

INDUSTRY-WIDE COAL STAFF SUPERANNUATION SCHEME

Defined Contribution Governance Statement

For the period 1 January 2021 to 31 December 2021

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') were amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 to include the requirement for the Trustee to prepare an annual statement regarding governance of Defined Contribution funds within the IWCSSS, which must be included in the annual report.

This statement for the IWCSSS covers the period from 1 January 2021 to 31 December 2021 and describes how the Trustee has met the statutory governance standards in relation to:

1. The default investment strategy,
2. Net investment returns,
3. Processing of core financial transactions,
4. Charges and transaction costs paid by members,
5. The assessment of value, and
6. Trustee knowledge and understanding.

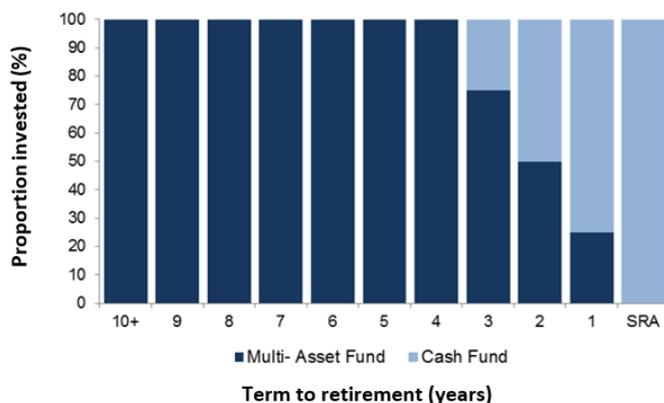
1. The Default Investment Strategy

The DC section of the Mines Rescue Service Limited section of the IWCSSS ('the DC section') is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the governance of the Scheme's investments. This includes setting and monitoring the default investment strategy, which is provided for members who do not choose an investment option for their funds in the DC section.

The default investment strategy is the Legal & General Cash Lifestyle strategy. This strategy aims to provide members with potential for higher levels of growth during the accumulation phase of their retirement savings through exposure to growth assets, whilst spreading risk by investing in a range of asset classes. From three years before selected retirement age ('SRA'), funds are gradually switched to cash to reduce the risk of volatility on the fund and to target the format in which the Trustee expects members to access their DC benefits i.e. as a cash lump sum.

The structure of the default investment strategy is illustrated in the chart below (note SRA = Selected Retirement Age):



Further details of the objectives and the Trustee's policies regarding the default investment strategy can be found in a document called the 'Statement of Investment Principles' ('SIP') which governs decisions about investments in the DC section and has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles"). The Scheme's DC SIP is included as an appendix to this statement.

The default investment strategy was not formally reviewed during the period covered by this statement. The last review of the DC section's investments including the default investment strategy was completed on 23 July 2020, where the decision was taken to maintain the current default investment strategy as the Trustee was satisfied that it remained appropriate.

The review covered the following:

- Suitability of the default investment strategy: this considered membership demographics, how members are expected to take their benefits at retirement and member outcomes modelling to help assess the suitability of the default investment strategy to the membership. Following this assessment, the Trustee was satisfied that the default investment strategy remained appropriate.
- Performance of the default investment strategy: this assessment considered the performance of the default investment strategy relative to the relevant sector comparators over various time periods. Following this assessment, the Trustee was satisfied that the default investment strategy was performing in line with expectations, and in line with the aims and objectives set out in the SIP.

The Trustee is expected to review the investment strategy of the DC section at regular intervals (at least every 3 years), and the next formal review is therefore due to take place by 23 July 2023.

2. Net investment returns

The Trustee is required to report on net investment returns for the default arrangement and for each non-default fund which scheme members were invested in during the Scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance. The guidance states that net investment returns must be shown for a member aged 25, 45 and 55. For the Legal & General Cash Lifestyle strategy, the underlying assets change over time but these changes take place after age 55 therefore the net returns for this strategy are the same irrespective of the members' age.

It is important to note that past performance is not a guarantee of future performance.

2.1. DC section

Performance to 31 December 2021	Annualised returns (%)		
	1 year	3 years	5 years
Legal & General Cash Lifestyle Strategy	7.8	9.3	6.6
Legal & General (PMC) Multi-Asset Fund	7.8	9.3	6.6
Legal & General (PMC) Pre-Retirement Fund	-5.2	5.2	3.4
Legal & General Cash Fund	-0.4	0.0	0.0

Source: Legal & General

2.2. AVC arrangement

Performance to 31 December 2021	Annualised returns (%)		
	Fund	1 year	3 years
Aviva Global Equity Fund	23.5	23.1	16.0
Aviva BlackRock World ex-UK Equity Index Fund	22.7	19.9	13.2
Aviva Property Fund	15.3	5.5	5.2
Aviva Managed Fund	10.5	10.7	6.9
Aviva My Future Consolidation	4.2	5.3	3.5
Aviva My Future Growth	16.9	15.0	9.6
Aviva With Profits Fund ²	3.3	3.3	3.2

Source: Financial Express

²For the With Profits Fund, we have shown the bonus rate declared on the Fund (rather than investment returns on the underlying assets) as the investment return as this is the return members have received.

3. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. These include:

- Investing DC/AVC contributions in the Scheme,
- Transferring assets relating to members into and out of the Scheme,
- Transferring assets relating to members between different investments within the Scheme,
- Making payments from the Scheme to or on behalf of members.

The Secretariat for the Trustee ('The Trustees Office Limited') is responsible for overall monitoring of the Scheme's providers.

3.1 Legal & General

Legal & General is the provider of the DC section. The Trustee has a Service Level Agreement ('SLA') in place with Legal & General that covers the accuracy and timeliness of all core financial transactions. The target service levels for some example administration tasks are shown below:

Transaction	SLA
Receipt of contributions / cash allocation	24 hours
Fund switches	24 hours
Surrender of fund (transfer or retirement)	5 working days
Issue of statements / leaver & retirement packs	5 working days
General member enquiries	5 working days

Legal & General reports to the Trustee on a quarterly basis on the time taken to complete various administration tasks, including all core financial transactions, compared to the SLA. These reports also show the number of calls from members and any member complaints received, which serve as an indicator of the quality of service received by members. The reports provided by Legal & General allow the Trustee to monitor core financial transactions for the DC section.

Legal & General uses automated processes wherever possible, to avoid the need for manual intervention. It also has a workflow management system in place to manage administration tasks that are not automated and processes in place to ensure manual tasks are completed promptly and accurately.

These processes include:

- The same Operating Procedures that are used every time.
- Quality / in-line checking of tasks by another individual.
- Quality sampling, where a number of cases per process and/or per member of staff are sampled to be checked by more senior or experienced members of staff, who are in turn subject to checks by another team.
- Daily monitoring of bank accounts and daily processing of both contribution files and cash allocation.

Legal & General failed to meet the SLA for payment of benefits to one member during 2021 but met its SLA for all other transactions. Legal & General have since made internal changes which they expect will reduce the risk of this happening again in the future.

There were two occasions during the year where payment by the Employer of DC contributions to Legal & General for the DC section of the Mines Rescue Service section were paid late:

- March 2021 received 23 April 2021
- April 2021 received 24 May 2021

The contributions should have been paid to Legal & General no later than 22nd of the month following the month of deduction from the member's salary. The late payments have been discussed with the Employer and the Trustee is satisfied that these were isolated incidents which have been addressed.

3.2 Aviva

Aviva is the AVC provider. The Trustee does not have an SLA in place with Aviva. This is in line with standard practice for AVC arrangements. Aviva report on the AVC arrangements on request and to date this has been on an annual basis as part of the preparation of the annual Trustee Report and Accounts.

The Trustee Office Limited has direct online access to Aviva's systems and is therefore able to extract data and monitor core financial transactions as required. Aviva also has its own target service levels and these are set out in the table below for core financial transactions which are processed manually.

Transaction	Target service level
Fund switches	5 working days (but using the unit prices of the day the fund switch request was received, if received by 5pm)
Payment of transfer / retirement claims	20 working days

Aviva has a number of processes in place to ensure tasks are completed promptly and accurately. These processes include:

- Regular quality checks of all processes.
- Assignment of requests to a single person who will take responsibility for that request until it has been completed.
- Automation of tasks to improve processing times.
- Authorisation of all financial transactions so no financial payments can be made until the correct level of authority has approved the payment.
- Annual Audit and Assurance Faculty reporting which tests the robustness of Aviva's controls around how they administer workplace pensions.

There was one incident of Aviva processing a disinvestment request outside its target timescale, In this case, Aviva used the higher unit price when processing the dis-investment so that the member did not suffer.

3.3 Hymans Robertson

Hymans Robertson are the Scheme administrators. The Trustee has an SLA in place with Hymans Robertson and service is monitored against this via a quarterly governance report and monthly review meetings with the administration team leader. Hymans Robertson completed 98.34% of cases within the SLA during the year.

Conclusion

The Trustee is confident that the processes and controls it has in place with the providers are robust and will ensure that it can continue to monitor that the financial transactions which are important to members are dealt with properly.

The Trustee is satisfied that over the period:

- the administrators and providers were operating appropriate procedures, checks and controls and, where relevant, operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- with the exception of the two late contributions to the DC section, the fund surrenders which took Aviva and Legal & General longer to process than their target timescale or SLA, all core financial transactions have been processed promptly and accurately during the Scheme year.

4. Charges and transaction costs paid by members

The Trustee is expected to monitor and disclose the following costs:

- (i) explicit charges, such as the Annual Management Charge and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio ('TER') and
- (ii) transaction costs (i.e. the costs of buying and selling investments in a fund) that are implicit and are factored into the unit price of the fund.

Where information about member charges and costs is not available, the Trustee has to make this clear, together with an explanation of what steps we are taking to obtain the missing information.

4.1. Explicit charges

The default investment strategy for the DC section has levied a TER of less than the charge cap of 0.75% p.a. of assets under management for all members during the period 1 January 2021 to 31 December 2021. The actual TER was between 0.46% and 0.50% p.a. depending upon the members' term to retirement.

The TER on all funds available through the DC section and the funds members invest their AVCs in is shown in the table below. AVC members can invest in any fund available through Aviva's Group AVC contract therefore it is not practical to show the TER of all available funds here. We have shown the TER on all funds members invested in over the period covered by this statement.

4.2. Transaction costs

The Trustee requested details of transaction costs for the period 1 January 2021 to 31 December 2021 for all funds members invested in from Legal & General and Aviva.

The transaction costs on the funds available through the DC section and the funds held by members of the AVC arrangements are shown in the tables below.

DC section	TER (%)	Transaction costs (%)
Legal & General (PMC) Multi-Asset Fund ¹	0.50	0.02
Legal & General (PMC) Pre-Retirement Fund	0.49	0.02

Legal & General Cash Fund ¹	0.46	0.00
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¹Funds that make up the default investment strategy

The TER and transaction costs on the default investment strategy for the DC section are determined by the costs and charges on the underlying funds, so the TER was between 0.46% and 0.50% and the transaction costs were between 0.00% and 0.02% depending upon the members' term to retirement.

AVC	TER (%)	Transaction costs (%)
Aviva Global Equity Fund	0.46	0.1635 ^{2,3}
Aviva BlackRock World ex-UK Equity Index Fund	0.46	0.0343 ³
Aviva Property Fund	0.46	0.1044 ³
Aviva Managed Fund	0.46	0.0518 ²
Aviva My Future Consolidation	0.46	0.0635
Aviva My Future Growth	0.46	0.0839
Aviva With Profits Fund	0.46	0.1390

²These transaction costs have not been calculated using the prescribed "slippage method" set by the Financial Conduct Authority.

³Transaction costs are shown for the 12-month period to 31 December 2021 although members were not invested in these funds for the full year.

4.3. Illustrations to show the cumulative effect of costs and charges

The Trustee is required to illustrate the effect of the costs and charges typically paid by a member on the value of their fund at retirement (as a "pounds and pence figure").

The Regulations allow the Trustee to exercise its discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme's membership.

The illustrations shown below have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out under 'notes' below. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

DC section

For the DC section, we have decided to produce an illustration based on a member with the following characteristics:

- Current age 55, with a retirement age of 60
- Current fund value of £48,000
- (A) Total monthly contribution of £730 and (B) no contributions

In order to show the effect of different charges and likely risk/return profiles, the illustrations below demonstrate the effect of costs and charges on accumulated fund values ('FV') for the default investment strategy, the Multi-Asset Fund and the Cash Fund, as these are the funds with the most members invested and the highest and lowest charges, respectively.

Illustration A

At age:	Default investment strategy			Multi-Asset Fund			Cash Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
55	£48,000	£48,000	£0	£48,000	£48,000	£0	£48,000	£48,000	£0
60	£93,240	£91,510	£1,730	£96,690	£94,830	£1,860	£87,130	£85,650	£1,480

Illustration B

At age:	Default investment strategy			Multi-Asset Fund			Cash Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
55	£48,000	£48,000	£0	£48,000	£48,000	£0	£48,000	£48,000	£0
60	£49,560	£48,360	£1,200	£51,620	£50,330	£1,290	£45,030	£44,020	£1,010

Notes

- Fund values shown are estimates and are not guaranteed.
- Projected fund values take account of future inflation.
- For active members, contributions are assumed to increase in line with inflation each year.
- Inflation is assumed to be 2.5% p.a.
- For the default investment strategy, the illustration takes into account the changing proportion invested in the different underlying funds over the term to retirement.
- The transaction costs used in illustrations have been averaged over a 4-year period in line with statutory guidance. A floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.
- Projected growth rates, costs and charges used in the illustrations are summarised in the table below:

Strategy / Fund	Growth rate	Costs and charges
Cash Lifestyle Strategy	1.3% p.a. below to 1.5% p.a. above inflation	0.525% to 0.460% p.a.
Multi-Asset Fund	1.5% p.a. above inflation	0.525% p.a.
Cash Fund	1.3% p.a. below inflation	0.460% p.a.

AVC Arrangement

For the AVC arrangement, we have decided to produce an illustration based on a member with the following characteristics:

- Current age 50, with a retirement age of 60
- Current fund value of £26,000
- No further AVCs paid

In order to show the effect of different charges and likely risk/return profiles, the illustrations below demonstrate the effect of costs and charges on accumulated fund values ('FV') for the With Profits Fund

the Global Equity Fund and the BlackRock World ex-UK Equity Index Fund, as these are the funds with the most members invested and the highest and lowest charges, respectively.

At age:	With Profits Fund			Global Equity Fund			BlackRock World ex-UK Equity Index Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
50	£26,000	£26,000	£0	£26,000	£26,000	£0	£26,000	£26,000	£0
55	£27,290	£26,540	£750	£30,750	£29,860	£890	£30,030	£29,320	£710
60	£28,650	£27,090	£1,560	£36,370	£34,290	£2,080	£34,690	£33,060	£1,630

Notes

- The fund values shown are estimates and are not guaranteed.
- For the With Profits Fund, the fund values shown in the table above are based upon the projected investment returns on the underlying assets and the costs and charges however the value of members' holdings in the With Profits Fund will depend upon the bonuses declared on the With Profits Fund and any final bonus added at retirement which are at Aviva's discretion.
- Projected fund values take account of future inflation.
- For active members, contributions are assumed to increase in line with inflation each year.
- Inflation is assumed to be 2.5% p.a.
- The transaction costs used in illustrations have been averaged over the longest period they are available (3 or 4 years) in line with statutory guidance. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.
- Projected growth rates, costs and charges used in the illustrations are summarised in the table below:

Fund	Growth rate	Costs and charges
With Profits Fund	1.0% p.a. above inflation	0.5777 % p.a.
Global Equity Fund	3.5% p.a. above inflation	0.6244% p.a.
BlackRock World ex-UK Equity Index Fund	3.0% p.a. above inflation	0.5072% p.a.

5. Value assessment

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members, when compared to other options available in the market. This assessment covers both the DC section and AVC Arrangement.

There is no legal definition of "good value" and the process of determining this for members is a subjective one. The Trustee has received advice on how to assess good value from its advisers and has considered the regulatory guidance.

The value assessment has covered the following:

- fund performance after charges to ensure fund performance has been in line with expectations and each funds' objectives and therefore that (where sector comparators are relevant) the costs borne by members have not led to under-performance compared to each funds' sector peers.
- How the costs of membership compare against the services and benefits provided by the Scheme; such as scheme governance, the quality and range of investment options available, the efficiency of administration, the quality of support services (particularly at retirement) and communications to members.

- Benchmarks and industry information available in each of the listed areas in the assessment of the services and benefits provided by the Scheme. For example, we have referred to the standards required under The Pension Regulator's Code of Practice and the Pensions and Lifetime Savings Association Pension Quality Mark to measure the Scheme's governance, administration and investment options (as well as Aon's DC Survey data to benchmark against other Schemes).

Conclusion

Having undertaken an assessment of the Scheme over the period, the Trustee has concluded that the costs and charges represent good value for members.

6. Trustee Knowledge and Understanding

The law requires Trustees to have, or have access to, sufficient knowledge and understanding to properly exercise their functions as Trustees and to run the Scheme effectively. These requirements are set out in Sections 247 and 248 of the Pensions Act 2004.

The Trustee takes training and development responsibilities seriously. The Trustee has considered the Regulator's guidance on 21st Century Trusteeship and was satisfied that much of the governance mentioned by the Regulator was undertaken by the Trustee Board. This guidance is considered as part of the Trustee Board's annual Effectiveness Review. The Trustee agreed that at minimum, those Trustees who sit on the Sub-committee responsible for the governance of the Scheme's DC benefits should have undertaken the additional DC elements of the Pension Regulator's Trustee Toolkit which has been achieved.

Trustees are encouraged to undertake additional external training to meet individual needs. The Trustee also has membership and access to the resources of the Pensions and Lifetime Savings Association.

The Trustee receives quarterly updates on changes to pensions guidance and legislation and other matters which may impact the operation of the Scheme as a whole.

Additionally, the Scheme's advisers provide regular training on topical issues and if appropriate ahead of consideration of changes affecting the Scheme.

The Trustee Board's training is reviewed regularly to identify any gaps in the knowledge and understanding of the Trustee board as a whole. This allows us to work with our professional advisers to fill any gaps.

In the event of a change to the Trustee Board, the Secretary would assess the needs of the new Trustee and, depending on their experience / knowledge, a training plan would be agreed.

When making changes to key Scheme documents, including the Statement of Investment Principles and the Scheme Rules, the Trustee Board are provided with meeting papers explaining any proposed change and any regulatory requirements and risks. Trustees have access to all key Scheme documents.

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

The statement regarding DC governance was approved by the Trustee of the Industry-Wide Coal Staff Superannuation Scheme on 23 June 2022 and signed on its behalf by:

Heather McGuire
Chair