

High level overview of money purchase assets

Arriva Passenger Services National Pension Scheme

Section	Investment manager/ provider	Benefit basis
AVCs	Clerical Medical	Pure DC AVC funds
DC transfers-in (Clerical Medical)	Clerical Medical	Pure DC
DC transfers-in (notional LGIM)	Notional units based on a price feed from LGIM	Pure DC

Annual statement regarding governance of the Arriva Passenger Services National Pension Scheme ("the Scheme")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") requires the Trustee to prepare an annual statement regarding governance, which should be included in the annual Trustee report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 6 April 2022 to 31 March 2023 and is signed on behalf of the Trustee by the Chair. A copy of this Statement will be made available to members of the Scheme on request and on publicly accessible websites including: www.arrivapensions.com/scheme-details.

This statement covers governance and charge disclosures in relation to the following:

1. The Default arrangement
2. Processing of core financial transactions
3. Member borne charges and transaction costs
 - i. Default arrangement
 - ii. Self-select funds
 - iii. Additional Voluntary Contributions
 - iv. Illustrations of the cumulative effect of these costs and charges
4. Net performance returns
5. Value for Members assessment
6. Trustee knowledge and understanding

1. The Default Arrangement

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

The Scheme has several different sections with benefits accrued in some of the sections on a money purchase basis (also known as defined contribution). The Trustee is responsible for investment governance of the Scheme. This includes setting and monitoring of the investment strategy of the Scheme's various money purchase investment options. All the money purchase sections are closed to new regular contributions. The AVC scheme features a default arrangement for members who join and do not make an investment choice which is the BlackRock Cautious Lifestyle Option.

The Trustee reviews the Scheme's investments regularly, including the default arrangement. The default was last reviewed on 23 September 2021. The next formal review will take place in no more than three years' time from this date.

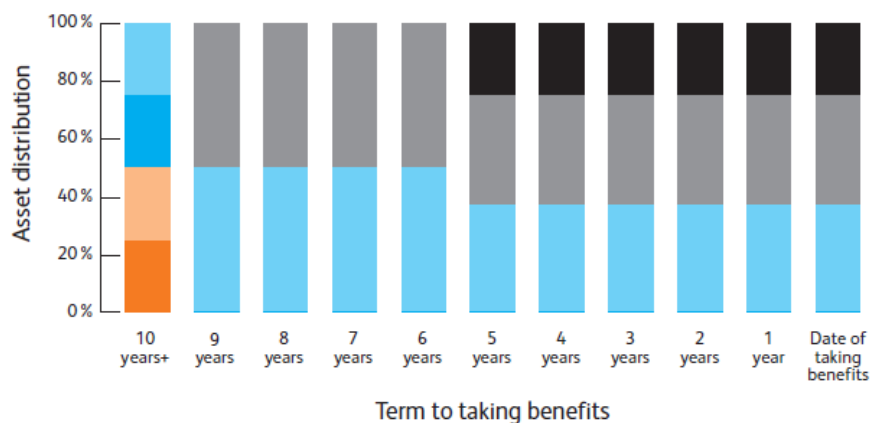
The objective of the default arrangement is to move members from higher return, higher risk investments to lower risk, lower return investments as they near their retirement age to reduce

volatility and protect the value of their funds. This is intended to be appropriate for most members who are expected to purchase an annuity at retirement.

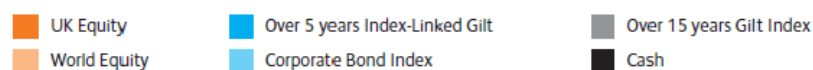
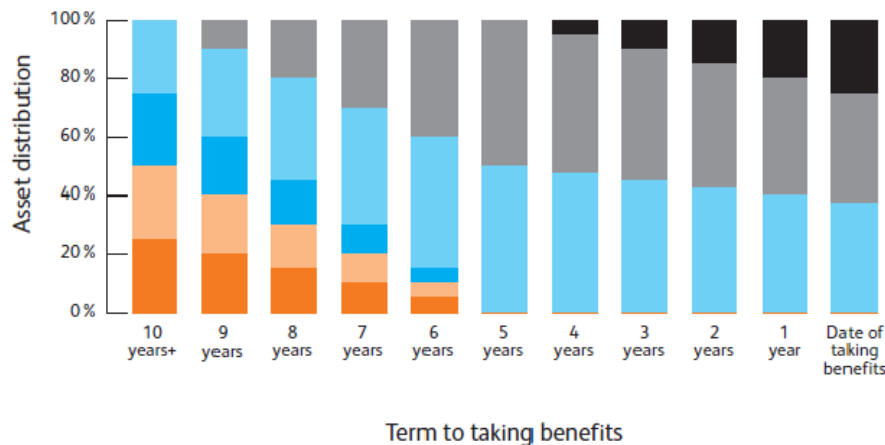
The BlackRock Cautious Lifestyle Option initially invests 50% in global equities and 50% in index-linked gilts and corporate bonds. At 10 years to retirement the fund begins to reduce the amount invested in global equities and a higher proportion in index-linked gilts and corporate bonds. At retirement the lifestyle will have a 25% allocation to cash and 75% allocation to index-linked gilts and corporate bonds. The BlackRock Cautious Lifestyle Option glidepaths for new contributions and existing pension savings are shown below. The glidepath shows how the allocation of different funds changes as members approach retirement.

Investment strategy review

New contributions



Existing contributions



The default arrangement was formally reviewed on 23 September 2021. Whilst the review resulted in no immediate changes to the default arrangement, the Trustee and their investment advisers highlighted a number of areas for potential improvement which the Trustee considered.

The review considered the needs of members as well as consideration of expected member outcomes at retirement and associated risks. The Trustee took advice from its investment adviser on all these aspects.

The Trustee undertakes a formal review of the default arrangement every 3 years and without delay after any significant change in investment policy or demographic profile of the Scheme). The next formal review is due to take place before 23 September 2024.

Performance Monitoring

The Trustee has not expressly reviewed fund performance of the DC investment options over the Scheme Year, however, fund performance was considered as part of the default investment review (which took place in 2021).

Further details on the arrangements, including deemed defaults are set out in the Statement of Investment Principles, which is hosted on the member website (www.arrivapensions.com/scheme-details).

2. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.

The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Scheme's administrators, Aon Solutions UK Limited (Aon). The Trustee also delegates administration to Aon for its AVC arrangements, although in some cases the member records are administered by the AVC providers.

To determine how well the administration is performing, the Trustee has service level agreements ("SLA") in place with Aon. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Aon aims to accurately complete all financial transactions within 10 working days.

The Trustee has also reviewed the key processes adopted by the administrator and output in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- Daily monitoring of the Trustee bank account
- Checks for all investment and banking transactions prior to processing
- All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team.
- Aon also provide confirmation to the Trustee annually regarding the current position on common and conditional data as well as any amendments which may be required to rectify gaps in the data.
- Controls around administration and the processing of transactions are documented in the Scheme risk register which is regularly reviewed

Based on the reporting set out above, the Trustee considers that the majority of the Scheme's core financial transactions were processed promptly and accurately over the year.

3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- Transaction costs: these are not explicit and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.

The Trustee is also required to confirm that the TER on the default arrangement has not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the statement year in respect of each investment fund available to members. These comprise the TER and insofar as we are able to obtain, transaction costs and total member borne costs for the year to 31 March 2023.

The Trustee, via their advisers, requested the transaction costs and TERs from BlackRock who are the underlying manager for the funds that the default strategy invests in and Clerical Medical, who are the Scheme's AVC provider.

The Trustee have indicated below where up to date information was not made available. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustees.

The Scheme's AVC arrangement has a TER of 0.50% per year for all of its funds.

Fund	TER (% p.a.)	Transaction Costs (% p.a.)	Total Costs (% p.a.)
BlackRock Cautious Lifestyle	0.50	0.00 – 0.02	0.50 – 0.52
Self-Select Funds			
BlackRock Aquila Connect World (ex UK) Equity Index*	0.50	0.00	0.50
BlackRock Aquila Connect Corporate Bond AllStocks*	0.50	0.00	0.50
BlackRock Aquila Connect UK Equity Index*	0.50	0.08	0.58
Clerical Medical Balanced	0.50	0.38	0.88
BlackRock Aquila Connect Over 5 Year Index-Linked Gilts Index*	0.50	0.00	0.50
Clerical Medical UK Growth Fund	0.50	0.38	0.88
Clerical Medical Cautious	0.50	0.16	0.66
BlackRock Aquila Connect Over 15 Years UKGilt Index*	0.50	0.00	0.50
Clerical Medical Retirement Protection	0.50	0.30	0.80
Clerical Medical Non-Equity	0.50	0.36	0.86
Clerical Medical Halifax	0.50	0.00	0.50
Clerical Medical International Growth	0.50	0.34	0.84
Clerical Medical Cash*	0.50	0.02	0.52
Clerical Medical Adventurous Pension	0.50	0.31	0.81
Clerical Medical Balanced Fund of Funds	0.50	0.02	0.52
Clerical Medical Far Eastern Pension	0.50	0.55	1.05
Clerical Medical North American Pension	0.50	0.04	0.54
Clerical Medical Japanese Pension	0.50	0.05	0.55
Clerical Medical European Pension	0.50	0.15	0.65

*Denotes component of default investment strategy.

Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

To help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided two illustrations of their cumulative effect on the value of typical scheme members savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on several assumptions about the future which are set out in the appendix.

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.

Each illustration, A and B is shown for a different type of member invested in the BlackRock Cautious Lifestyle Option, as this is the arrangement that most of our members have their retirement savings in. Each illustration is shown as a chart and a table as follows:

- The table below shows a projection of the member's retirement savings at retirement age, with and without costs and charges applied.
- As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures with other investments in the Tables. For comparison purposes, we also show the projected retirement savings if the typical member were invested in a higher risk profile fund - BlackRock Aquila Connect UK Equity Index - which has a higher expected return, and a lower risk profile fund - BlackRock Aquila Connect Over 15 Years UK Gilt Index - which has a lower expected return and lower charges.

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

Illustration A: is based on a Scheme member who has 12 years to go until their retirement at age 65. The member has a current fund value of £2,409 and is invested in the BlackRock Cautious Lifestyle Option.

Projected Pension Account in today's money, based on figures for the year to 31 March 2023									
Age	BlackRock Cautious Lifestyle Option			BlackRock Aquila Connect UK Equity Index			BlackRock Aquila Connect Over 15 Years UK Gilt Index		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
53	2,469	2,456	13	2,529	2,515	14	2,433	2,421	12
55	2,712	2,643	69	3,074	2,990	85	2,532	2,470	62
60	2,795	2,657	139	3,924	3,711	213	2,661	2,532	129
65	2,815	2,622	193	5,008	4,606	402	2,796	2,596	201

Illustration B: is based on a Scheme member who has 35 years to go until their retirement at age 65. The member has a current fund value of £3,485 and is invested in the BlackRock Cautious Lifestyle Option.

Projected Pension Account in today's money, based on figures for the year to 31 March 2023									
Age	BlackRock Cautious Lifestyle Option			BlackRock Aquila Connect UK Equity Index			BlackRock Aquila Connect Over 15 Years UK Gilt Index		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
30	3,572	3,554	18	3,659	3,639	20	3,520	3,502	17
35	3,943	3,843	100	4,448	4,326	122	3,663	3,573	90
40	4,461	4,238	223	5,677	5,369	308	3,850	3,663	186
45	5,047	4,674	374	7,245	6,664	581	4,046	3,756	290
50	5,711	5,154	557	9,247	8,271	976	4,252	3,851	402
55	6,461	5,683	778	11,801	10,265	1,536	4,469	3,948	521
60	6,790	5,823	966	15,062	12,741	2,321	4,697	4,047	650
65	6,841	5,722	1,119	19,223	15,814	3,409	4,937	4,150	787

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- Annual inflation is assumed to be 2.5% per annum.
- The starting fund values used in the projections is representative of the average for the Scheme.
- The projected real (net of inflation) annual returns on assets are:
 - BlackRock Aquila Connect World (ex UK) Equity Index: 5.0% p.a.
 - BlackRock Connect UK Equity Index: 5.0% p.a.
 - BlackRock Aquila Connect Corporate Bond All Stocks: 2.1% p.a.
 - BlackRock Aquila Connect Over 5 Year Index-Linked Gilts Index: 1.0% p.a.
 - BlackRock Aquila Connect Over 15 Years UK Gilt Index: 1.0% p.a.
 - BlackRock Cash: 1.0% p.a.

For the BlackRock Cautious Lifestyle Option, the projection considers the changing proportion invested in the different underlying funds. All funds shown above are underlying funds.

- The transaction costs have been shown in line with statutory guidance to reduce the level of volatility, and 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.
- Data used is as at 31st March 2023, unless stated otherwise.

4. Net performance returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduced new requirements for Trustees of DC pension schemes.

From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

i) Default Lifestyle

The Trustees calculated the return on investments, as far as they were able to do so. The net investment returns for members within the default lifestyle (based on the asset allocation as at the end of the Scheme Year) to 31 March 2023 were as follows:

Age of member at beginning of period (years)	1 Year to 31 March 2023 (%)
25	-10.1
45	-10.1
55	-12.2

Source: BlackRock. Isio calculations.

Notes:

- Data provided by BlackRock, the Scheme's default strategy underlying manager, as Clerical Medical were unable to provide the data. We will work Clerical Medical to establish whether they're able to provide this in future.
- BlackRock have been unable to provide 5-year returns for the majority of funds in this year's report.
- Returns are calculated as the annual geometric mean.
- Age-related returns for members in lifestyle strategies assume annual switching in the glidepath.

ii) Self-select funds

The net investment returns for members within self-select funds with no lifestyling during the periods of 5 April 2022 to 31 March 2023 were as follows:

Fund	1 Year to 31 March 2023 (%)	5 Years to 31 March 2023 (% p.a.)
BlackRock Aquila Connect World (ex UK) Equity Index*	-1.2	n/a
BlackRock Aquila Connect Corporate Bond All Stocks*	-10.2	n/a
BlackRock Aquila Connect UK Equity Index*	2.5	4.8
Clerical Medical Balanced	n/a	n/a
BlackRock Aquila Connect Over 5 Year Index- Linked Gilts Index*	-30.4	n/a
Clerical Medical UK Growth Fund	0.8	2.1
Clerical Medical Cautious	n/a	n/a
BlackRock Aquila Connect Over 15 Years UK Gilt Index*	-30.5	n/a
Clerical Medical Retirement Protection	n/a	n/a
Clerical Medical Non-Equity	n/a	n/a
Clerical Medical Halifax	0.0	0.0
Clerical Medical International Growth	-3.3	8.7
Clerical Medical Cash*	1.3	0.3
Clerical Medical Adventurous Pension	n/a	n/a
Clerical Medical Balanced Fund of Funds	n/a	n/a
Clerical Medical Far Eastern Pension	n/a	n/a
Clerical Medical North American Pension	n/a	n/a
Clerical Medical Japanese Pension	n/a	n/a
Clerical Medical European Pension	n/a	n/a

Source: BlackRock. Clerical Medical. Isio calculations.

Notes:

- The Trustee, via their advisers, requested net performance data for the Clerical Medical funds listed above, however they have not been able to provide this for all funds in this report. We will work with them to establish whether they're able to provide these in future.
- Returns are calculated as the annual geometric mean.

5. Value for Members assessment

The Administration Regulations requires the Trustee to assess charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of “good value” or the process of determining this for scheme members. Therefore, working in conjunction with our advisers, Isio, the Trustee has developed a framework to make an assessment as to whether our members receive good value from the Scheme relative to the costs and charges they pay.

The Trustee has considered the benefits of membership under the following categories: Charges, scheme governance, investments, administration, retirement support and member communications. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

Charges

- **The Trustee believes that charges incurred by members should be comparable to schemes with a similar profile to the Scheme.**

The charges incurred by members of the Scheme are relatively high when compared to the DC market generally. However, considering the size of membership and value of assets invested are comparable to similar schemes.

Scheme governance

- **The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members**
- Governance covers the time spent by the Trustee to ensure the Scheme is run in compliance with the law and regulation, including taking account of the interests of its members.
- The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes.
- The Trustee regularly reviews and updates the Scheme’s governance processes and procedures to ensure that these meet industry best practice.

Investments

- **The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes**
- The DC Section of the Scheme provides members with a range of lifestyle strategies and self-select fund options, covering a range of member risk profiles and asset classes.
- The investment funds available have been designed with the needs of members in mind and are currently being reviewed to ensure they remain appropriate for members.
- In this Scheme year the default has underperformed the wider DC market due to the lower allocations to equity which will have impacted members savings.
- In addition, the Scheme has a range of legacy AVC funds. The Trustee believes that these legacy AVCs compare favourably to the market and intend to review them in due course.

Administration

- **The Trustee believes that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level**

of member engagement.

- As noted above, the Trustee has appointed Aon to provide administration services to the Scheme.
- The Trustee is satisfied that Aon has sufficient checks in place to monitor and report on the standard of the administration service.
- The Trustee Board regularly monitors the Scheme administration via quarterly reporting.

Member communications

- **The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.**
- The Scheme provides members with regular, clear communications regarding the choices open to them, as well as annual benefit statements and 'at retirement' communications.
- A variety of communication media are used, including access to well-developed online tools and helpful information around retirement planning via the Scheme's member website: www.arrivapensions.com.

Retirement support

- The Trustee believes that members should receive the support that they need in order to make effective decisions in relation to how to use their retirement savings and to implement their decisions.
- Due to the nature of the Scheme it is difficult to offer members access to the full range of flexible retirement options now available to members of many other DC arrangements. The Trustee will consider approaches to allow members to use their funds in a flexible manner in a more user-friendly way.

Using this as a framework, Isio assessed the value for members offered by the Scheme.

The Trustee's assessment concluded that the charges and transaction costs borne by Scheme members represents average value for members relative to the benefits of Scheme membership. In addition, all of the other sections were rated average across the assessment with the exception of investments which was rated as below average due to the lack of equity exposure resulting in underperformance. The Trustees are currently considering a number of areas arising from this assessment and will provide more details on action taken in future Chair's Statements.

Trustees' Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as a Trustee properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

Independent Governance Group is the trading name of Ross Trustees Services Limited (Ross Trustees), Independent Trustee Services Limited, Independent Trustee Limited, Clarity Trustees Limited, Clark Benefit Consulting Limited, Leadenhall Independent Trustees Limited all registered in England and Wales. Ross Trustees is the Trustee of the Arriva Passenger Services Pension Trustee Limited.

Ross Trustees is audited annually by the Audit and Assurance Faculty (AAF) and is currently AAF 02/07 accredited, which confirms that the processes adopted by Ross Trustees to govern schemes are appropriate. This includes providing regular training opportunities to all members of staff.

Ross Trustees delegates responsibility for governing the Scheme to two professional trustees, both of whom are accredited with the Association of Professional Pension Trustees ("APPT") and supported by a broad, multi-disciplined and experienced team of pensions professionals.

To maintain accreditation with the APPT, the professional trustees are required to undergo regular training, and provide the APPT with a log of their training and CPD (Continual Professional

Development) record over the preceding year.

Grant Suckling of Ross Trustees is the Chair of the Scheme. The Trustee has previously completed an assessment of their compliance with the new draft single code of practice (the “single code”). This assessment considered the extent to which the Trustee has adopted policies and processes expected by the single code, when these were last reviewed, and how these are utilised by the Trustee. The Trustee has developed a plan to address any gaps identified from the assessment, which will be actioned once the single code has been published.

The Trustee has engaged with appointed professional advisers regularly throughout the year to ensure that they run the DC Sections and AVC arrangements and exercise their functions properly and take professional advice where needed. In exercising their functions, this has required knowledge of key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles.

The Trustee has also carried out the following tasks over the reporting year (among others), which further demonstrates their knowledge and understanding:

- Retained up to date versions of Scheme documents (including the Trust Deed & Rules, the Trustees' Governance Policy document and the Scheme booklets), to help maintain a working knowledge of the Scheme;
- Made decisions on specific member cases, considering the requirements of the Scheme's governing documents (the Trust Deed & Rules), the Scheme's agreed policies/practices and also the wider law relating to pensions and trusts;
- Reviewed and updated the Scheme's risk register; and
- Carried out regular annual tasks, such as reviewing and signing off the Trustee's Report & Accounts.

Considering the training and tasks completed by the Trustee over the reporting year, the Trustee considers that they continue to meet the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and are confident that the combined knowledge and understanding of the Trustee, together with the input from their specialist advisers, enables them to properly exercise their functions as the Trustee of the Scheme.

Signed on behalf of the Chair of Arriva Passenger Services Pension Trustees Limited

Name: Grant Suckling

Date: 16 October 2023