

## **INDUSTRY-WIDE COAL STAFF SUPERANNUATION SCHEME (IWCSSS)**

### **Defined Contribution Governance Statement**

#### **For the period 1 January 2024 to 31 December 2024**

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 2024 to 31 December 2024 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**

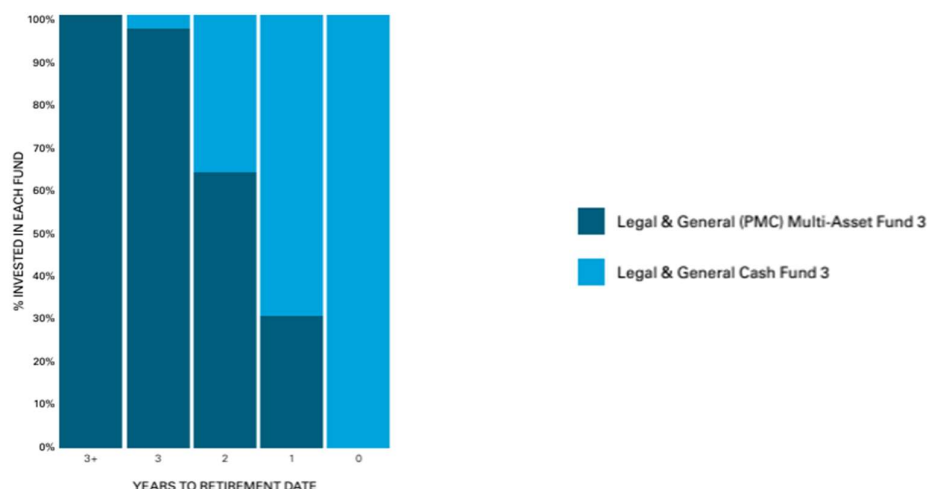
The DC section of the Mines Rescue Service Limited section of the IWCSSS ('the DC section') is used as a Qualifying Scheme for auto-enrolment purposes.

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 of 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.

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 structure of the default investment strategy is illustrated in the chart overleaf.



The Trustee is expected to review the investment strategy of the DC section at regular intervals (at least every 3 years).

The default investment strategy was not formally reviewed during the period covered by this statement. The last review was completed on 22 June 2023. That 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 for members. 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.
- Changes in investment conditions, and any products and techniques available in the marketplace which may be appropriate for the Scheme.

The review concluded that the default investment strategy remained appropriate for the membership and the Trustee decided to make no changes.

The next formal review will be carried out by 22 June 2026.

## Performance Monitoring

Legal & General reports the performance of the funds held in the DC section on a quarterly basis. Over this reporting period the funds performed broadly in line with expectations and in line with the aims and objectives of the strategy as shown in the SIP.

### Default investment strategy asset allocation

The Trustee is required to disclose the full asset allocation of investments for the default investment strategy. The table below shows the percentage of assets allocated in the default arrangement to specified asset classes over the year to 31 December 2024.

Asset class	Average asset allocation over year to 31 December 2024 (%)			
	25 years old	45 years old	55 years old	60 years old (i.e.at retirement)
Cash	0.5	0.5	0.5	100.0
Bonds	37.0	37.0	37.0	0.0
Listed equities	52.9	52.9	52.9	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure	0.0	0.0	0.0	0.0
Property	0.0	0.0	0.0	0.0
Private debt	0.0	0.0	0.0	0.0
Other	9.6	9.6	9.6	0.0

## 2. Net investment returns

The Trustee is required to report on net investment returns for the default investment strategy and for each non-default fund which scheme members were invested in during the reporting period. 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 at the start of the investment reporting period (this is 1 January 2024 for one-year returns and 1 January 2020 for 5-year returns). For the Legal & General Cash Lifestyle strategy, the underlying assets change over time but these changes take place from three years before retirement, therefore if we assume a retirement age of 60, the underlying assets only differ for the member aged 55 at the start of the 5-year reporting period.

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

### 2.1. DC section

Fund	Performance to 31 December 2024	
	1 year (%)	5 years (% p.a.)
Cash Lifestyle Strategy (member aged 25 or 45)	6.9	4.2
Cash Lifestyle Strategy (member aged 55)	6.9	2.6
Multi-Asset Fund	6.9	4.2
Cash Fund	4.9	1.9

## 2.2. AVC arrangement

Fund	Performance to 31 December 2024	
	1 year (%)	5 years (% p.a.)
Managed Fund	8.3	4.5
With Profits Fund <sup>1</sup>	5.5	3.3

<sup>1</sup> For the Aviva With Profits Fund, we have shown the bonus rate declared on the Fund (rather than investment returns on the underlying assets). Whilst, in practice, we would expect a terminal bonus to increase returns to close to the returns achieved by the underlying assets of the With Profits Fund over the period held (after all costs of running the fund, including the costs of any guarantees), these amounts are unknown and are not guaranteed. A market value reduction, which can reduce the return delivered to investors, may be applied on exit from the With Profits Fund at any time other than at maturity date, or in the event of death before retirement.

## 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.

The DC section is now very small, so the number of transactions reflect this. Over this reporting period, Legal & General met the SLA for all administration tasks and all contributions have been paid to Legal & General well within the statutory deadlines.

### 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 reports 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 Financial Statements.

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.

Over this reporting period, there were no core financial transactions for the Aviva AVC arrangements.

### **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 97.2% 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;
- all core financial transactions have been processed promptly and accurately during the Scheme year; and
- there have been no material administration errors in relation to processing core financial transactions.

## **4. Charges and transaction costs paid by members**

The Trustee is required 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 TER on all funds available through the DC section and the funds that 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.

### **4.2. Transaction costs**

The Trustees have set out the costs and charges that are incurred by members over this reporting period in the tables below. These have been supplied by the providers (Legal & General and Aviva).

There were no negative transaction costs reported this year, but if they were, they would have been set to zero by the Trustee to avoid potentially under-stating costs.

## DC section

Fund	TER (%)	Transaction costs (%)
Cash Lifestyle Strategy	0.46 – 0.50 <sup>2</sup>	0.00 – 0.03 <sup>2</sup>
Multi-Asset Fund	0.50	0.03
Cash Fund	0.46	0.00

<sup>2</sup> Depending upon term to retirement.

Legal & General funds are held as self-select funds as well as being part of the default investment strategy.

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 2024 to 31 December 2024. The actual TER was between 0.46% and 0.50% p.a. depending upon the members' term to retirement. Transaction costs were between 0.00% and 0.03% depending upon the members' term to retirement.

## AVCs

Fund	TER (%)	Transaction costs (%)
Managed Fund	0.46	0.07
With Profits Fund	0.46	0.09

### 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:

- A member with the longest time left until they reach retirement (we have assumed 5 years)
- Current fund value of £84,300
- (A) Total monthly contribution of £985 and (B) no contributions

The guidance states the Trustee must show the effect of costs and charges on accumulated fund values ('FV') for the default investment strategy, and the funds with the highest and lowest charges. The default investment strategy is the Legal & General Cash Lifestyle strategy, the fund with the highest charges is the Multi-Asset Fund and the fund with the lowest charges is the Cash Fund.

#### Illustration A – active member

Years from retirement	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
5	£84,300	£84,300	£0	£84,300	£84,300	£0	£84,300	£84,300	£0
0	£148,310	£145,410	£2,900	£151,200	£148,160	£3,040	£139,930	£137,450	£2,480

#### Illustration B – deferred member

Years from retirement	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
5	£84,300	£84,300	£0	£84,300	£84,300	£0	£84,300	£84,300	£0
0	£88,800	£86,620	£2,180	£90,650	£88,380	£2,270	£82,260	£80,430	£1,830

#### 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 continue until retirement and 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 5-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 are consistent with those used for members' annual benefit statements (which are now based upon how volatile the fund has been, rather than on expected future returns).
- Projected growth rates, costs and charges used in the illustrations are summarised in the table below:

DC section fund	Growth rate (% p.a.)	Costs and charges (% p.a.)
Cash Lifestyle Strategy	2.0 – 4.0 depending upon term to retirement	0.46 – 0.53 depending upon term to retirement
Multi-Asset Fund	4.0	0.53
Cash Fund	2.0	0.46



## AVC Arrangement

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

- A member with the longest time left until they reach Scheme retirement age (7 years)
- Current fund value of £10,400
- No further contributions

The illustrations below demonstrate the effect of costs and charges on accumulated fund values ('FV') for the Managed Fund and the With Profits Fund as these are the only funds members invest in.

Years from retirement	Managed Fund			With Profits Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
7	£10,400	£10,400	£0	£10,400	£10,400	£0
5	£10,710	£10,600	£110	£10,710	£10,590	£120
0	£11,510	£11,110	£400	£11,510	£11,080	£430

### Notes

- The fund values shown are estimates and are not guaranteed.
- Projected fund values take account of future inflation.
- 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 (5 years for the Managed Fund and 4 years for the With Profits Fund) 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 are consistent with those used for members' annual benefit statements (which are no longer based upon expected future returns).
- Projected growth rates, costs and charges used in the illustrations are summarised in the table below:

AVC Fund	Growth rate (% p.a.)	Costs and charges (% p.a.)
Managed Fund	4.0	0.53
With Profits Fund	4.0	0.57

## 4.4. Specified performance-based fees

Where a fee is calculated by reference to the returns from investments held by the Scheme and is not calculated by reference to the value of the member's rights under the Scheme, the Trustees must state the amount of any such performance-based fees in relation to each default arrangement.

The DC funds in the Scheme do not operate any specific performance-based fees therefore during the Scheme Year this fee, expressed as a percentage of the average value of the default arrangement assets over the same period, was 0%.

## **Value assessment**

The Administration Regulations require the Trustee to make an assessment of charges and transaction 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.

- We have considered 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.
- When assessing the services and benefits provided by the Scheme, we have considered available benchmark and industry information in each of the listed areas. 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 survey data from the Department for Work and Pensions, the Financial Conduct Authority and our advisers Aon Investments Limited to benchmark against other Schemes.

The value assessment for this reporting period has covered the following:

- Whether the costs and charges members pay from their funds are competitive compared to other options available in the market, and if investment performance after charges has been in line with expectations and with each funds' objective.
- The costs of membership have been compared to 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.

## **Conclusion**

Having undertaken an assessment of the Scheme over the period, the Trustee has concluded that the Scheme does provide value for members.

## **5. 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. As part of the Trustee Board's annual effectiveness review, a skills audit is undertaken to identify gaps in knowledge and skills of the Trustee Board as a whole and will take into account both Scheme and regulatory requirements. The results of the review will then be considered as part of ongoing training. 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 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.

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 Trustees 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 19 June 2025 and signed on its behalf by:

**Heather McGuire**  
**Chair**