

Bakkavor Pension Scheme (Category C) (The DC Section)

Annual Governance Statement for the year ending 31 March 2024

This statement has been prepared by the Trustee of the Bakkavor Pension Scheme (the ‘Scheme’) to demonstrate how the Scheme has complied with the governance standards introduced under the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Bakkavor Pension Scheme closed to accrual in 2013.

Investment strategy

The Scheme’s investment strategy is set out in the Statement of Investment Principles (‘SIP’) which governs its decisions about investments including its aims, objectives and policies for the Scheme’s default arrangements, prepared in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee is responsible for the Scheme’s investment governance, which includes setting and monitoring the investment strategy of the Scheme’s default arrangement. The Scheme’s SIP was last updated in January 2024 and, alongside the DC Statement of Investment Implementation is appended to this Chair’s Statement.

This is the statement issued by the Scheme which covers the period from 1 April 2023 to 31 March 2024. It is signed on behalf of the Trustee by the Chair and is available online at www.bakkavor.com/pension-trustees-limited. Members are signposted to this statement in their Annual Benefit Statement.

Default arrangement

The DC Section has a default investment strategy in place, however the Scheme is not being used as a qualifying scheme for automatic enrolment purposes. There are no illiquid investments in the default arrangement, other than a small percentage in property in the managed fund.

No review of the DC Section’s default investment strategy has been undertaken since its closure in 2013. However, the Trustee believes that the performance characteristics of the funds available to members are consistent with the aims of the Statement of Investment Principles and DC Statement of Investment Implementation.

Performance of the default arrangement

In preparing this statement the Trustee has taken account of DWP’s Statutory Guidance on net investment reporting. All information provided in respect of the fund performance and transaction costs has been supplied by Phoenix Life.

The Trustees provide a Lifestyle option for members who prefer to invest in a pre-determined investment strategy or do not make an active investment choice. For this option, the asset allocation automatically changes as members approach retirement to reflect members’ changing risk and return requirements. The funds used in this approach are the Phoenix NPI Managed

Fund, the Phoenix NPI Index Gilt Fund and the Phoenix NPI Deposit Fund. The matrix below details a member's lifestyle progression across the funds.

Years to retirement	NPI Managed	Index-linked	Deposit
5+	90%	10%	-
4	90%	10%	-
3	70%	25%	5%
2	50%	40%	10%
1	30%	55%	15%
0	30%	55%	15%

The allocation of assets across the default fund range differs according to their years to retirement. For members with 5+ years to retirement, the allocation (based on 30 September 2024) is as follows:

Asset Class	Percentage
Cash	2.27
Bonds issued by a company or Government *	32.84
Shares listed on a recognised exchange	63.35
Shares not listed on a recognised exchange	0.00
Infrastructure	0.00
Property	1.23
Other debt instruments	0.00
Other assets, including pooled investments	0.31

* A breakdown of the bonds between company and Government Bonds is not available.

The net performance of the underlying funds used within the default fund are set out below.

Fund	12 months (%)		3 years (%)		5 years (%)	
	Fund	ABI sector	Fund	ABI sector	Fund	ABI sector
NPI Managed	8.5	9.9	9.9	10.7	29.6	28.0
Index-linked Gilt	-9.7	-6.8	-35.2	-29.9	-34.0	-26.8
Deposit	4.5	4.6	6.8	7.0	7.0	7.0

As the default arrangement is a lifestyling option, the net investment returns may differ for members of different ages, the table below shows the annual net investments returns for members aged 25, 45 and 55 at the start of one year and five-year periods.

Age of member	Net investment return for the year to 31/03/2024 (%)	Net investment return for the 5 years to 31/03/2024 (%)
25	6.7%	23.2%
45	6.7%	23.2%
55	6.7%	23.2%

The figures above are a combination of the returns for each of the composite funds (NPI Managed and Index-linked Gilt)

Alternative investment options

The Trustee offers members the option to select their own investment strategy. The net performance of the self-select funds is shown below:

Fund	12 months (%)		3 years (%)		5 years (%)	
	Fund	ABI sector	Fund	ABI sector	Fund	ABI sector
Phoenix NPI Pens Managed Stk-01	8.5	9.9	9.9	10.7	29.6	28.0
Phoenix NPI Pens Deposit Stk-01	4.5	4.6	6.8	7.0	7.0	7.0
Phoenix NPI Pens Global Care Managed Stk-01	12.8	9.9	15.6	10.7	52.8	28.0
Phoenix NPI Pens Global Care Stk-01	20.3	17.3	27.0	26.3	97.3	61.9
Phoenix NPI Pens Distribution Stk-01	8.0	9.0	-3.8	1.4	1.3	12.0
Phoenix NPI Pens Americas STK-01	26.5	25.8	41.1	36.7	95.1	87.9
Phoenix NPI Pens Fixed Interest Stk-01	0.1	2.4	-20.2	-16.5	-16.4	-12.0
Phoenix NPI Pens European Stk-01	12.0	12.6	25.6	24.7	54.5	56.9
Phoenix NPI Pens UK Equity Stk-01	7.0	7.6	20.6	10.6	25.9	19.5
Phoenix NPI Pens Indexed Gilt Stk-01	-9.7	-6.8	-35.2	-29.9	-34.0	-26.8
Unitised With Profits STK-01 *	-5.9	-	0.2	-	11.3	-
Phoenix NPI Pens Far East Stk-01	13.3	4.7	9.9	-4.4	43.5	22.4
Phoenix NPI Pens UK Equity Tracker Stk-01	7.6	7.6	22.6	10.9	25.5	19.5
Phoenix NPI Pens Overseas Equity Stk-01	17.4	17.3	28.4	26.3	62.7	62.0

* All performance figures relate to 31 March 2024, except the unitised with profits figures (31 March 2024)

Source: [Unit-linked fund prices | Manage my policy | Phoenix Life](#)

Charges and Transaction costs

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds publicly online at www.bakkavor.com/pension-trustees-limited/default.aspx and will notify members about this in its annual member communication.

When preparing this section of the statement, the Trustees have taken account of the DWP's statutory guidance on "Reporting on Costs and Charges".

The Trustee is required to set out the on-going charges borne by members in this statement. The charges are made up of annual management charges plus any additional expenses, known as the total expense ratio 'TER'. The TER is paid by the member and reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds. These costs are taken into account via the unit price for each of the funds and are not directly charged to the members.

The table below details the annual management charge for each fund as at 31 March 2024.

Fund	TER (%)	Transaction Costs (%)
Phoenix NPI Pens Managed Stk-01	1.00	0.12
Phoenix NPI Pens Deposit Stk-01	1.00	0.00
Phoenix NPI Pens Global Care Managed Stk-01	1.00	0.06
Phoenix NPI Pens Global Care Stk-01	1.00	0.04
Phoenix NPI Pens Distribution Stk-01	1.00	0.05
Phoenix NPI Pens Americas STK-01	1.00	0.03
Phoenix NPI Pens Fixed Interest Stk-01	1.00	0.03
Phoenix NPI Pens European Stk-01	1.00	0.29
Phoenix NPI Pens UK Equity Stk-01	1.00	0.05
Phoenix NPI Pens Indexed Gilt Stk-01	1.00	0.04
Unitised With Profits STK-01	1.00	0.04
Phoenix NPI Pens Far East Stk-01	1.00	0.06
Phoenix NPI Pens UK Equity Tracker Stk-01	1.00	0.03
Phoenix NPI Pens Overseas Equity Stk-01	1.00	0.11

The impact of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can erode the amount available to a member at retirement. The Trustee has provided 'Pounds and pence' illustrative examples of the cumulative effect of costs and charges in the attached Appendix.

Financial transactions

The DC section is provided by Phoenix Life with the main administration for the Scheme undertaken by WTW. The following table sets out the most recent provider's performance against agreed service standards.

	Cases completed in agreed timescales	Cases not completed in agreed timescales	Total
Number of cases	31	8	39
Proportion	79%	21%	100%

There have been no member complaints during the Scheme year. The Trustee will look to work with the administrator to see how the service standards can be improved.

Value for Members (VFM)

The Trustee is committed to ensuring that members receive VFM from the Scheme i.e. the costs and charges deducted from members' accounts represent good value in relation to the benefits and services provided by or on behalf of the Trustee. The Trustee has undertaken a VFM assessment, with support from WTW. In line with the requirements of the Pensions Regulator's DC Code of Practice, this assessment considers the extent to which services paid for by members offer good value relative to costs. It also considers more generally the broader value of the range and quality of services and benefits associated with Scheme membership.

The Scheme service element for which members bear the cost is access to the Scheme's investment funds (and investment performance), administration (not covered by the third-party administrator) and communications.

Members do not currently pay for the Scheme's professional advisor costs or governance costs associated with the Scheme's operation.

When agreeing an overall VFM rating, the Trustee has taken into account that services paid for wholly by members of the Scheme.

The Phoenix NPI Managed Fund has delivered a positive return over the reporting period to 31 March 2024. Further, the Phoenix NPI Managed Fund and all but two of the self-select funds have provided positive returns over the three and five-year period to 31 March 2024. We therefore believe members have received 'Sufficient value' over the Scheme year in terms of investment performance.

The charges applying to the fund range are higher than all market benchmarks shown later on in this paper and we therefore believe members have received 'Poor' value over the Scheme year. As a result of this, the Trustee is in the process of winding-up this section and transferring the section benefits to a different provider.

The communication support is limited and the administration support is sufficient.

The Trustee has concluded that overall, the Scheme provided members with 'Poor value' during the Scheme Year ending 31 March 2024.

Trustees' knowledge and understanding (TKU)

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively.

The Trustee is satisfied that it has met its knowledge and understanding duties during the Scheme year.

Training and development areas are identified by the Scheme's officers and advisers or in the course of Trustee meetings by individual Trustee Directors themselves. Where these are identified, they are addressed by training sessions at Trustee and Investment meetings and the individual Trustee Directors are encouraged to attend separate training events. All training is recorded in a training log, which is reviewed and updated at each meeting of the Trustee.

The Trustee also has access to the services of a range of professional advisors and all Trustee decisions are supported by professional advice where required, this includes attendance of professional advisors at Trustee meetings, if appropriate.

During the year to 31 March 2024, the Trustee has received training in (or indeed has been required to amend and update) each of the following:

Legal Adviser training on:

- The law relating to trusts;
- Trust Deed and Rules (and amendments); and
- Policy changes arising from the new regulatory code.

Investment Adviser training on:

- The SIP and amendments to this; and
- Asset classes, including hedge funds and mortality insurance-linked.

Actuarial training on:

- Funding and investment principles;
- Bridging pensions;
- GMPs; and
- The new DB funding code.

Cyber risk training on:

- The Scheme's cyber risk assessment and the key cyber risks borne by the Scheme; and
- The management of these risks.

In addition, its Governance and Risk Committee is undertaking a complete review of the Trustee's policies and procedures.

No new Trustee Directors were appointed during the year and, in line with Scheme requirements, all Trustee Directors have completed the Trustee Toolkit as part of the Scheme's induction programme.

The Trustee Directors recognise that keeping their knowledge and understanding up to date is critical and there is a need to continue to work at this and support new Trustee Directors should they are appointed to the board.

Signed by the Chair on behalf of the Trustee of the Bakkavor Pension Scheme:

Date:

Appendix 1 - 'pounds and pence' illustrative example of the cumulative effect of costs and charges

The following illustrative example uses the statutory guidance to show the cumulative effect over time of the relevant TER on the value of a pot size of £10,000 with no further contributions being paid into the fund. The illustration uses the assumption of being invested in the Phoenix NPI Pens Managed Stk-01 Fund. The TER for this fund is 0.97% p.a.

Year	Value excluding all charges	Value including all charges
1	£10,200	£10,100
3	£10,600	£10,300
5	£11,000	£10,500
10	£11,200	£11,000
15	£13,500	£11,600
20	£15,000	£12,200
25	£16,600	£12,800

The example above assumes an investment growth rate of 4.10% p.a. and are shown in today's terms after allowing for inflation at the rate of 2.00% p.a. The rate of actual investment growth is not guaranteed.