

# INVESCO PENSION SCHEME

## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement

#### Annual Chair's Statement for the Invesco Pension Scheme

This statement has been prepared by the Invesco Pension Trustee Limited ("the Trustee") and reports on how the Trustee complies with the defined contribution (DC) governance standards. These standards were introduced under the Occupational Pension Scheme (Charges and Governance Regulations 2015 and amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) regulations 2018 ("the Regulations").

This statement covers the period from 1 January 2019 to 31 December 2019 ("the reporting period"). It is signed on behalf of the Trustee by the Chair. It covers the governance and fee disclosures in relation to the investment funds made available to a small number of members who retain DC benefits within the Fund.

As required by the Regulations, the Trustee will publish this Statement on a publicly accessible website. The web address for the website will be <https://www.invesco.co.uk/uk/dam/jcr:8f59f942-7c1a-42d3-9531-239424661527/chairs-statement-and-sip-for-invesco-pension-scheme.pdf>

#### 1. The Default Arrangement

The latest (28 August 2019) Statement of Investment Principles (SIP) for the Scheme, including the Default Arrangement is included as an appendix to this statement.

The DC investment funds are reviewed annually on a high-level basis, by the Investment Advisor to the Scheme with more detailed reviews taking place on a triennial basis. The most recent detailed review was carried May 2014. The Trustee had commissioned a review of the DC investment strategy in 2020. However, as Invesco have proposed a transfer of the DC assets to a GPP the Trustee considered it was in members interest to investigate the transfer.

The default investment strategy is reviewed on a periodic basis (with the next review taking place during 2020) and the performance of the strategy is reviewed on a quarterly basis, and any amendments to the default will be reflected in changes to the SIP. In future the default strategy and performance will be reviewed at least every 2 years or earlier if there is a significant change in the Scheme's membership in the interim.

#### 2. Processing of Core Financial Transactions

The Regulations require the Trustee to ensure that core financial transactions are processed promptly and accurately. Core financial transactions comprise:

- Transfers out of the Fund's DC arrangement
- Investment switches
- Payments out of the Fund's DC arrangement in respect of members

The Trustee has appointed Aegon to provide administration services. The administrator has confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA) in place with the administrator which covers the accuracy and timeliness of all core transactions relating to the Scheme are processed promptly and accurately. The key processes adopted by the administrator to help them meet SLA are as follows:

- The Trustee receives regular reports to help them monitor SLA's are being met.

Aegon has processes in place to meet SLA's; for example, daily monitoring of bank accounts dedicated contribution processing team; at least two people involved with checking investment and banking transactions.

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## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement (continued)

#### 2. Processing of Core Financial Transactions (continued)

- The Trustee receives quarterly reports about the Aegon's' performance, and based on information provided by Argon's, which has been reviewed by the auditors, are satisfied that over the period covered by this statement
  - There have been no material administration errors in relation to processing core financial transitions; and
  - The majority of core financial transactions have been processed within a reasonable timeframe. There was one member affected by the BlackRock pricing error, but the impact was minimal

The SLA's for the core financial transactions are:

Work type	SLA criteria
Change target retirement age	95% in 3 day
Contribution refund	95% in 5 days
Pension sharing enquiry/claim	95% in 5 days
Retirement	95% in 5 days
Restart payments	95% in 4 days
Statement request	100% in 5 days
Switch request	100% in 1 day
Transfer out	95% in 5 days
Transfer in	95% in 5 days

Over the reporting period Aegon's performance against the agreed SLA's for the core financial transactions are set out in the table below:

Core financial transaction	Quarter 1 2019	Quarter 2 2019	Quarter 3 2019	Quarter 4 2019
Change target retirement age	100%	100%	100%	100%
Contribution refund	100%	67%	100%	100%
Pension sharing enquiry/claim	100%	10%	100%	100%
Retirement	100%	89%	72%	100%
Restart payments	100%	100%	100%	100%
Statement request	60%	50%	100%	100%
Switch request	100%	100%	100%	67%
Transfer out	100%	100%	67%	100%
Transfer in	67%	100%	100%	100%

There were no significant issues reported to or identified by the Trustee in connection to either the promptness or accuracy of core financial transactions processed during the period covered by this statement. As part of its ongoing considerations of service standards, the Trustee noted that the SLA's had fallen below the expectation in certain quarters in 2019. The Trustee monitored the situation closely and Aegon have implemented measures to ensure SLA's are met on a consistent basis.

Administration is captured as part of the Scheme's risk register and any specific risks to the DC Section are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions. This is reviewed regularly and updated annually with the next review due at the end of March 2020.

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## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement (continued)

#### 3. Member borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. Members do not pay an annual fund management charge for any funds managed by Invesco.

The stated charges also include investment administration costs - since members incur these costs.

The Trustee is also required to separately disclose transaction costs figures. 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 but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Aegon as the Scheme's investment platform provider. When preparing this section of the statement the Trustee has taken account of statutory guidance.

#### 3.1 Default arrangement

The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to retirement, and in which fund they are invested.

For the period covered by this Statement, annual charges and transaction costs are set out in the table below.

#### Default arrangement charges and transaction costs

Years to retirement	TER	Transaction costs
20 or more years to retirement	0.16%	0.13%
15 years to retirement	0.16%	0.13%
10 years to retirement	0.16%	0.13%
5 years to retirement	0.16%	0.13%
At retirement	0.21%	0.04%

# INVESCO PENSION SCHEME

## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement (continued)

#### 3.2 Self-select options

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the default arrangement are shown in bold.

#### Self-select fund charges and transaction costs

Manager – Fund name	TER	Transaction costs
Aegon BlackRock Consensus Index	0.22%	0.04%
Aegon BlackRock 70/30 Global Equity Index	0.21%	0.06%
Aegon BlackRock World (ex UK) Equity Index	0.21%	0.01%
Aegon BlackRock UK Equity Index	0.21%	0.09%
Aegon BlackRock Index Linked Gilt	0.31%	0.02%
Aegon BlackRock Diversified Growth	0.63%	0.21%
Aegon BlackRock Property	1.03%	-0.01% (ie. negative)
Invesco Cash	0.18%	0.02%
Invesco Global Equity Growth	0.18%	0.08%
Invesco Global Equity Income	0.20%	0.17%
Invesco Global Equity (ex UK)	0.18%	0.08%
Invesco Growth Managed	0.18%	0.13%
Invesco UK Equity	0.18%	0.19%
Invesco UK Corporate Bond	0.18%	0.10%
Invesco Long Gilt	0.18%	0.00%
Invesco Growth	0.16%	0.13%
Invesco Balanced Risk 8	0.18%	0.17%
Invesco Global Targeted Return	0.18%	0.51%

# INVESCO PENSION SCHEME

## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement (continued)

#### 3.3 Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees (ie the TER).
- The transaction cost figures used in the illustration are those provided by the Scheme's platform provider, subject to a floor of zero (ie the illustration does not assume a negative cost over the long term). For this purpose we have assumed the transaction cost for Aegon BlackRock Property is zero.
- The illustration is shown for the default option, the Lifestyle option, as well as five funds from the Scheme's self-select fund range. The five self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the Aegon BlackRock 70/30 Global Equity Index
  - the fund with the lowest before costs expected return – this is the Invesco Cash Fund
  - the fund with highest annual member borne costs – this is the Aegon BlackRock UK Property Fund
  - the fund with lowest annual member borne costs – this is the Invesco Growth Fund
  - the fund with the most members invested – this is the Invesco Growth Managed Fund

Years invested	Default option		Aegon BlackRock 70/30 Global Equity Index Fund		Invesco Cash Fund		Aegon BlackRock UK Property Fund		Invesco Growth		Invesco Growth Managed Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£44,500	£44,400	£45,200	£45,100	£43,100	£43,000	£44,500	£44,000	£44,500	£44,400	£45,100	£45,100
3	£46,300	£45,900	£48,300	£47,900	£41,800	£41,600	£46,000	£44,600	£46,300	£45,900	£48,100	£47,900
5	£48,100	£47,400	£51,600	£51,000	£40,600	£40,200	£47,700	£45,300	£48,100	£47,400	£51,300	£51,000
10	£53,000	£51,500	£61,000	£59,400	£37,800	£37,000	£52,000	£46,900	£53,000	£51,500	£60,200	£59,500
15	£58,400	£55,900	£72,100	£69,300	£35,100	£34,000	£56,700	£48,700	£58,400	£55,900	£70,700	£69,400
20	£64,300	£60,700	£85,300	£80,900	£32,600	£31,300	£61,800	£50,400	£64,300	£60,700	£83,000	£80,900
25	£70,800	£65,900	£100,800	£94,300	£30,300	£28,800	£67,400	£52,300	£70,800	£65,900	£97,400	£94,400
30	£78,000	£71,500	£119,100	£110,000	£28,200	£26,500	£73,500	£54,200	£78,000	£71,600	£114,400	£110,100
35	£85,900	£77,600	£140,800	£128,300	£26,200	£24,400	£80,200	£56,200	£85,900	£77,700	£134,300	£128,500
40	£88,700	£79,100	£166,400	£149,700	£24,400	£22,500	£87,500	£58,200	£94,600	£84,400	£157,700	£149,900

# INVESCO PENSION SCHEME

## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement (continued)

#### 3.3 Illustration of charges and disclosure costs (continued)

##### Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% each year.
- The starting pot size used is £43,700 which is the median pot size.
- No further contributions are assumed to be paid.
- The projected annual returns used are as follows:
  - Default option: 1.6% above inflation for the initial years, gradually reducing to a return of 0.6% below inflation at the ending point of the lifestyle.
  - Aegon BlackRock 70/30 Global Equity Index: 3.4% above inflation
  - Invesco Cash Fund: 1.5% below inflation
  - Aegon BlackRock UK Property Fund: 1.8% above inflation
  - Invesco Growth Fund: 2.0% above inflation
  - Invesco Growth Managed Fund: 3.3% above inflation
  - No allowance for active management has been made

#### 4. Trustees' knowledge and understanding

The Invesco Pension Trustees Limited, the Trustee, is a trustee company which comprised of 5 Trustee Directors at the end of the Scheme year. Two Trustee Directors are member nominated, two are appointed by the Company and one is an Independent Trustee.

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding. The Trustee has measures in place to secure compliance with the legal and regulatory requirements regarding its knowledge and understanding including investment matters, pensions and trust law. This, together with the professional advice available, enable the Trustee to exercise its functions and run the Scheme properly and effectively in the following ways:

Trustee Directors are able to challenge and question advisers, committees and other delegates effectively.

Trustee decisions are made in accordance with the Fund rules and in line with trust law duties  
Trustee Directors are not compromised by such things as conflicts or hospitality arrangements

The Trustee maintains a training log and consults with its professional advisers to identify any Trustee or individual Trustee Director training needs with a view to upcoming agenda items. The training needs are reviewed regularly by the Trustee Board to ensure it is relevant. Training is reviewed and logged at each quarterly Trustee meeting.

At the December 2020 meeting the Trustee will undertake a Trustee Effectiveness Review which will be run by the Scheme Secretary.

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## CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2019

### Chair's Statement (continued)

#### 4. Trustees' knowledge and understanding (continued)

All the Trustee Directors during the reporting period have completed all modules of the Pensions Regulator's toolkit programme and these are noted on the Trustee training log. Newly appointed Trustee Directors are expected to complete the TPR toolkit within six months of appointment.

Trustee Directors supplement the Scheme specific training provided at Trustee meetings with activities such as attending seminars and conferences and reading pensions-related articles.

The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This together with ongoing work and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational scheme as well as the law to pensions and trust.

The Trustee has appointed recognised and suitably qualified legal advisers, investment consultants who with the Scheme's Actuary, provides advice on the operation of the Scheme in accordance with the Scheme's Trust Deed and Rules and in compliance with legislation. The appointment and assessment of the Trustee's advisers is reviewed on an annual basis.

The Trustee consults externally with its professional advisers as and when required for example on investments, governance and legal matters. Its professional advisers alert the Trustee on relevant changes to pension's legislation.

The Trustee Directors are conversant with the Scheme' Trust Deed and Rules as well as all other relevant Scheme documentation, both through their overall experience in managing the Scheme as well as its review of such documentation over the reporting period.

The Trustee considered that the combined knowledge of the Trustee Board, skills and understanding together with the advice which is available to the Trustee from its professional advisers enables the Trustee to properly exercise its Trustee functions.

Signed on behalf of the Trustee of the Invesco Pension Scheme.

***C.MGilchrist***

C. M Gilchrist (Jun 22, 2020 19:20 GMT+1)

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Chair of Trustee

Date of signing 06/22/20