjusted for volatility (hence risk). The ratio provides investors with a simple measure of whether a fund manager has performed better than his or her peers, allowing for the risks taken. It may be regarded as a measure of the skill of a fund manager. Ideally, the value should be above zero and a higher number is better. (Also known as the "Jensen's Information Ratio").

"Maximum drawdown/fall"

is the maximum percentage loss incurred by unitholders within the last five years. The Committee has taken the maximum unit price over the last five years and compared it with the minimum price over the subsequent period. The purpose is to provide investors with an assessment of the maximum potential loss of capital, assuming no further contributions were made to the fund over the remaining period. The greater the fall, the higher will be the down-side risk associated with owning that asset during the period. A top quartile rating is given to funds with the lowest fall in fund value.

LONG TERM
PERFORMANCE OUTCOMES

Our report is designed to show the long-term outcomes for members of the SPS.

The Committee have selected three cohorts of members:

1. Cohort 1 - Legacy Jessops Members
2. Cohort 2 - Legacy Nationwide Members
3. Cohort 3 - Legacy Profile 1 Personal Pension Trust Members

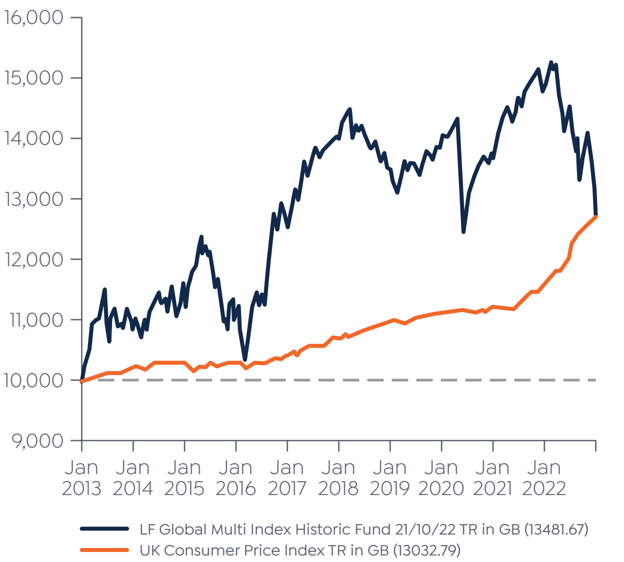
which represent a significant proportion of the membership of the SPS.

The analysis is based upon a single investment of £10,000, and a regular savings of £100 per month over 10,15 and 20 years, where the data is available, to the 31 December 2022. In all cases we have benchmarked the outcome against inflation. We have used the Consumer Prices Index, CPI, as the inflation measure.

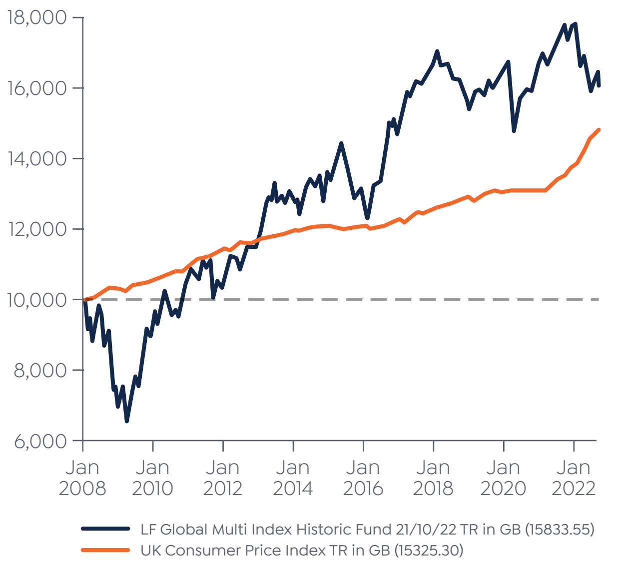
Cohort 1 – Legacy Jessops Members

The Legacy Jessops members were predominantly invested in the LF Multi Asset Personal Pension fund until October 2022, when the fund was merged with the LF Multi Index Personal Pension Fund under the SPS.

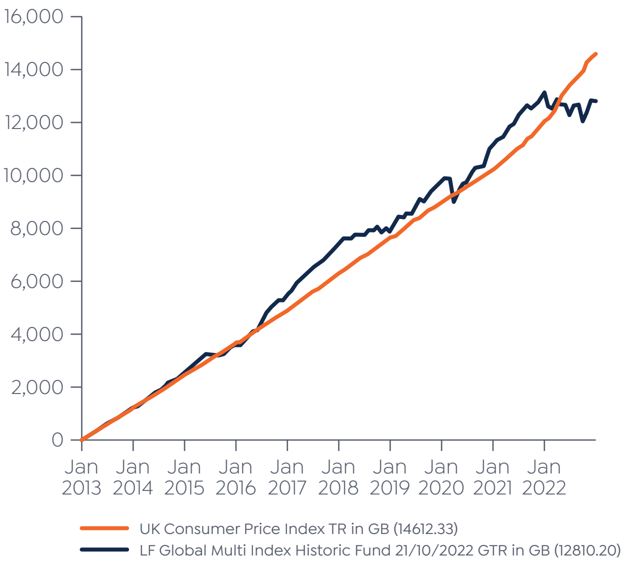
Lump Sum - £10,000 – 10 years



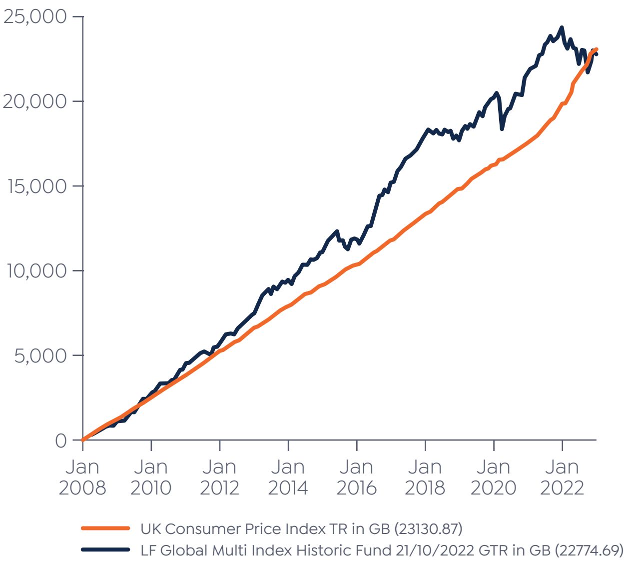
Lump Sum - £10,000 – 15 years



Regular Savings - £100 per month – 10 years



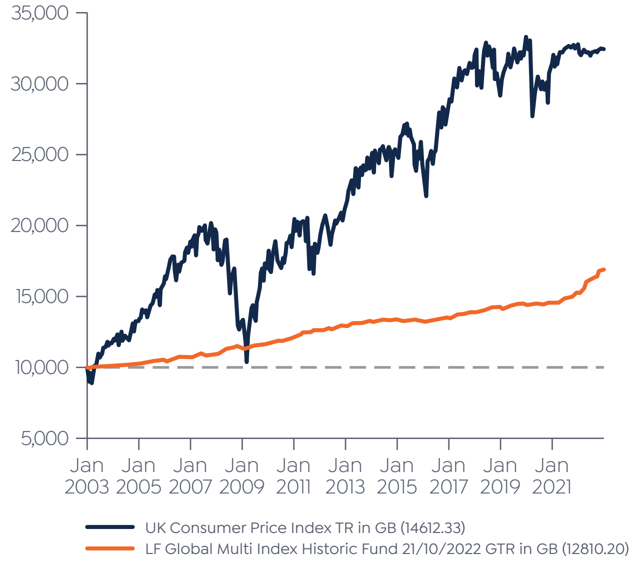
Regular Savings - £100 per month – 15 years



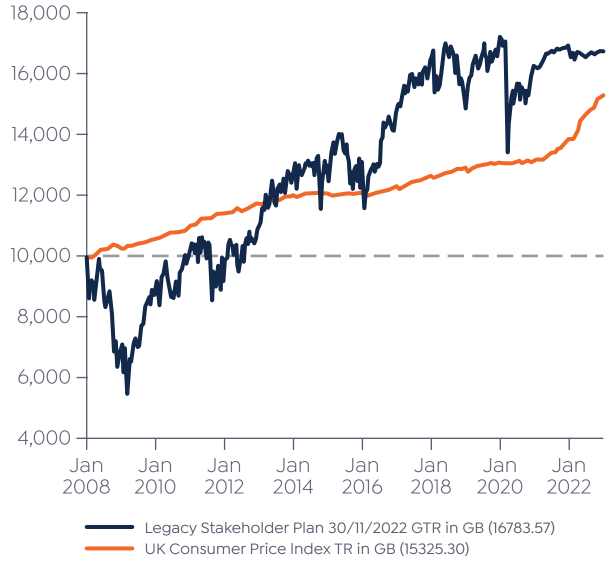
Cohort 2 Legacy Nationwide Members

The Legacy Nationwide members were predominantly invested in the LF Passive fund, which for the majority of its life was itself invested in the L&G UK Index fund, tracking the FTSE All Share Index. In December, the underlying fund was switched to the L&G Future World Developed Index fund, which tracks a composite global equity market index designed by Solactive and Legal & General Investment Management.

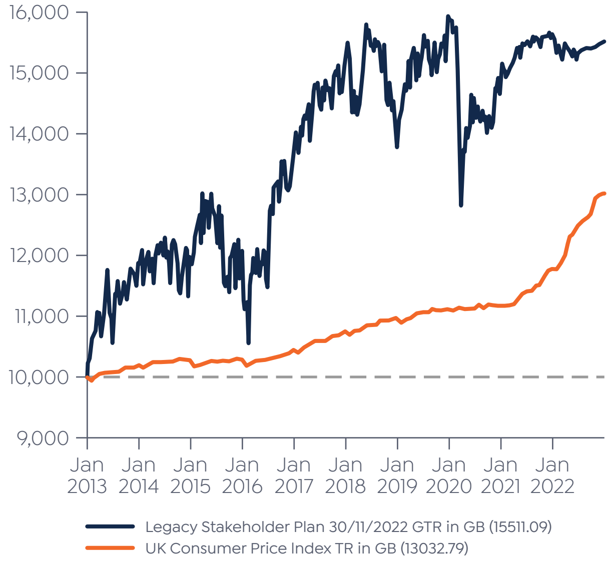
Lump Sum - £10,000 – 20 years



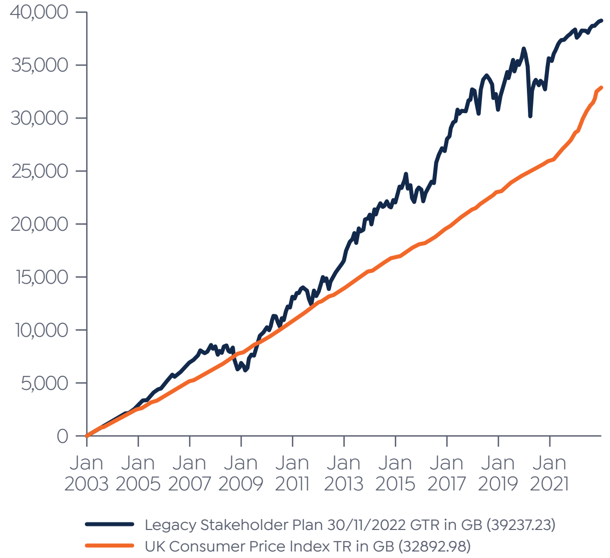
Lump Sum - £10,000 – 15 years



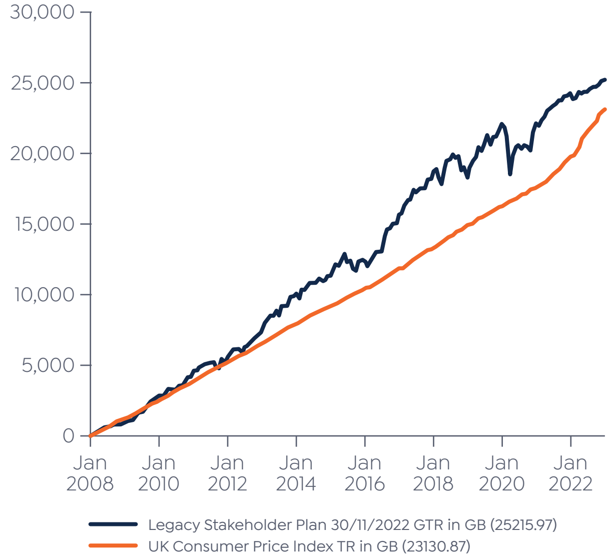
Lump Sum - £10,000 – 10 years



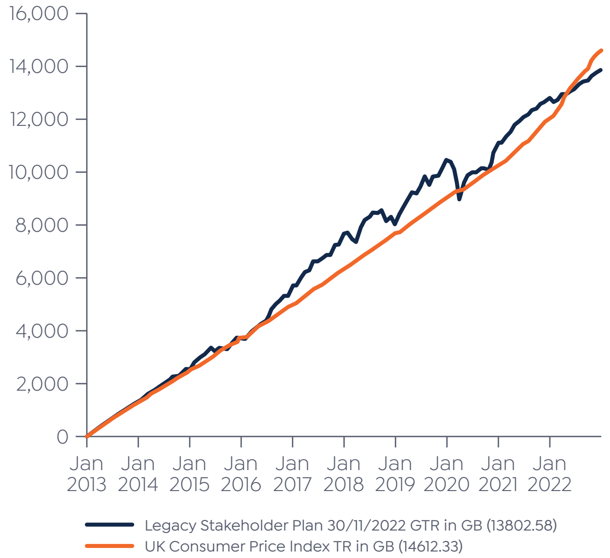
Regular Savings - £100 per month – 20 years



Regular Savings - £100 per month – 15 years



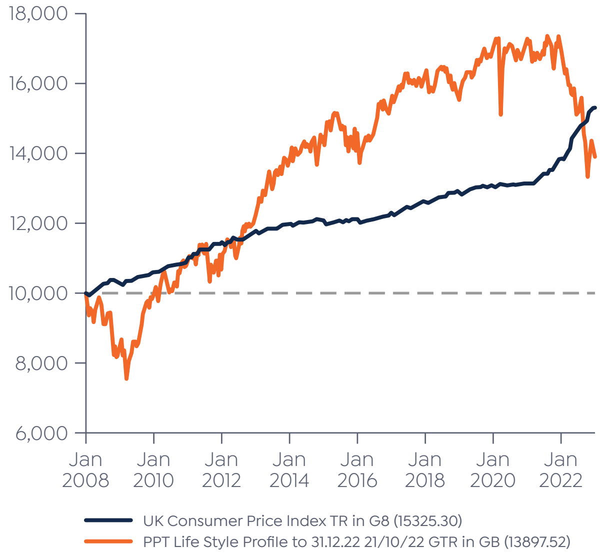
Regular Savings - £100 per month – 10 years



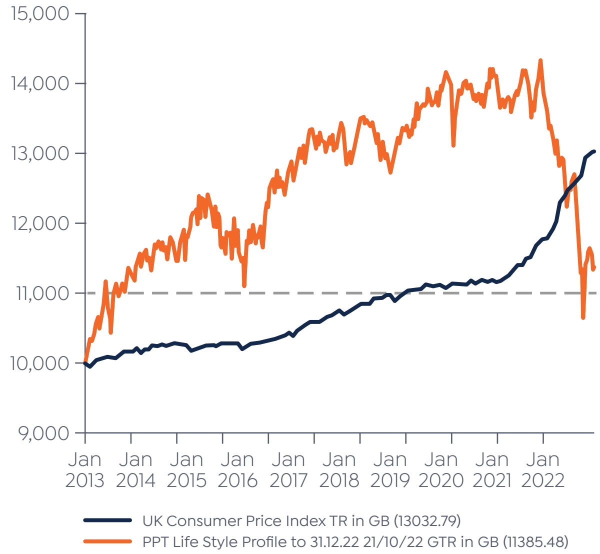
Cohort 3 – Legacy Profile 1 Personal Pension Trust Members

Some of the Legacy PPT members started a number of Lifestyle Pathways, with Profile 1 being the most popular. We have tracked the performance for an individual taking their benefits on the 31 December 2022, with the historic arrangements running until the 14 October 2022, when the performance data for the legacy PPT fund stopped. The assumption is that the assets are switched to the new flightpath from that date, using a combination of the LF funds and the underlying funds, until the 21 October 2022 when the new SPS funds were created.

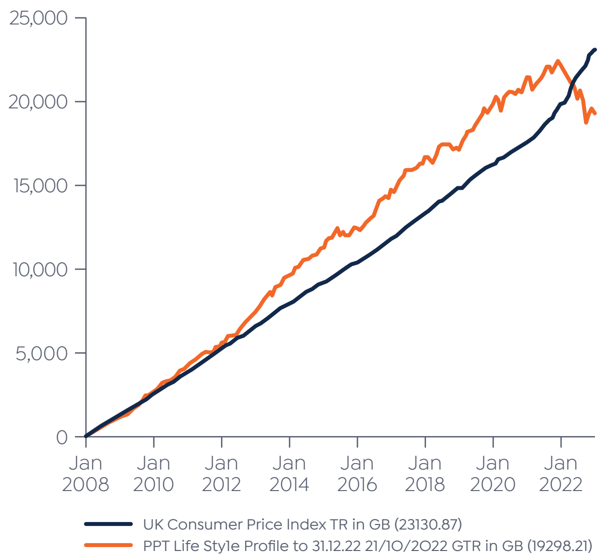
Lump Sum - £10,000 – 15 years



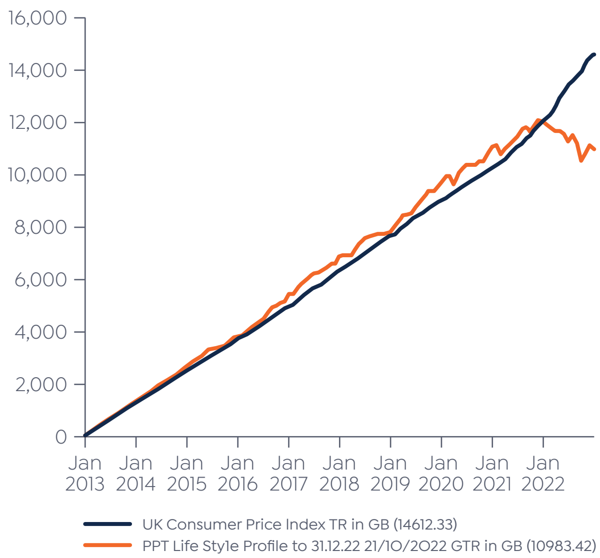
Lump Sum - £10,000 – 10 years



Regular Savings - £100 per month – 15 years



Regular Savings - £100 per month – 15 years



APPENDIX 3
ENVIRONMENTAL SOCIAL AND GOVERNANCE ASSESSMENT

The ESG assessment is based upon the level of corporate engagement and the carbon footprint measures.

Corporate Engagement

LF Global Multi-Index Pension Fund

The underlying fund for the LF Global Multi-Index Pension Fund has migrated over the recent years from the Aberdeen Diversified Core Growth Fund to the L&G Future World Multi Index 4 fund. Collating the data for the year has been a challenge as a result of the switching date between the two funds. Therefore, the report will assume that the underlying fund was the L&G Future World Multi Index 4 fund for the years to the 31 December 2021 and 31 December 2022.

For the Global Multi-Index fund the record of voting for the underlying shares held by the fund is as below:

	Year to 31-Dec-20	Year to 31-Dec-21	Year to 31-Dec-22
Underlying Manager	**Aberdeen**	**LGIM**	**LGIM**
Number of votable meetings	343	5,314	5,142
Number of Resolutions	4,417	53,821	54,010
Number of votes where the manager could vote	98.91%	99.85%	99.86%
% of votes with management	83.20%	81.80%	79.86%
% of votes against the management	13.01%	17.00%	18.81%

When the fund was managed by Aberdeen the analysis of the votes against management is dominated by voting against remuneration in the case of 133 companies, which represents a significant proportion of the shares held by the underlying fund. There were relatively few votes around Social and Environmental issues, less than 10 each.

Shareholder voting is only part of the governance role LGIM performs with the underlying companies. LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas where LGIM are engaging. We are reporting the data for the year to the 31 March 2022, as the data is not available for the year to the 31 December 2021.

	Year to 31-Mar-22	Year to 31-Dec-22
Number of engagements	577	814
Number of companies engaged	388	561
Eligible Fund value engaged	33.00%	33.00%
Number of engagements on:		
Environment	286	427
Social	190	192
Governance	281	354
Other topics	82	145
Engagement Topics		
Climate Change	167	129
Deforestation		164
Remuneration	167	188
Board composition	74	–
Company Disclosure & transparency		97
Climate Impact Pledge	72	112
Public health	67	–

LGIM structures its corporate engagement around a number of themes, and the table illustrates how these themes are changing over time. Hopefully as we see data for future years, we will build up a picture of whether LGIM is maintaining its momentum around this important area..

LF Global Developed Equity Index Pension Fund

The underlying fund for the LF Global Developed Equity Index Pension Fund migrated from the L&G Global Equity Index fund to the L&G Future World ESG Developed Index in December 2021. Collating the data in 2021 was a challenge as a result of the switching date between the two funds. Therefore, the data for the year to 31 December 2021 will assume that the underlying fund was the L&G Future World ESG Developed Index fund for the year.

	Year to 31-Mar-21	Year to 31-Dec-21	Year to 31-Dec-22
Number of votable meetings	6,779	1,364	1,607
Number of Resolutions	70,672	17,971	22,240
Number of votes where LGIM could vote	99.85%	99.89%	99.67%
% of votes with management	83.25%	79.96%	78.32%
% of votes against the management	15.96%	19.85%	21.47%

Shareholder voting is only part of the governance role LGIM performs with the underlying companies. LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas in which LGIM are engaging in. We are reporting the data for the year to the 31 March 2022, as the data is not available for the year to the 31 December 2021.

	Year to 31-Mar-22	Year to 31-Dec-22
Number of engagements	404	501
Number of companies engaged	254	307
Eligible Fund value engaged	37.00%	43.00%
Number of engagements on:		
Environment	204	288
Social	147	134
Governance	203	221
Other topics	72	90
Engagement Topics		
Climate Change	123	109
Deforestation	105	120
Remuneration	69	63
Board composition	49	74
Climate Impact Pledge	–	84
Public health	41	41

The engagement topics are selected by LGIM every year and the topics reflect how the areas of engagement have evolved.

In summary the measurement of corporate governance is near the start of a long journey, and there is no doubt that most governance is focused on the Environment and Governance elements of the metrics. However, at the end of the day every company across the world is selling goods and/or services directly or indirectly to society, and there are social impacts, and they will have to get the social right, to make sure their businesses will remain relevant. The Committee have asked LFSL to engage with LGIM directly around all aspects of governance.

L&G Cash Fund

As an investor of cash deposit funds, there is no opportunity to vote at shareholders' meetings. However, LGIM will be voting on behalf of their equity funds at these shareholder meetings. LGIM do not collate data on how they voted in relation to the counterparties for the fund.

Despite not voting at Annual General Meetings, LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas where LGIM are engaging.

	Year to 31-Mar-22	Year to 31-Dec-22
Number of engagements	43	38
Number of companies engaged	18	18
Eligible Fund value engaged	33.00%	38.00%
Number of engagements on:		
Environment	35	27
Social	10	4
Governance	21	21
Other topics	3	3

Engagement Topics		
Climate Change	29	24
Remuneration	9	12
Board composition	8	6
Gender Diversity	7	–
Climate Impact Pledge	6	–
Capital Management	–	6
Nominations and Succession	–	5

LF Sterling Corporate Bond Pension Fund

As an investor of bonds, there is no opportunity to vote at shareholders' meetings. However, LGIM will be voting on behalf of their equity funds at these shareholder meetings. LGIM do not collate data on how they voted in relation to the companies for the fund.

Despite not voting at Annual General Meetings, LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas where L&G are engaging.

	Year to 31-Dec-22
Number of engagements	98
Number of companies engaged	49
Eligible Fund value engaged	23.00%
Number of engagements on:	
Environment	58
Social	29
Governance	49
Other topics	15
Engagement Topics	
Climate Change	35
Remuneration	26
Board composition	15
Public Health	14
Corporate Strategy	11

Carbon Footprint

One of the simplest measurements is around carbon, Scope 1 carbon, usage, and reserves (these are defined in LFSL TCFD guide and there is a link to this document on page 18). There are still some variances in the calculation around this across the world. As and when there is more useful ESG data we will report on it, until then the focus of the outcomes will be around carbon only, and not cover other environmental factors, or any social and governance factors.

LF Multi Index Fund

The table shows how the carbon measurements have been reversed, as the LGIM fund increased the allocation to the energy sector over the last year, which is contrary to the perception that all ESG funds are looking to "decarbonise" their portfolios. Yes, LGIM is engaging around the reduction in the consumption of carbon, but LGIM's prime goal is to secure optimum risk adjusted returns, and if that means that the fund should own energy stocks, the fund manager will buy them.

	Year to 31-Dec-20	Year to 31-Dec-21	Year to 31-Dec-22
Manager	**Aberdeen**	**LGIM**	**LGIM**
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	Not available	466.0	933.3
Carbon emissions – carbon dioxide for every $1 million of sales	202.5	61.0	164.7

Source: Aberdeen and LGIM

LF Global Developed Equity Index Pension Fund

The carbon intensity and the carbon reserves of the LF Global Developed Equity Index Pension Fund is as below over time.

	Year to 31-Mar-21	Year to 31-Mar-22	Year to 31-Dec-22
Manager	LGIM	LGIM	LGIM
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	1,273	369.0	952.5
Carbon emissions – carbon dioxide for every $1 million of sales	158	61.0	90.3

Source: LGIM

The main reason for the substantial fall in the carbon footprint in the year to 31 March 2022 is down to the change of the mandate for the fund from a "whole of market" fund, to a fund with some selective ESG filters which screens out some of the energy companies with their carbon footprints.

However, the reverse in the carbon footprint is down to rise in the allocation to the Basic Resources and the Energy sectors from 25.9% to 38.4% of the portfolio. The suggestion is that the energy and the basic resources companies are addressing their ESG issues more seriously.

LF Cash Pension Fund

The carbon intensity and the carbon reserves of the LF Cash Pension Fund is as below over time.

	Year to 31-Dec-21	Year to 31-Dec-22
Manager	LGIM	LGIM
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	2.0	1.6
Carbon emissions – carbon dioxide for every $1 million of sales	5.0	4.4

LF UK Gilt Pension Fund

The carbon intensity and the carbon reserves of the LF UK Gilt Pension Fund is as below over time.

	Year to 31-Dec-22
Manager	LGIM
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	89.1
Carbon emissions – carbon dioxide for every $1 million of sales	179.2

LF UK Corporate Bond Pension Fund

The carbon intensity and the carbon reserves of the LF Sterling Bond Pension Fund is as below over time.

	Year to 31-Dec-22
Manager	LGIM
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	53.1
Carbon emissions – carbon dioxide for every $1 million of sales	104.5

APPENDIX 4

LF PERSONAL PENSION TRUST

Chair's report

I am pleased to present the report of the Independent Governance Committee ("IGC") of the LF Personal Pension Trust ("PPT"), the Scheme, for the period between 1 January 2022 and 21 October 2022.

It provides you with important information about your plan and how to compare it with possible alternatives in the market. It also tells you what the IGC thinks of the value for money that you are receiving.

The IGC's objectives are to:

- assess and report annually on the "value-for-money" ("VFM") from your pension plan and in your dealings with Link Fund Solutions Limited ("LFSL").
- consider and report on LFSL's policies on environmental, social and governance (ESG) issues, member concerns and stewardship, and for policies that the IGC oversee.
- identify areas for improvement and make recommendations to the LFSL Board.
- escalate any concerns to the Financial Conduct Authority ("FCA") and bring them to the attention of customers in the event that LFSL fails to address these concerns appropriately.

There are five of us serving on the Committee – details are contained in Appendix 1. During the year, the employer sponsored representative on the Committee changed from Adam Tookey to Nigel Boyling. We use our combined knowledge, experience, and skills to oversee the operation of the PPT in the areas of charges and value for money, choice and suitability of funds, communications, and access to information, and how you are able to access your pension pot.

The requirement on IGCs to produce an annual report are set out in FCA rules and guidance. The IGC is fully supportive of the need for transparency, particularly in providing enough information to enable you to evaluate the VFM assessment, balanced with the need to keep the report as short as possible to maximise the likelihood of it being read in full.

Background

In 2019, LFSL developed an "Optimisation Plan", which was designed to give members a more suitable range of funds and default investment strategies whilst benefitting from lower fund costs. After a number of delays this was finally implemented on 21 October 2022. As part of the Optimisation Plan the PPT was merged with the SPS and the administration of the SPS was transferred to EQ Retirement Solutions ("EQ") from Capita. This provided a much-improved technical capability including web access for members and should result in reduced administration charges. It also gave the members of the PPT access to a greater diversity of funds for investment.

Furthermore, as a result of the delays to the implementation of the Optimisation Plan, LFSL made a positive decision to reduce the charges for the funds, by applying a discount, which was on a pro rata basis to the charges levied. The allocation of the rebate was agreed by the Committee and has been in place since 31 December 2020.

Value for Money

The FCA's view of value for money considers the costs and charges, investment performance and the quality of the services. The IGC will equally weight all these three factors, and in addition considers other important factors in assessing VFM.

We have therefore assessed VFM across six areas using a **Red**, **Amber**, and **Green** (RAG) rating. The dashboard summarising our findings is set out in the next section with more information contained later in the report.

There has been an improvement in outcomes for the members over the course of the year, with many of the improvements coming in the last quarter of 2022 after the Scheme was merged with the SPS, but that improvement is not significant enough to warrant a green rating for the Scheme, particularly given the delays implementing the Optimisation Plan.

The scheme provided adequate value for money when compared with Master Trust arrangements but fairly poor value for money when compared personal pension plans. The overall Value for Money for the Scheme is marked as amber, because the charges and other factors are less than satisfactory.

More detail of our assessment is given in the VFM section below.

Pension Freedoms

With effect from April 2015 Government introduced something called 'Pension Freedoms' which grants greater flexibility around access to your pension benefits.

The PPT has offered some pension freedoms in the past, but the arrangement was withdrawn in 2021. Prior to the withdrawal of these arrangements, as there were fewer than 500 non-advised members, the PPT did not offer investment pathways. As a result, the assessment of the VFM of investment pathways was not applicable to membership of the PPT for the period 1 January 2022 to 21 October 2022, which is why it is not reported on here.

Vulnerable Persons Policy

The FCA has concluded that one in two individuals could be deemed vulnerable. LFSL has a 'Vulnerable Persons Policy,' but it is only identifying a small minority of investors as vulnerable. We asked LFSL to review the effectiveness of the policy.

Your views – how we take them into account

We have adopted the following approach in working in partnership with LFSL:

- Analyse the member data that LFSL provide to us to identify any areas of concern.
- Analyse any feedback, complaints, etc. that is received from members and take any corrective action deemed appropriate.
- Approach members directly (by letter) where issues arise which could lead to fundamental decisions made that might otherwise be incorrect, leading to inappropriate outcomes.

Environmental, social and governance ("ESG") strategy

As a Committee, we are tasked with considering VFM and the potential to deliver long-term returns, so ESG credentials are going to have an increasing impact on the risks and the potential future returns

Many thanks for reading our report.

Sarah Farrant

Chair

VALUE FOR MONEY ASSESSMENT (VFM) DASHBOARD

The dashboard below gives you a summary of whether we think you are getting value for money from your pensions within the remit of the IGC.

We have assessed the value for money by obtaining quarterly reports from LFSL and the delegated suppliers on investment performance, ESG and customer care performance. During the year, the Chair engaged weekly with the project manager of the Optimisation Plan to discuss issues and progress. Any concerns were raised directly with LFSL.

We have assessed VFM across six areas using a **Red**, **Amber**, and **Green** (RAG) rating and an overall assessment.

More detailed information on each point can be found in the pages that follow.

Reporting year is 1 January 2022 to 21 October 2022.

Overall level of VFM we think the PPT provided to investors		
Costs and Charges:	Are the costs and charges you pay reasonable for what you get in return?	
Investment Solutions:	Are your investment options adequate and well managed?	
Investment Management and Performance:	How are your investments performing?	
Customer Service:	What is the quality of the service you receive?	
Communications and Engagement:	How well does LFSL communicate and engage with you, and are you kept up to date with your pension?	
Environmental, Social, and Governance (ESG) Considerations	Does LFSL's investment strategy and investment decision making adequately reflect quality ESG policies in relation to financial considerations, non-financial matters, and stewardship?	

The details of the assessments are set out in this report.

The investment performance of the funds has been satisfactory, versus the benchmark indices, over the reporting period especially if you look at the relative returns of the new underlying funds which were put in place in December 2021.

Throughout the year until 30 September 2022, the fund charges have benefitted from the discounting of the underlying fund charges from LGIM and Janus Henderson, and the fund rebates provided by LFSL as a result of the delay in the implementation of the Optimisation Plan.

The quality of communications and member engagement, and resulting investor experience remains amber, with poor communications, especially around the risk warnings and vulnerable persons warnings in the letters, and little flexibility to benefit from the Pensions Freedoms unless they transfer out of the Scheme. The delay in the implementation of the Optimisation Plan extended the poor experience for the members.

Our red rating for investment arises from the fact that all these members are deemed to be self-select and they may not appreciate the options now available to them. The Committee was concerned that the members may not be in the most appropriate investment solution for their circumstances and have asked LFSL to write to members to raise awareness of the various lifestyle options available.

Details of the investment and administration costs and charges, together with the data we have on transaction costs, are on pages 9 to 10 of this report. Further details can be obtained on Link's website Link Fund Solutions Pensions (linkassetservices.com).

CUSTOMER SERVICE

Service Level Agreement

The key impact on Customer Service during the nine months is the deferment of the transition to EQ. Unsurprisingly, with Capita knowing the business was going to be transferred away in September 2022 there was an accelerated loss in personnel and with that scheme knowledge and team stability.

Despite this the quality of the service stood up relatively well. Indeed, the underlying data shows that in January 2022, matters were very poor, but LFSL ensured that the service levels returned to the target levels for the majority of the period, until September 2022. The deterioration of the service coincided with the surge of calls after the members received the notifications of the merger of the SPS and the PPT schemes.

The table illustrates the history of service levels, and how they have varied over time.

Standard of Telephony	Target	Year to 31-Dec-17	Year to 31-Dec-18	Year to 31-Dec-19	Year to 31-Dec-20	Year to 31-Dec-21	Year to 31-Dec-22
% speed of answer							
Call answered in 20 seconds	80.0%	90.4%	85.6%	90.3%	89.6%	56.8%	78.1%
Calls abandoned	5.0%	2.1%	2.5%	1.2%	1.6%	11.0%	4.8%

The issues highlighted above are reflected in the number of complaints, and even though they were lower than for the year to the 31 December 2022, and for a shorter period of time, they were still higher than the long-term averages. In light of the number of individuals impacted by the changes, the number of complaints is modest.

Trading errors

There were two trading errors during the 9 months to the 30 September 2022, which was substantially less than the prior years.

Trading of errors	Year to 31-Dec-17	Year to 31-Dec-18	Year to 31-Dec-19	Year to 31-Dec-20	Year to 31-Dec-21	Year to 31-Dec-22
Number of errors	3	23	14	16	13	2
Cost of remedial activity - £	55	1,000	980	432	–	–

The Committee would like to recognise that LFSL continue to execute the majority trades accurately and in a timely way.

Taking the Benefits

Our comments about PPT are comparable to those for the SPS, in that the Committee is disappointed that LFSL have stopped gathering the data on whether the number of individuals taking benefits are advised, and if not, what support do they receive.

There was a regular flow of individuals taking their benefits from the PPT. The reporting cycle for the members taking the benefits is six monthly, to 31 March and 30 September, in line with the FCA regulations. A summary of the historic data for the PPT is as below, appreciating that some of the data covers a period outside the reporting period for the report. The data is for the annual period to 31 March each year.

	Year to 31 -Mar-19	Year to 30-Mar-20	Year to 31-Mar-21	Year to 31-Mar-22
Number of people taking benefits	98	111	128	122
Number advised	29	37	24	14
Not advised, but pension guided	7	18	18	9
Unadvised	62	56	86	99
% unadvised	63%	50%	67%	81%
Number of members taking > £50,000 benefits	–	–	2	5
Number of unadvised members > £50,000 benefits	–	–	1	5
% unadvised with >£50,000 benefits	–	–	50%	100%

The only caveat about the data is that none of the members taking their benefits in the six months to 31 March 2022 received any advice, there was a nil return. The Committee are disappointed the data was not collected, and how LFSL have not tried to collate the data in hindsight, so we have an incomplete the PPT report.

LFSL were able to collate some data for a single year for the PPT to the 31 December 2021, and we know that 80 individuals took benefits between 1 January 2022 and the 30 September 2022, but we have no statistics around the number of members seeking advice.

	Year to 31 -Dec-21	9 months to 30-Sep-22
Number of people taking benefits	133	80
Number advised	20	–
Not advised, but pension guided	16	–
Unadvised	97	–
% unadvised	73%	–
Number of members taking > £50,000 benefits	2	–
Number of unadvised members > £50,000 benefits	2	–
% unadvised with >£50,000 benefits	100%	–

Without the data the Committee has two concerns about the behaviour of the members when they take the benefits, the numbers who take their benefits as a single lump sum and the second is around the number of members taking benefits without seeking any advice.

RISKS

Risk register

LFSL maintains a risk register covering potential operational risks for all products it operates including the PPT. During the period covered in this report there were no red rated risks relating to the PPT.

The operational and management risks commentary is contained in the main body of the report.

Investment risks

The membership of the Scheme is diverse, with the membership joining through a large number of conduits. Some of the members were advised when they joined, but the majority were not advised. However, in the product design there were a number of lifestyle strategies in place. There are some statistics setting out those members of the PPT which were in a Lifestyle pathway.

Period to	Number of Lifestyle members	Total Number of members	% of members Lifestyled
31-Dec-19	1,915	8,096	23.7%
31-Mar-21	1,803	7,674	23.5%
31-Dec-21	1,696	7,204	23.5%
30-Sep-22	1,644	5,755	28.6%

For the PPT the number of members benefitting from a lifestyle membership is low when compared with the averages for other workplace pension schemes, where typically the level is 80%+ of the members.

There are still a substantial number of members, some 4,100 members, who LFSL have classified as “Self-Select”. The Committee has a concern that the “Self-Select” members might not have been suitably informed when making their investment decisions and whether the members clearly understood the ramifications of their decisions. The Committee’s opinion is supported by the fact that there has been limited engagement by the members in relation to their investments.

GOVERNANCE

The governance of all the funds in the PPT lies with LFSL.

The management of the underlying assets was delegated by LFSL to Legal & General Investment Management ("LGIM") and Janus Henderson. LGIM and Janus Henderson have Environmental, Social and Governance (ESG) policies and the Committee receives regular reports from LGIM on the governance outcomes quarterly but less frequent updates from Janus Henderson.

There is no industry wide benchmark data on governance and stewardship, which would allow the Committee to measure the quality of the governance undertaken by LGIM and Janus Henderson.

Environmental, Social and Governance (ESG)

The Committee is required to consider and report on how ESG considerations are considered in LFSL's investment decisions that impact the members' pension funds. The UK Government has a strategy of ensuring that pension savings play their part in combatting climate change and promoting good outcomes for society as well as good outcomes for pension savers.

There are three key areas of investment considerations around what the provider intends to do regarding each and how good LFSL are at doing it. The three areas are:

- **ESG financial considerations** – environmental, social and governance factors (including climate change) that are material to the sustainability.
- **Non-financial matters** – the non-financial outcomes for the funds, such as the amount of carbon used to generate profits or remuneration of Board members.
- **Stewardship – as defined by the FRC (Financial Reporting Council)** – stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

LFSL's Environmental, Social, and Governance (ESG) policy follows the UK Stewardship Code, https://www.linkfundsolutions.co.uk/media/umjmg30g/lfs-engagement-stewardship-and-voting-policy-mar-22.pdf. LGIM and Janus Henderson follow the same code for all the underlying funds.

The Committee's focus is on the adequacy and quality of the policies that impact the investment returns that members receive. The prime goal is to ensure that Responsible Investment principles are followed in all aspects of the production and distribution of the product to the members. The Committee discharge this duty by:

- Reviewing LFSL's ESG policy annually.
- Analysing and discussing the ESG reports of the underlying funds every quarter.
- Arranging an annual meeting with LGIM and Janus Henderson to discuss their ESG framework and results of their corporate engagement. The Committee have reviewed the resources in place at LGIM/Janus Henderson and LFSL.

The Committee's conclusion is that LFSL's policy on ESG matters and Stewardship is clearly set out.

- It covers the key financial risks, and also opportunities, arising from ESG considerations.
- It sets out clear standards that must be followed in the investment of in-scope customers' savings.
- It highlights the importance of being responsible investors, having a policy of active engagement with the firms that are invested in, including exercising voting rights, and holding management to account over their governance standards and business behaviour.
- The policy framework also recognises the significance of non-financial matters to many customers, and a range of appropriate investment options is available to respond to their ethical concerns.

The standards are linked to the United Nations Principles for Responsible Investment, which is a helpful reference point as to adequacy and quality, which LGIM and Janus Henderson have been involved with its inception.

LFSL's Environmental, Social, and Governance (ESG) policy follows the UK Stewardship Code, https://www.linkfundsolutions.co.uk/media/umjmg30g/lfs-engagement-stewardship-and-voting-policy-mar-22.pdf. Janus Henderson and LGIM follow the same code for all the funds in which your money is invested.

The issue with the ESG policies is measuring the outcomes to make sure the corporate behaviour across the E, S and G are improving. While there is some improvement in the quality and the quantity of the data to measure the outcomes, there is still a huge amount of variance in the methodology to measure the three factors within the industry. The investment management industry appreciates the importance of the standardisation, but it remains very much a work in progress item.

One of the simplest measurements is around carbon, Scope 1 and 2 carbon, usage, and reserves. There are still some variances in the calculation around this across the world, but it is important to report with imperfect data, rather than waiting for perfection which could be many years hence.

The Committee understands the importance of other ESG measures, especially Social and Governance. The Committee will work with LFSL to identify other ESG characteristics, which we feel are important to membership. In time the expectation is that LFSL will engage with the members to seek their input on what is most important to them.

The ESG data for the PPT funds where there is ESG data is set out below within the investment section.

INVESTMENT

Investment Mandates

On the 21 October 2022, the members of the PPT had their funds integrated into the SPS. The performance data and the report set out the performance of the funds to the 30 September 2022.

Investment outcomes

The PPT operated in the interests of members reflecting the current environment for savers (which can change over time), rather than assuming it will remain suitable indefinitely.

The factors LFSL considered when designing a suitable default fund includes issues such as:

- Time horizon
- Risk profile
- Financial knowledge and experience
- Liquidity
- Return targets

Our report is divided between return-seeking assets and de-risking assets.

The performance is judged by analysing the data of the behaviour of each fund versus its stated benchmark, over the life of the funds. In addition, the Committee analyses the non-financial performance of the funds, specifically the levels of corporate engagement, carbon footprint and the carbon intensity of the funds.

The Committee is only reporting on the funds relative to their benchmarks' indices throughout the history of the funds, where the information is to hand, to the 30 September 2022.

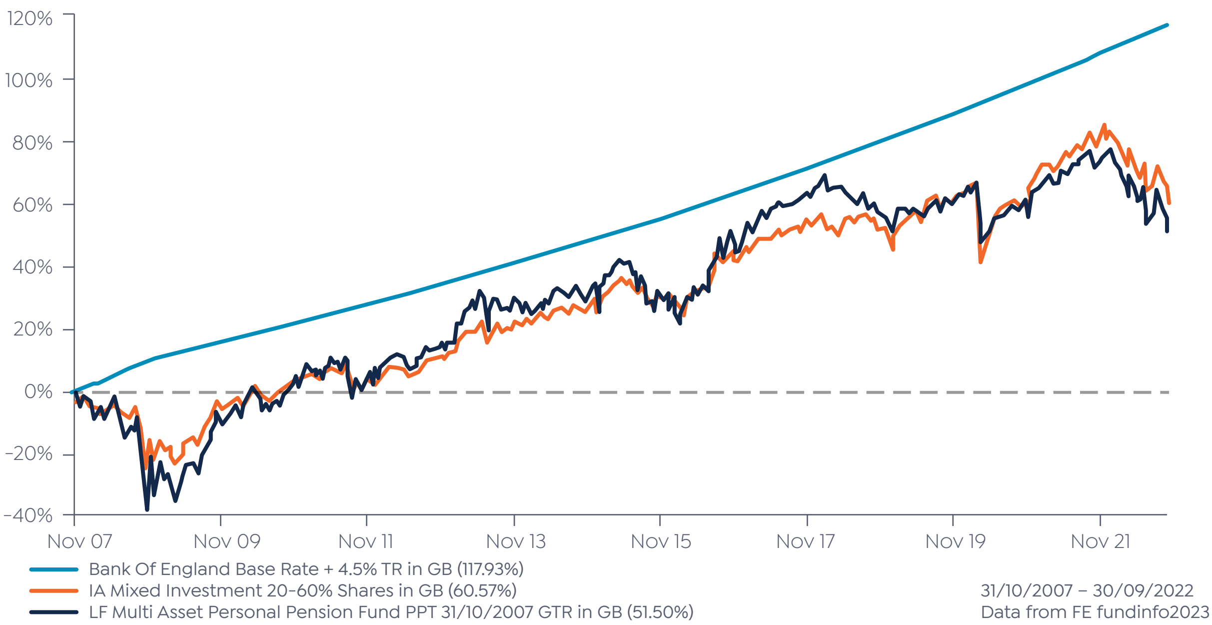
LF Multi-Asset Personal Pension Fund

Fund Objectives

The LF Global Multi-Index fund is invested in the L&G Future World Multi Index 4 fund, whose objectives are "The Fund's objective is to provide a combination of growth and income within a pre-determined risk profile. The Fund's potential gains and losses are likely to be constrained by the aim to stay within the risk profile. The Fund also aims to incorporate environmental, social and governance considerations into the investment strategy."

Performance Commentary

The fund delivered disappointing outcomes for the members holding units in these funds for the reporting period, underperforming both of its benchmarks.



The chart shows the performance of the fund since its launch to the 30 September 2022.

The majority of the past underperformance arose when the underlying assets were managed by abrdn, through a new mandate to the fund from 31 March 2017 to the 14 October 2022. Throughout the period of underperformance, the Committee asked LFSL to change the underlying fund between 2017 and 2021. The reasons for asking for changes was that the underlying investment mandate was not suitable, with the resulting portfolio too underweight to real assets and the risk profile of the fund, as measured by volatility and drawdowns, was too low. The underlying mandate was switched to LGIM in December 2021.

ESG reporting

The underlying fund for the LF Global Multi-Index fund has migrated over the recent years from the Aberdeen Diversified Core Growth Fund to the L&G Future World Multi Index 4 fund. Collating the data for the year has been a challenge as a result of the switching date between the two funds. Therefore, the report will assume that the underlying fund was the L&G Future World Multi Index 4 fund for the years to the 31 December 2021 and 31 December 2022.

For the Global Multi-Index fund the record of voting for the underlying shares held by the fund is as below:

	Year to 31-Dec-20	Year to 31-Dec-21	Year to 31-Dec-22
Underlying Manager	**Aberdeen**	**Legal & General**	**Legal & General**
Number of votable meetings	343	5,314	5,142
Number of Resolutions	4,417	53,821	54,010
Number of votes where the manager could vote	98.91%	99.85%	99.86%
% of votes with management	83.20%	81.80%	79.86%
% of votes against the management	13.01%	17.00%	18.81%

When Aberdeen managed the fund the analysis of the votes against management is dominated by voting against remuneration in the case of 133 companies, which represents a considerable proportion of the shares held by the underlying fund. There were relatively few votes around Social and Environmental issues, less than 10 each.

Shareholder voting is only part of the governance role LGIM performs with the underlying companies. LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas where LGIM are engaging. We are reporting the data for the year to the 31 March 2022, as the data is not available for the year to the 31 December 2021.

	Year to 31-Mar-22	Year to 31-Sept-22
Number of engagements	577	595
Number of companies engaged	388	400
Eligible Fund value engaged	33.00%	32.00%
Number of engagements on:		
Environment	286	367
Social	190	204
Governance	281	298
Other topics	82	80
Engagement Topics		
Climate Change	167	186
Remuneration	167	175
Board composition	74	84
Climate Impact Pledge	72	55
Gender Diversity	–	77
Public health	67	67

Legal & General structures its corporate engagement around a number of themes, and the table illustrates how these themes are changing over time. Hopefully as we see data for future years, we will build up a picture of whether LGIM is maintaining its momentum around this important area.

The carbon footprint of the fund is as below:

	Year to 31-Dec-20	Year to 31-Dec-21	Year to 31-Dec-22
Manager	Aberdeen	LGIM	LGIM
Carbon reserves - tonnes of carbon dioxide for $1 million of Enterprise Value including cash	Not available	466.0	728.3
Carbon emissions - carbon dioxide for every $1 million of sales	203	61.0	146.7

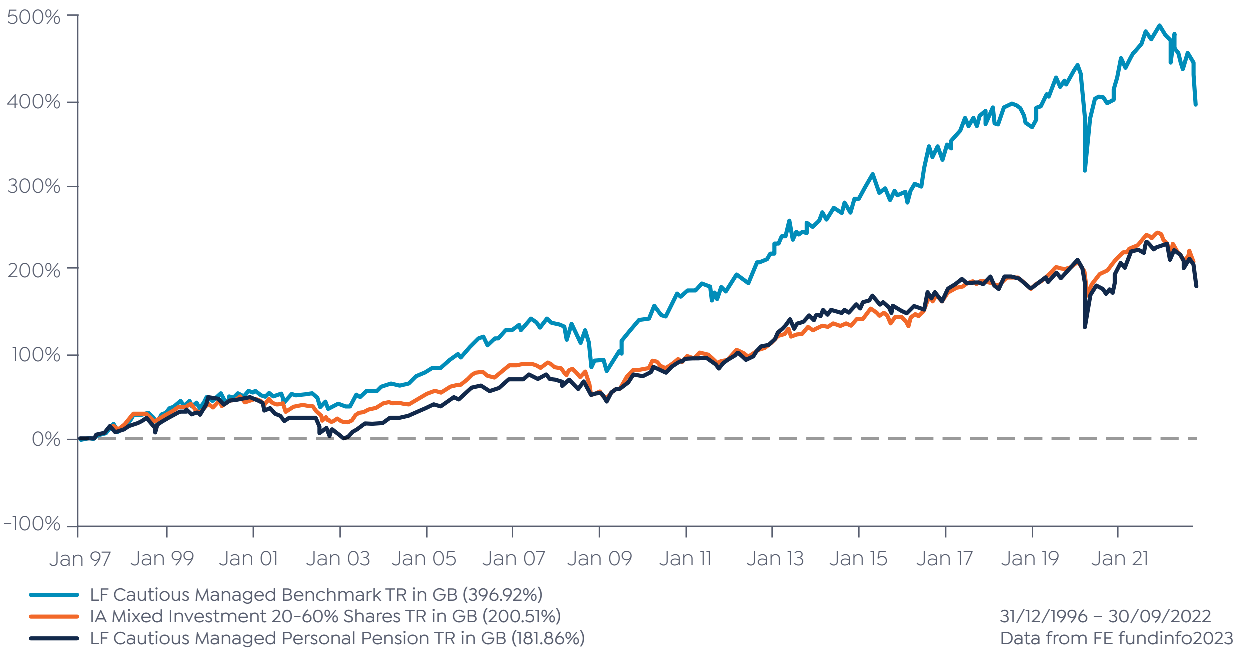
LF Cautious Managed Personal Pension Fund

Fund Objectives

The LF Cautious Managed Fund is invested in the Janus Henderson Cautious Managed fund, whose objectives are "to provide a return, from a combination of income and capital growth over the long term. Performance target: To outperform the 50% FTSE All Share + 50% ICE Bank of America ML Sterling Non-Gilt Index by 1.5% per annum, before the deduction of charges, over any 5-year period. The Fund invests in shares (also known as equities) and bonds of governments, companies, or any other type of issuer, in any country. At all times, the investment in equities will be limited to a maximum of 60% of the value of the Fund's portfolio and the Fund will normally have a strong bias towards UK companies and bonds. Companies and bond issuers may be of any size, in any industry. At all times, the Fund will be limited to a maximum of 60% in company share. As an additional means of assessing the performance of the Fund, the IA Mixed Investment 20–60% Shares sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator."

Performance Commentary

The long-term performance of the fund has been average, i.e., in line with its peers. However relative to the composite benchmark used by the underlying fund manager, Janus Henderson, the performance has been consistently poor.



The prime reason has been the determination of the fund manager remain overweight to UK shares, when most of their competitors have been internationalising their equity holdings. The second aspect has been the management of their bond holdings, i.e., their duration management has been poor.

For the reporting period, 9 months to 30 September 2022, the fund underperformed its peers, but performed in line with the composite benchmark index. For long term unit holders, the performance has been disappointing.

ESG Reporting

There has been no update in the corporate engagement from Janus Henderson as they are preparing the data on a fund-by-fund basis.

The Committee would normally ask LFSL to secure the in-depth information and update the ESG data in future reports. However, as the fund has been closed, we will have to show the latest data we have for the fund in in relation to corporate engagement and carbon intensity.

Corporate Engagement

	Year to 31-Dec-20	Year to 31-Dec-21
Number of equity holdings	83.0	96
Number of Resolutions	1,498	1,632
Number of votes where Janus could vote	100.00%	100.00%
Numberof meetings wiyh management	98.99%	99.26%
Number of votes against management	0.07%	0.74%

Carbon Footprint

Fund	Carbon Intensity to 31-12-20 - CO_2 emissions per $1 million of sales	Carbon Intensity to 31-12-21 - CO_2 emissions per $1 million of sales
Cautious Managed	119.0	153

LF Global Developed Index Personal Pension Fund

Fund Objectives

The LF Global Developed Equity Index Pension Fund is invested in the L&G Future World ESG Developed Index fund whose objectives are "The objective of the Fund is to provide a combination of growth and income by tracking the performance of the Solactive L&G Enhanced ESG Developed Index NTR (the "Benchmark Index")".

Fund Performance

The fund performance of the fund has been satisfactory over most periods of time since the inception of the fund.

ESG Reporting

The underlying funds changed in December 2021 from Legal & General Global Equity Index Fund to L&G Future World ESG Developed Index Fund. Collating the data for the year has been a challenge as a result of the switching date between the two funds. Therefore, the report will assume that the underlying fund was the L&G Future World ESG Developed Index Fund for the years to the 31 December 2021 and 31 December 2022.

The record of voting for the underlying shares held by the fund is as below:

	Year to 31-Mar-21	Year to 31-Dec-21	Year to 30-Sep-22
Number of votable meetings	6,779	1,364	1,619
Number of Resolutions	70,672	17,971	22,278
Number of votes where LGIM could vote	99.85%	99.89%	99.66%
% of votes with management	83.25%	79.96%	78.46%
% of votes against the management	15.96%	19.85%	21.31%

LGIM has a solid record of voting at shareholder meetings.

Shareholder voting is only part of the governance role LGIM performs with the underlying companies. LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas where LGIM are engaging. We are reporting the data for the year to the 31 March 2022, as the data is not available for the year to the 31 December 2021.

	Year to 31-Mar-22	Year to 30-Sep-22
Number of engagements	404	397
Number of companies engaged	254	246
Eligible Fund value engaged	37.00%	37.00%
Number of engagements on:		
Environmental	204	189
Social	147	150
Governance	203	209
Other topics	72	72
Engagement Topics		
Climate Change	123	125
Remuneration	105	109
Board composition	69	69
Climate Impact Pledge	49	38
Gender Diversity	–	38
Public health	41	–

LGIM structures its corporate engagement around a number of themes, and the table illustrates how these themes are changing over time.

The carbon footprint of the fund is as below:

	Year to 31-Dec-21	Year to 31-Dec-21	Year to 30-Sep-22
Manager	LGIM	LGIM	LGIM
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	1,273.0	373.0	690.3
Carbon emissions – carbon dioxide for every $1 million of sales	158.0	23.0	71.5

The substantial rise in the carbon reserves for the fund in 2022 was down to the increased effort by the Resource and Energy companies improving their ESG scores. Please note the fund does not have a specific carbon reduction target year on year.

De-risking funds

There are two de-risking funds, the LF Cash Pension Fund and the LF UK Gilt Pension Fund, the details of which are set out below.

LF Cash Personal Pension Trust

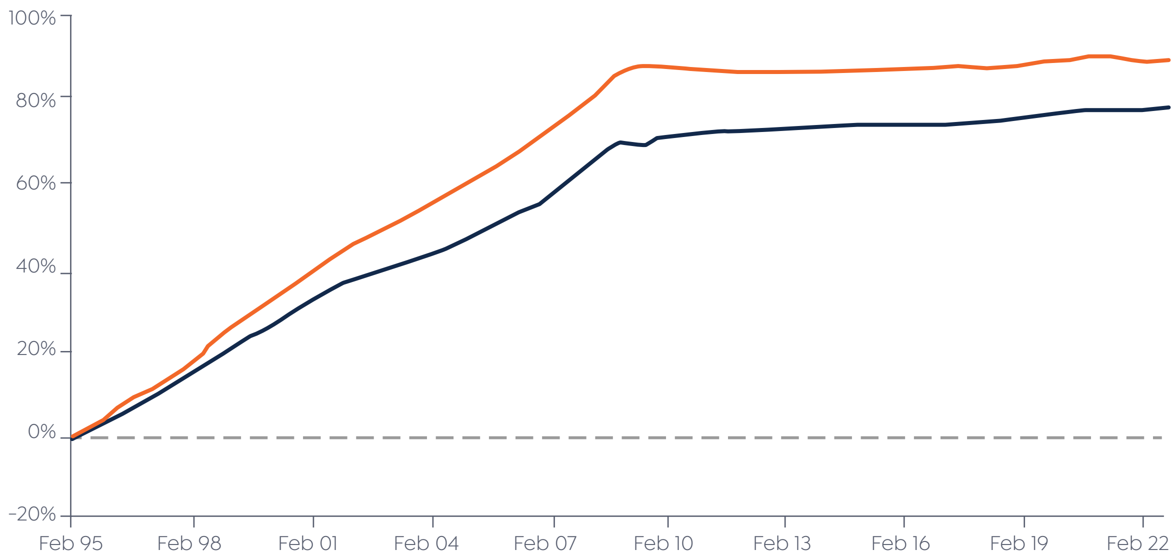
Fund Objectives

The LF Cash Pension Fund is invested in the LGIM Sterling Liquidity Plus fund, and its objectives are "the principal investment objective of the Sterling Liquidity Plus Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return. The Fund invests in high quality short term fixed income and variable rate securities listed or traded on one or more Recognised Exchanges, across a range of financial institutions, sovereign, and corporate issuers."

Performance Commentary

The long-term performance of the fund has been slightly ahead of its peers over the long term. However, for the majority of investors the average period for holding the fund is less than five years. Against this backdrop there is a need for a consistent return versus its peers over the short term.

The shorter-term performance, relative to the benchmark, has been at variance against the benchmark. Outperforming consistently between the fund's creation and 2010, and since then the fund has systematically underperformed. The main reason for the poor performance was the impact of higher charges which have been above the market averages for the majority of the time.



LF Cash Personal Pension Trust GTR in GB (89.08%)
IA Standard Money Market GTR in GB (78.03%)

31/01/1995 – 30/09/2022
Data from FE fundinfo2023

ESG reporting

As an investor of cash deposit funds, there is no opportunity to vote at shareholder's meetings. However, LGIM will be voting on behalf of their equity funds at these shareholder meetings. LGIM do not collate data on how they voted in relation to the counterparties for the fund.

Despite not voting at Annual General Meetings, LGIM will engage with the underlying companies across a range of issues. The table below summarises the main metrics, as well as identifying the areas where L&G are engaging.

	Year to 31-Dec-21	Year to 30-Dec-22
Number of engagements	43	37
Number of companies engaged	18	19
Eligible Fund value engaged	33.00%	43.00%
Number of engagements on:		
Environmental	35	27
Social	10	7
Governance	21	20
Other topics	3	2
Engagement Topics		
Climate Change	29	23
Remuneration	9	10
Board composition	8	7
Climate Impact Pledge	6	–
Gender Diversity	7	–
Nominations and succession	–	5
Shareholder Rights	–	5

Legal & General structures its corporate engagement around a number of themes, and the table illustrates how these themes are changing over time.

The carbon footprint of the fund is as below:

	Year to 31-Dec-21	Year to 30-Sep-22
Manager	**LGIM**	**LGIM**
Carbon reserves – tonnes of carbon dioxide for $1 million of Enterprise Value including cash	2.0	1.0
Carbon emissions – carbon dioxide for every $1 million of sales	5.0	3.6

The Scope 1 carbon footprint of the banks will naturally be low. The Scope 3 carbon emissions will be higher, but LGIM have not collated the data for this reporting period.

LF UK Gilt Personal Pension Trust

Fund's Objectives

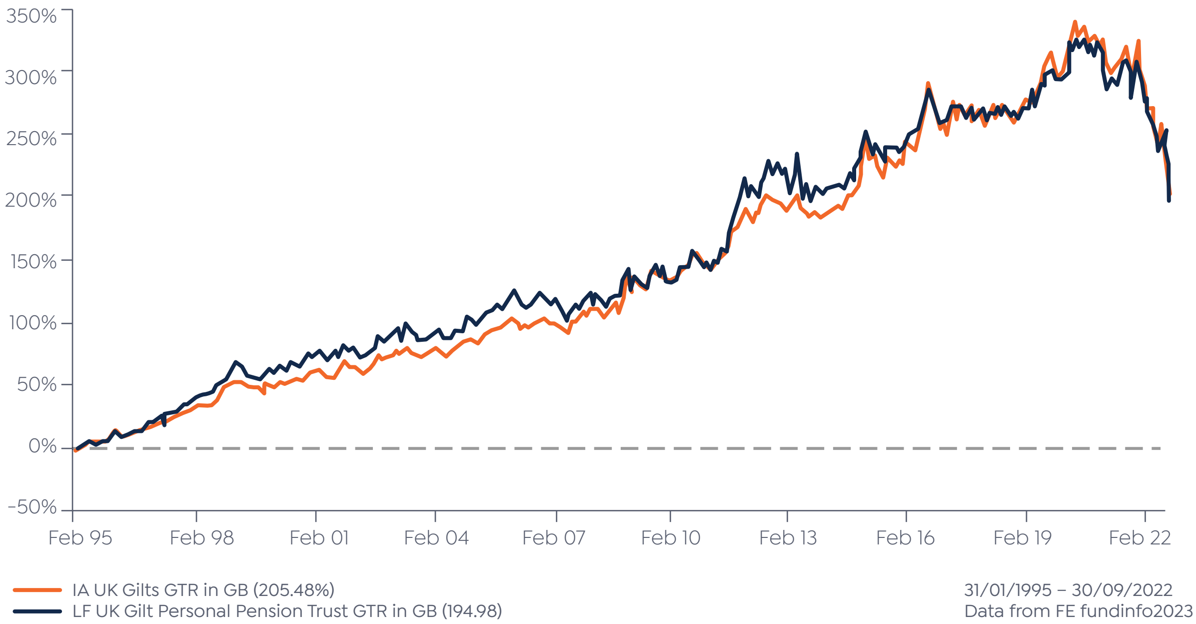
LF UK Gilts Pension Fund is invested in the L&G UK Gilts All Stocks Index, and the fund objective for the fund is "to provide a combination of income and growth (if the income is reinvested) by tracking the performance of the FTSE Actuaries British Government All Stocks Index. The fund will invest in bonds (a type of loan which pays interest). The fund's investments will closely match those that make up the Index. This Index consists of bonds which are issued by the UK Government (known as gilts). The gilts that the fund invests in will be investment grade bonds (rated as lower risk). Investment grade bonds are bonds that have achieved a higher credit rating from a rating agency. Credit ratings give an indication of how likely it is that the issuer of a bond will be able to pay back interest and the loan on time. 35% or more of the fund can be invested in bonds issued by the UK Government. The fund may use derivatives (contracts which have a value linked to the price of another asset) to:

- reduce risk or cost; or
- generate additional capital or income with no, or an acceptably low, level of risk.

If you hold accumulation units, income from investments held by the fund (interest) will be reinvested into the value of your units. If you hold distribution units, income from investments held by the fund will be paid out to you every six months (as interest)."

Investment Performance

The LF UK Gilt Personal Pension Trust has performed in line with its peers over the long term, with a high level of corelation. Life the LF Cash fund, the fund is generally held for shorter periods of time, up to 5 years, under the Lifestyle flightpaths. Over most shorter periods of time the fund consistently underperformed its peers as a result of the relatively higher charges.



ESG reporting

ESG reporting will not cover corporate engagement, as the UK government, like any government, does not engage with its investors around its environmental, social and governance policies – there lies an ideal.

However, we are able to collate information around its carbon footprint. The earliest data was the 31 December 2022, after the closure of the fund, but it is unlikely the numbers would have been any different for the year to 30 September 2022.

	Year to 31-Dec-22
Manager	**LGIM**
Carbon reserves - tonnes of carbon dioxide for $1 million of Enterprise Value including cash	89.1
Carbon emissions - carbon dioxide for every $1 million of sales	179.2

Charges

The costs for the default funds need to be competitive. For the majority of the reporting period the charges for the funds have been as shown below, highlighted in blue. As a result of the delays to the implementation of the Optimisation Plan, LFSL made a positive decision to reduce the charges for the funds, by applying a discount, which is on pro rata basis to the charges levied. The allocation of the rebate was agreed to by the Committee and has been in place since 31 December 2020.

The charges for the funds, when compared with their peers, are set out as below:

Return-Seeking Funds

Fund	Ongoing Charges Ratio
LF Global Multi Index Pension Fund	1.07%
IA Sector Median	0.79%
LF Global Cautious Mnaged Pension Fund	0.93%
IA Sector Median	0.79%
LF Developed Index Personal Pension Fund	0.80%
IA Sector Median	0.80%

De-Risking Funds

Fund	Ongoing Charges Ratio
LF Cash Personal Pension Fund	0.32%
IA Sector Median	0.11%
LF UK Gilt Personal Pension Fund	0.59%
IA Sector Median	0.47%

The charges above are net of the discounts currently in place. The ongoing charges ratios for the funds was based upon the report and accounts for the funds to 30 September 2022.

Over the period the Committee would like to record on behalf of the members, the appreciation of the subsidy to the members in recognition of the higher ongoing charges. The subsidy between the 1 January 2022 and 30 September 2022 was £141,738.64.

Funds	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
JFM PPT - LF Cautious Managed Personal Pension Fund	2,124.75	2,090.53	1,981.28	2,009.30	2,052.41	2,052.41	1,999.42	1,922.30	1,922.30	**18,139.41**
JFM PPT - LF Personal Pension Fund	179.31	185.68	177.58	183.86	183.86	190.41	184.34	181.90	181.90	**1,648.14**
JFM PPT - LF UK Gilt Personal Pension Fund	783.30	785.23	744.30	769.43	770.41	761.32	768.12	726.46	726.46	**6,835.03**
JFM PPT - LF Global Multi-Index Personal Pension Fund	11,477.58	11,355.89	10,986.27	11,033.36	11,100.09	11.073.83	11,003.38	10,743.71	10,743.71	**99,517.82**
JFM PPT - LF Global Developed Index Personal Pension Fund	1,715.61	1,711.49	1,750.25	1,728.45	1,712.45	1,713.69	1,730.94	1,767.68	1,767.68	**15,598.24**
Total	**16,280.55**	**16,128.82**	**15,639.68**	**15,723.70**	**15,819.22**	**15,776.37**	**15,686.20**	**15,342.05**	**15,342.05**	**141,738.64**

Other potential charges

All administration costs are included within each fund's annual management charge.

For the PPT, LFSL currently makes no charge for the following:

- Transaction
- Plan set up
- Transfer-in
- Transfer-out to UK scheme
- Transfer-out to overseas scheme
- Fund Switch
- Pension Splitting on Divorce
- Small pot lump sum payment
- Account closure fee
- Arranging death benefits
- Annual Statements
- Duplicate copies of correspondence
- Account closure

All switches take place on a bid-to-bid basis, i.e., they will be free of charge. Whilst LFSL does not currently charge for any of the above, it reserves the right to do so in the future. The processing of pension sharing orders, for example, can be particularly complex and a specialist's technical input may be required.

Liquidity

All funds available through the PPT continue to provide daily liquidity to investors and there are no reports of members being unable to buy or sell funds during the period.