

## Appendix 2: Chair's Annual Statement

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### 1. Introduction

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the trustees to prepare an annual statement regarding governance, which should be included in the annual trustees report and accounts. The governance and charges requirements apply to the Scheme's Defined Contribution (DC) sections which are Topaz and Quartz Top-Up. The purpose of providing this information is to help members achieve a good outcome from their retirement savings.

This statement has been prepared by the Trustees and covers the required governance and charge disclosures under the headings set out below for the period 1 April 2022 to 31 March 2023 (the 'Scheme year').

1. The Scheme's Default arrangements
2. Net investment returns
3. Member borne charges and transaction costs
  - i. Default arrangements
  - ii. Self-select (or 'individual') funds
  - iii. Illustrations of the cumulative effect of costs and charges over time
4. Detailed Value for Members assessment including:
  - i. Processing of core financial transactions
  - ii. Trustees' knowledge and understanding

#### 1. The Scheme's Default Arrangement

The trustees are required to design default arrangements in members' interests and keep them under review. The trustees will need to take account of the level of costs and the risk profile that are appropriate for the Scheme's membership in light of the overall objective of the default arrangements.

The Scheme is used as a Qualifying Scheme for auto-enrolment. Members who join the Scheme and who do not choose an investment option are placed into the Balanced Drawdown Lifestyle Profile, (the "default arrangement"). During the Scheme year, approximately 72% of Quartz Top-Up and Topaz section members had their contributions invested in the default arrangement.

#### Default arrangements for members who do not make an alternative investment choice

The default arrangement is called the Balanced Drawdown Lifestyle Profile and consists of the following funds:

- BlackRock Aquila Life Balanced Fund
- Schroders Dynamic Multi-Asset Fund
- LGIM Retirement Income Multi-Asset Fund

The Scheme's default arrangement targets flexi-access drawdown in and at retirement. The Trustees believe that this retirement outcome is most likely to meet the needs of most members based upon the following:

- Analysis of the Scheme's DC membership
- Member survey of the Scheme's DC membership
- Consideration of product developments and market trends since the introduction of pension flexibilities on 6 April 2015.

The Scheme has two lifestyle profiles: the Balanced Drawdown Lifestyle Profile and the Adventurous Drawdown Lifestyle Profile. As previously mentioned, the Balanced Drawdown Lifestyle Profile is the Scheme's default arrangement. Two members are able to continue to invest their member account in the Cautious Lifestyle profile, the Scheme's previous default arrangement.

The Trustees have agreed the appropriateness of the asset allocation benchmarks, performance benchmarks and the various controls adopted by the incumbent manager in managing each fund in which members can invest. For each fund, the benchmark and the guideline controls reflect the Trustees' view on the appropriate balance between maximising the potential for long-term return on investments and minimising the short-term volatility and risk for that fund's strategic aim.

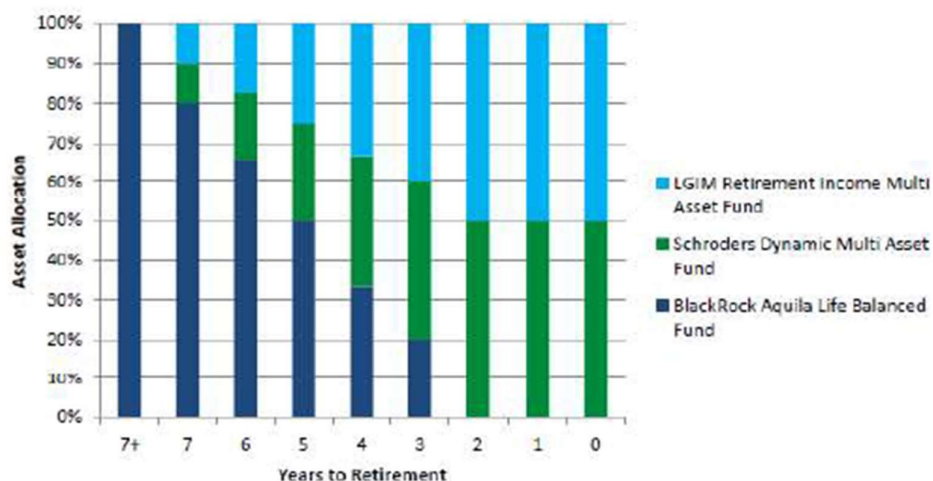
#### The Scheme's Lifestyle Profiles

All three of the Scheme's Lifestyle Profiles aim to deliver efficient, cost-effective ways of growing members' retirement savings without exposing them to unreasonable risk. They invest savings in the same way until eight years before target retirement age. This is known as the 'growth phase' and aims to grow a member's pension account as much as possible. The point at which members' investments are switched prior to retirement, and the funds into which their investments are switched, will depend upon the Lifestyle Profile in which they are invested.

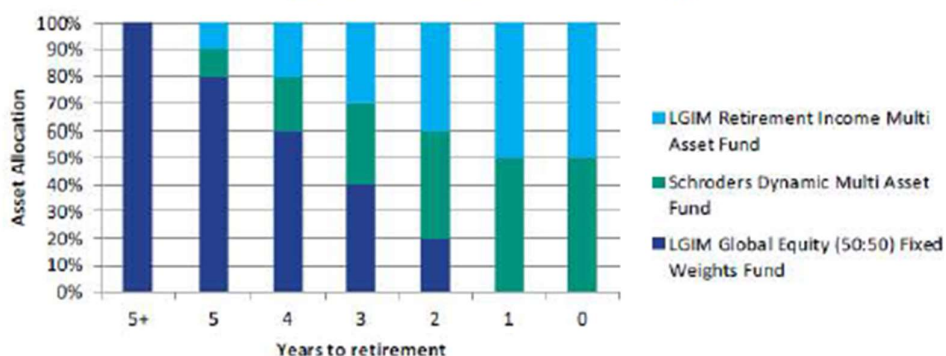
The aim behind the switching process is to reduce investment risk, preserve past investment gains, and to provide a good match to the targeted income method at retirement i.e., annuity or income drawdown. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.

The glidepaths for each of the Scheme's lifestyle profiles are shown in the tables below:

#### Balanced Drawdown Lifestyle



## Adventurous Drawdown Lifestyle



### Cautious Lifestyle Profile

Two members were permitted to retain the old default investment strategy, which is detailed below.

Fund	Years to retirement											
	10+	10	9	8	7	6	5	4	3	2	1	0
BlackRock DC Aquila Connect Balanced	80.0%	72.0%	64.0%	56.0%	48.0%	40.0%	32.0%	24.0%	16.0%	8.0%	0.0%	0.0%
LGIM Corporate Bond All Stocks Index	20.0%	18.0%	16%	14.0%	12.0%	10.0%	8.0%	6.0%	4.0%	2.0%	0.0%	0.0%
LGIM Pre-Retirement	0.0%	7.5%	15%	22.5%	30.0%	37.5%	45.0%	52.5%	60.0%	67.5%	75.0%	75.0%
LGIM Cash	0.0%	2.3%	3%	7.3%	10%	12.3%	15.0%	17.3%	20.0%	22.3%	23.0%	25.0%

### Further details of the default arrangement - Statement of Investment Principles

Details of the investment strategy and investment objectives of the Scheme's default arrangement are recorded in a document called the Statement of Investment Principles (SIP). A copy of this document can be found on pages 73 to 92 of the Report and Financial Statements.

### Quarterly Performance Monitoring

During the period covered by this statement, the Trustees reviewed the objectives and investment performance of the underlying funds of the default arrangement on a quarterly basis and took advice from Quantum Advisory, the Scheme's investment advisers as appropriate.

### Review of the default arrangements

In addition to the quarterly reviews of the default arrangement and its component funds, the Trustees also undertake a comprehensive review at least every three years, or sooner if there is a significant change in investment policy or the Scheme's membership profile.

## 2. Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduced a new requirement for the trustees to calculate and set out in this statement the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Scheme Year to 31 March 2023.



The Trustees have taken account of statutory guidance in preparing this section of the statement.

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

Fund	1 year (%)	3 year (%)	5 year (%)
Balanced Lifestyle	-3.9	6.6	3.0
Adventurous Lifestyle	-2.3	9.8	5.4
Cautious Lifestyle	-10.0	-0.7	0.1
P02838 L&G Life CN AAA-AA-A Corporate Bond — All Stocks Index Fund	-10.01	-3.96	-1.23
P02839 L&G Life AA All Stocks Gilts Index Fund	-16.35	-9.20	-3.14
P02836 L&G Life DK Ethical UK Equity Index Fund	3.50	13.18	5.22
P02833 L&G Life CR Global Equity Fixed Weights (50:50) Index Fund	2.36	14.63	7.14
P02835 L&G Life EK Pre-Retirement Fund	-19.63	-8.40	-3.17
P02841 L&G Life C Managed Property Fund	-14.18	2.24	1.93
P02834 L&G Life N UK Equity Index Fund	2.92	13.83	5.04
P02837 L&G Life AE World (ex UK) Equity Index Fund	-1.20	16.78	10.88
P02842 L&G Life AR Cash Fund	2.14	0.71	0.65
P06860 L&G Life MAAN Retirement Income Multi Asset Fund	-2.95	5.20	3.39
P06861 L&G Life APAZ Future World Fund	-0.15	15.60	9.34
P02840 BLK Life AQL Balanced Fund	-3.77	8.21	3.84
P06862 Schroder Life Sustainable Future Multi-Asset Fund	-4.98	5.81	1.65

### 3. Member Borne Charges and Transaction costs

The Trustees are required to set out the on-going charges borne 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. The stated charges exclude administration costs as they are paid by the Employer.

The charges and transaction costs related to investments have a direct impact on investment performance and are, therefore, something that should be of interest to members. The charges and transaction costs have been supplied by Mobius Life who are the Scheme's investment platform providers.

The Balanced Drawdown Lifestyle Profile automatically moves members' investments between different funds as they approach their target retirement date. Consequently, the level of charges and

transaction costs payable will vary depending on how close members are to their target retirement date and the fund(s) in which they are invested.

The Trustees have taken account of statutory guidance in preparing this section of the statement.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme's default arrangement complied with the charge cap of 0.75% pa. The level of charges applicable to the funds that make up the Scheme's default arrangement during the last Scheme year were:

**(i) Lifestyle Profile**

There were three Lifestyle Profiles under the Scheme's DC sections as at 31 March 2023:

- Balanced Drawdown Lifestyle Profile (the Scheme's default arrangement)
- Adventurous Drawdown Lifestyle Profile.
- Cautious Lifestyle Profile.

A Lifestyle Profile means that members' pension accounts are automatically switched between different investment funds as they approach their normal retirement date. The TER that a member pays depends on how far away they are from their normal retirement date.

The TER and transaction costs ranges for each Lifestyle Profile are shown below.

Fund	AMC (%)	Additional Costs (%)	TER (%)
Balanced Drawdown Lifestyle	0.3	0.00	0.3
Adventurous Drawdown Lifestyle	0.2	0.10	0.3
Cautious Lifestyle	0.2	0.00	0.2

The TERs, along with the total costs, for the Lifestyle Profiles following the investment strategy changes are shown in the line charts below. The TERs and transaction costs for each of the Schemes underlying the Lifestyle strategies are shown in the table in section 3(ii).

**(ii) Self-select (or 'individual') funds**

Members have the option to invest in a range of self-select funds as an alternative to investing in the Lifestyle Profiles.

The TERs and transaction costs for each self-select fund are shown in the table below:

Funds	AMC (%)	Add Exp (%)	TER (%)
Balanced Lifestyle	0.30	0.00	0.30
Adventurous Lifestyle	0.20	0.10	0.30
Cautious Lifestyle	0.20	0.00	0.20
P02833 L&G Life CR Global Equity Fixed Weights (50:50) Index Fund	0.14	0.00	0.14

P02834 L&G Life N UK Equity Index Fund	0.09	0.00	0.09
P02835 L&G Life EK Pre-Retirement Fund	0.125	0.00	0.125
P02836 L&G Life DK Ethical UK Equity Index Fund	0.25	0.00	0.25
P02837 L&G Life AE World (ex UK) Equity Index Fund	0.175	0.00	0.175
P02838 L&G Life CN AAA-AA-A Corporate Bond — All Stocks Index Fund	0.125	0.00	0.125
P02839 L&G Life AA All Stocks Gilts Index Fund	0.08	0.00	0.08
P02841 L&G Life C Managed Property Fund	0.64	0.034	0.674
P02840 BLK Life AQL Balanced Fund	0.21	0.0014	0.2114
P02842 L&G Life AR Cash Fund	0.10	0.00	0.10
P06860 L&G Life MAAN Retirement Income Multi Asset Fund	0.34	0.02	0.36
P06862 Schroder Life Sustainable Future Multi-Asset Fund	0.29	0.04	0.33
P06861 L&G Life APAZ Future World Fund	0.24	0.00	0.24

(iii) Illustration of the cumulative effect of costs and charges over time

Over time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustees have set out below illustrations of the impact of charges and transaction costs for the Scheme's investment options, including the default arrangement. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member will have a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance.

The Trustees have had to make several assumptions about what these might be, and these are explained below:

- The "Before charges" figures represent the savings projection assuming an investment return with no deduction of member-borne fees or transaction costs. The "After all charges & costs deducted" figures represent the savings projection using the same assumed investment return but after deducting member-borne fees.
- The illustration is shown for the current default arrangement (the Balanced Drawdown Lifestyle Profile) since this is the arrangement with the most members invested in it, as well as certain funds from the Scheme's self-select fund range. The self-select funds shown in the illustration are:
  - the fund that has attracted the greatest volume of contributions during the Scheme Year – this is the BlackRock Aquila Life Balanced Fund
  - a fund with the highest before costs expected return – this is the LGIM Global Equity Fixed Weights (50:50) Index Fund
  - the fund with the lowest before costs expected return – this is the LGIM Cash Fund



### Active member illustration

Projected Pension Account in today's money:

Projected Pension Account in today's money								
Years to retirement	Fund choice							
	Default investment strategy		BlackRock DC Aquila Connect Balanced		LGIM UK Equity Index Fund		LGIM Cash Fund	
	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	£16,800	£16,700	£16,800	£16,800	£16,900	£16,900	£16,300	£16,200
3	£30,500	£30,300	£30,500	£30,400	£31,100	£31,100	£28,200	£28,100
5	£45,100	£44,600	£45,100	£44,800	£46,500	£46,400	£39,900	£39,700
10	£85,400	£84,000	£85,400	£84,300	£90,400	£89,900	£68,100	£67,700
15	£132,000	£129,000	£132,000	£130,000	£144,000	£143,000	£95,000	£94,300
20	£186,000	£181,000	£186,000	£181,000	£208,000	£206,000	£121,000	£119,000
25	£248,000	£240,000	£248,000	£240,000	£286,000	£282,000	£145,000	£143,000
30	£320,000	£307,000	£320,000	£308,000	£381,000	£374,000	£166,000	£166,000
35	£402,000	£384,000	£402,000	£386,000	£495,000	£486,000	£190,000	£187,000
40	£498,000	£472,000	£498,000	£474,000	£633,000	£620,000	£211,000	£207,000

### Notes

- Projected Pension Account values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- The starting Pension Account value is assumed to be £10,200.
- Inflation is assumed to be 2.50% each year.
- Contributions at the rate of 9.00% are assumed to continue to retirement age and increase in line with assumed earnings inflation of 2.50% each year. Contributions are based on a current salary of £68,700 pa.
- Values shown are estimates and are not guaranteed.
- The projected growth rates before charges for the fund choices are as follows:
  - Default strategy: from 5.50% pa (depends on how close you are to retirement).
  - BlackRock DC Aquila Connect Balanced Fund : 5.50% pa.
  - LGIM Global Equity Fixed Weights (50:50) Index Fund: 6.50% pa.
  - LGIM Cash Fund: 1.50% pa.

### Deferred member – Illustration of possible impact of costs

Projected Pension Account in today's money:

Projected Pension Account in today's money								
Years to retirement	Fund choice							
	Default investment strategy		LGIM Global Equity Fixed Weights (50:50)		LGIM UK Equity Index Fund		LGIM Cash Fund	
	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	£9,470	£9,440	£9,470	£9,450	£9,560	£9,550	£9,110	£9,100
3	£10,000	£9,940	£10,000	£9,970	£10,300	£10,300	£8,930	£8,910
5	£10,600	£10,500	£10,600	£10,500	£11,100	£11,100	£8,760	£8,720
10	£12,300	£12,000	£12,300	£12,000	£13,500	£13,400	£8,340	£8,260
15	£14,200	£13,700	£14,200	£13,800	£16,300	£16,100	£7,940	£7,830
20	£16,400	£15,600	£16,400	£15,700	£19,800	£19,500	£7,560	£7,410
25	£18,900	£17,900	£18,900	£18,000	£24,000	£23,500	£7,200	£7,020
30	£21,900	£20,500	£21,900	£20,600	£29,000	£28,300	£6,860	£6,660
35	£25,300	£23,400	£25,300	£23,500	£35,100	£34,100	£6,530	£6,310
40	£29,200	£26,800	£29,200	£26,900	£42,500	£41,100	£6,220	£5,980

### Notes

- Projected Pension Account values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- The starting Pension Account value is assumed to be £9,200.
- Inflation is assumed to be 2.50% each year.
- No further contributions are assumed.
- Values shown are estimates and are not guaranteed.
- The projected growth rates for the fund choices are as follows:
  - Default strategy: 5.00% pa (depends on how close you are to retirement).
  - BlackRock DC Aquila Connect Balanced Fund : 5.50% pa.
  - LGIM Global Equity Fixed Weights (50:50) Index Fund: 6.50% pa.
  - LGIM Cash Fund: 1.50% pa.



## 4. Value for Members assessment

Quantum Advisory, as advisers to the Trustees of the Crown Estate Pension Scheme (the Scheme), have undertaken a 'value for members' review of the Scheme for the 12-month period to 31 March 2023. The review is based on the Pensions Regulator's DC Code of Practice number 13, as issued in July 2016, and the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 which came into force on 1 October 2021.

The objective of the Scheme's DC sections is to provide a retirement income on a DC basis. Membership of the Quartz Top-Up section is optional, the Topaz section is used by The Crown Estate to meet its automatic enrolment obligations. The level of retirement benefits provided by both sections depends on the level of contributions paid, the performance of the selected investment strategy/fund(s) as well as other factors such as annuity rates prevailing at the date of retirement and the retirement income method selected by members e.g. an annuity, Uncrystallised Pension Funds Lump Sum(s) and flexi-access income drawdown.

From 1 October 2021, there are additional value for member requirements for 'specified schemes' which are relevant pension schemes that have been running for more than 3 years and have less than £100 million total scheme assets. This value for member assessment includes:

1. A comparison of charges and transaction costs with 3 comparator schemes;
2. A comparison of net investment returns with 3 comparator schemes; and
3. A self-assessment of the scheme's governance and admin criteria.

The assessment of charges and transaction costs and net investment returns requires specified schemes to compare their value for members against a comparison scheme. A comparison scheme is an occupational pension scheme with £100 million assets or more, or a personal pension scheme which is not an investment regulated pension scheme. Trustees are expected to have a clear rationale for the schemes chosen as comparators and should include a scheme different in structure to their own where possible.

Trustees must assess the value delivered by their governance and administration offering as part of their assessment, using the following 7 key metrics:

1. Promptness and accuracy of core financial transactions
2. Quality of record keeping
3. Appropriateness of the default investment strategy
4. Quality of investment governance
5. Level of trustee knowledge, understanding and skills to properly exercise their functions and operate the pension scheme effectively
6. Quality of communication with scheme members
7. Effectiveness of management of conflicts of interest

Quantum Advisory have completed the value for members assessment for the Scheme based on the 3 factors included with the Pensions Regulator's guidance as follows:

## 1. A comparison of charges and transaction costs

Quantum Advisory have obtained costs and charges of a comparison scheme. The scheme is a trust-based occupational scheme which provides Defined Benefit (DB) and DC benefits and has total assets under management of circa £1 billion. In addition to this scheme, Quantum Advisory have also compared the Scheme's costs and charges with the latest publicly available information for some of the large master trusts. Details of this comparison can be seen in the table below.

Scheme	TER for default
Crown Estate Pension Scheme	0.3%
Occupational trust-based scheme	0.26% to 0.43%
NEST	0.3% plus 1.8% contribution charge
The People's Pension	0.5% plus £2.50 per annum (rebates apply to pots over £3,000)
Now: Pensions	0.3% plus £1.75 per month

Whilst the master trusts have lower baseline charges, there are additional costs incurred by members. The only charges that Scheme members pay are fund management charges (including transaction costs).

Notes:

1. The AMC is the Annual Management Charge. It is the fee deducted directly from the fund to cover on-going management by the investment manager including research analysts and portfolio managers.
2. The TER is the Total Expense Ratio, which is a measure of the total cost of investing in a fund. Total cost includes the AMC and additional expenses ("Add Exp") such as administration services, accounting and legal fees, and custodian and settlement charges for the investments the fund holds. The TER can vary from year to year.
3. AMCs and TERs are applied as a percentage of the value of the member's investment in it.

The charges are shown below in the table:

Funds	AMC (%)	Add Exp %	TER %
Balanced Lifestyle	0.30	0.00	0.30
Adventurous Lifestyle	0.20	0.10	0.30
Cautious Lifestyle	0.20	0.00	0.20
P02833 L&G Life CR Global Equity Fixed Weights (50:50) Index Fund	0.14	0.00	0.14
P02834 L&G Life N UK Equity Index Fund	0.09	0.00	0.09
P02835 L&G Life EK Pre-Retirement Fund	0.125	0.00	0.125
P02836 L&G Life DK Ethical UK Equity Index Fund	0.25	0.00	0.25
P02837 L&G Life AE World (ex UK) Equity Index Fund	0.175	0.00	0.175
P02838 L&G Life CN AAA-AA-A Corporate Bond — All Stocks Index Fund	0.125	0.00	0.125
P02839 L&G Life AA All Stocks Gilts Index Fund	0.08	0.00	0.08
P02841 L&G Life C Managed Property Fund	0.64	0.034	0.674
P02840 BLK Life AQL Balanced Fund	0.21	0.0014	0.2114

P02842 L&G Life AR Cash Fund	0.10	0.00	0.10
P06860 L&G Life MAAN Retirement Income Multi Asset Fund	0.34	0.02	0.36
P06862 Schroder Life Sustainable Future Multi-Asset Fund	0.29	0.04	0.33
P06861 L&G Life APAZ Future World Fund	0.24	0.00	0.24

#### Transaction costs

Transaction costs are the costs incurred as a result of buying, selling, lending or borrowing investments and, in some cases, they can have a significant impact on the value of a members' pension account. Transaction costs are not included in the TER.

Average transaction costs over the last three years are shown in the table below:

Fund	Transaction Costs (%)
Balanced Drawdown Lifestyle	0.10
Adventurous Drawdown Lifestyle	0.20
Cautious Lifestyle	0.20
P02838 L&G Life CN AAA-AA-A Corporate Bond — All Stocks Index Fund	0.32
P02839 L&G Life AA All Stocks Gilts Index Fund	0.56
P02836 L&G Life DK Ethical UK Equity Index Fund	0.39
P02833 L&G Life CR Global Equity Fixed Weights (50:50) Index Fund	0.22
P02835 L&G Life EK Pre-Retirement Fund	0.34
P02841 L&G Life C Managed Property Fund	3.16
P02834 L&G Life N UK Equity Index Fund	0.39
P02837 L&G Life AE World (ex UK) Equity Index Fund	0.21
P02842 L&G Life AR Cash Fund	0.00
P06860 L&G Life MAAN Retirement Income Multi Asset Fund	0.17
P06861 L&G Life APAZ Future World Fund	0.61
P02840 BLK Life AQL Balanced Fund	0.19
P06862 Schroder Life Sustainable Future Multi-Asset Fund	0.05

#### Notes:

1. Due to the prescribed calculation method, it is possible to have negative transaction costs.
2. Transaction costs are calculated as a percentage of the investment in the fund.

Transaction costs are not paid directly by members; the cost effectively reduces the return that members achieve on their investments through an adjustment to a fund's unit pricing.



## 2. A comparison of net investment returns

**Value statement:** The Trustees believe in the provision of a default arrangement that delivers suitable risk /return outcomes and the provision of a range of alternative investment options that they think are suitable for the needs of the membership.

Quantum Advisory have obtained details of the net investment returns for a comparison scheme. The scheme is a trust-based occupational scheme which provides Defined Benefit (DB) and DC benefits and has total assets under management of circa £1 billion.

In addition to this scheme, Quantum Advisory have also compared the Scheme's net investment returns with the latest publicly available information for some of the large master trusts. Details of this comparison can be seen in the table below.

Scheme	Default Fund – Average 1 year % Return	Default Fund – Average 3 year % Return	Default Fund – Average 5 year % Return
Crown Estate Pension Scheme	-3.9	6.6	3.0
Occupational trust-based scheme	-8.9	8.4	4.4
NEST	-6.4	7.0	5.1
The People's Pension	-5.49	29.81	7.28
Now: Pensions	-19.8	-2.2	6.1

### The Scheme's net investment returns

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Fund Year to 31 March 2023:

Fund	1 year (%)	3 year (%)	5 year (%)
Balanced Lifestyle	-3.9	6.6	3.0
Adventurous Lifestyle	-2.3	9.8	5.4
Cautious Lifestyle	-10.0	-0.7	0.1
P02838 L&G Life CN AAA-AA-A Corporate Bond — All Stocks Index Fund	-10.01	-3.96	-1.23
P02839 L&G Life AA All Stocks Gilts Index Fund	-16.35	-9.20	-3.14
P02836 L&G Life DK Ethical UK Equity Index Fund	3.50	13.18	5.22
P02833 L&G Life CR Global Equity Fixed Weights (50:50) Index Fund	2.36	14.63	7.14
P02835 L&G Life EK Pre-Retirement Fund	-19.63	-8.40	-3.17
P02841 L&G Life C Managed Property Fund	-14.18	2.24	1.93
P02834 L&G Life N UK Equity Index Fund	2.92	13.83	5.04
P02837 L&G Life AE World (ex UK) Equity Index Fund	-1.20	16.78	10.88
P02842 L&G Life AR Cash Fund	2.14	0.71	0.65
P06860 L&G Life MAAN Retirement Income Multi Asset Fund	-2.95	5.20	3.39
P06861 L&G Life APAZ Future World Fund	-0.15	15.60	9.34
P02840 BLK Life AQL Balanced Fund	-3.77	8.21	3.84
P06862 Schroder Life Sustainable Future Multi-Asset Fund	-4.98	5.81	1.65

### 3. Governance and Administration Assessment

#### 1. Promptness and accuracy of core financial transactions

The Trustees assess the proportion of member transactions that have been completed accurately and within required timeframes set in legislation and according to any service level agreements (SLA) set for the Scheme. This should help to determine whether they are achieving good value for members under this measure.

#### Assessment

- The Trustees have received assurance from the Scheme's administrator, Quantum Advisory, that there were adequate internal controls in place to ensure that core financial transactions relating to the Scheme's Quartz Top-Up and Topaz section were processed promptly and accurately during the Scheme year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.
- The Scheme has a Service Level Agreement ("SLA") in place with the Scheme's administrator which covers the accuracy and timeliness of all core financial transactions.
- The Trustees receive quarterly reports about the Scheme administrator's performance and compliance with the SLA; using information provided by the Scheme's administrator, which are available to the Scheme auditor, the Trustees are satisfied that over the period covered by this statement:
  - The Scheme administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
  - there have been no material administration errors in relation to processing core financial transactions; and
  - core financial transactions have been processed promptly and accurately.
- As part of the audit of the Scheme's Report & Financial Statements, the Scheme auditor checks that contributions have been paid in accordance with the Scheme's Payment Schedule. No issues were identified in relation to the payment or investment of contributions.

During the period there have been no material administration service issues which need to be reported here by the Trustees. The Trustees are confident that the administration processes and controls in place are robust and ensure that financial transactions which are important to members are dealt with properly.

#### Conclusion

- The Trustees are of the opinion that: They have appropriate measures in place to monitor the promptness and accuracy of the Scheme's core financial transactions. Core financial transactions and other key metrics are monitored quarterly, and related risks are captured in, and monitored through, the Scheme's Risk Register.

## 2. Quality of record keeping

Reliable, accurate and secure data is essential to delivering value for members, particularly where employment patterns are becoming increasingly disjointed and unpredictable.

### Assessment

#### Security of Data:

- The Trustees have controls in place to ensure that members' data is secure and is processed in accordance with the requirements of the Data Protection Act 2018;
- Data security is a key part of trustee governance and features prominently in the Scheme's Risk Register and risk planning;
- The Trustees assess the robustness of the controls they have in place on an ongoing basis.
- Trustees have a policy, procedure and controls in place to deal with data security and cyber risk;
- The Trustees regularly review the effectiveness of data security controls put in place by their providers.
- AAF01/20 – The Trustees take comfort from Quantum Advisory's independent AAF01/20 audit which is carried out each year. This audit covers the administration and associated information technology controls relating to their administration service. There were no exceptions to note in the reasonable assurance report on suitable design, fair description and effective operation of the AAF 01/20 control objectives for the year ended 31 January 2023.

#### Accuracy and scope of records and data kept:

- The Trustees regularly assess the quality and accuracy of the Scheme's Common and Scheme Specific data through regular data quality reports provided by the Scheme administrator;
- There are systems, processes and procedures in place to monitor and update data on a regular basis;
- The Scheme's administrator is responsible for maintaining, monitoring and updating the data;
- The Common data score for the Scheme was 98.35% as at 31 March 2023; the Scheme Specific data score was 100.00% as at 31 March 2023;

#### Review of Data:

- The Trustees will continue to monitor the Scheme's data quality to ensure that member records are accurate and any data deficiencies are addressed.

### Conclusion

The Trustees are of the opinion that:

- They have robust controls in place to ensure that Scheme's data is secure and processed in accordance with the requirements of the Data Protection Act 2018;
- The record-keeping score for Common data and Scheme Specific data demonstrates that the Scheme's data is well maintained.
- Over the year, no cases breached disclosure regulations.
- There were no exceptions to note in the reasonable assurance report on suitable design, fair description and effective operation of the AAF 01/20 control objectives for the year ended 31 January 2023.

## 3. Appropriateness of the default arrangement

### Objectives

The quality of decision-making and governance in relation to the Scheme's DC investment strategy is a crucial part of the value delivered to members by the Scheme. The Trustees need to assess the extent to which certain conditions apply to their default arrangement(s), and explain how these positions have been achieved.



#### Assessment

The default arrangement is called the Balanced Drawdown Lifestyle Profile and consists of the following funds:

- BlackRock Aquila Life Balanced Fund
- Schroders Dynamic Multi-Asset Fund
- LGIM Retirement Income Multi-Asset Fund

Details of the investment strategy and investment objectives of the Scheme's default arrangement are recorded in a document called the Statement of Investment Principles. A copy of this document can be found on pages 73 to 92 of the Report and Financial Statements.

The primary objective of the Scheme's DC sections is to provide a pot of money created by the invested value of the contributions paid.

The money is for members to use on their retirement or to provide benefits for their dependants in the event of their death before retirement. The Trustees look to achieve this by providing members with investment choices that reflect their:

- Attitude to investment risk;
- Level of dependency on the benefits to be drawn;
- Understanding of investment matters; and
- Range of ages, cognisant that:
  - members closer to retirement have less scope to absorb risk and protect against short term fluctuation in asset values; and
  - members further from retirement have greater scope to absorb risk and short-term volatility in asset values, but also have to seek to protect against the erosion of the capital value of their assets by inflation.

#### Reviewing the default investment arrangement

During the period covered by this statement, the Trustees reviewed the objectives and investment performance of the underlying funds of the default arrangement on a quarterly basis and took advice from Quantum Advisory, the Scheme's investment advisers as appropriate.

In addition to the quarterly reviews of the performance of the funds that make up the default arrangement, the Trustees also undertake a comprehensive review at least every three years, or sooner if there is a significant change in investment policy or the Scheme's membership profile.

The Trustees also considered the Scheme's DC investment options, including the default arrangement, to understand to what degree, if any, the funds available to members take into account Environmental, Social and Governance issues. The Trustees issued a survey to all active members in July 2022 to seek their views on ESG matters and considered the responses received. The Trustees decided that the current range of funds available should remain unchanged for the time being, although this would be kept under regular review.

#### Conclusion

- The Trustees are of the opinion that: The Scheme default arrangement remains appropriate.;
- They have an appropriate process in place to monitor the continued appropriateness of the default arrangement in line with their DC investment objectives;
- The Trustees' DC investment strategy is clear, is appropriate for each stage of the member journey, and is consistently followed in accordance with strategy objectives as recorded in the Scheme's Statement of Investment Principles.

#### 4. Quality of investment governance

Trustees retain responsibility for securing the proper management of the Scheme's DC assets, and good scheme investment governance is crucial. Expert and robust investment governance comes to the forefront particularly during economic shocks that affect the value of pension assets.

##### Assessment

- Documented and robust investment governance procedures are in place and adhered to;
- Where tasks and decisions in relation to investment are delegated, those individuals have the required knowledge and expertise to perform their role competently in accordance with sections 34 and 36 of the Pensions Act 1995 and are being held to account;
- The Trustee board as a whole has the knowledge and competence to oversee investment effectively, they ensure investment objectives and strategies are understood and followed, and are able to challenge investment advice where necessary;
- Performance of the Scheme's lifestyle profiles and self-select fund range are reviewed by the Trustees on a regular basis. The Trustees recognise their role in setting investment strategy and the selection, monitoring and retention of managers;
- The Trustees have risk management and continuity plans in place to deal with economic crises and market volatility, and clear governance structures in place in relation to long term financial sustainability of investments including consideration of climate change and ESG factors;
- The Trustees have good oversight of the communication strategies used to keep members informed about the investment options available to them.

##### Conclusion

- The Trustees are of the opinion that the Scheme's investment governance is appropriate;
- They have appropriate robust investment governance procedures in place which are adhered to;
- The Trustee board as a whole has the knowledge and competence to oversee investment effectively and ensure investment objectives and strategies are understood and followed, and are able to challenge investment advice where necessary;
- The Trustees have risk management and continuity plans in place to deal with economic crises and market volatility, and clear governance structures in place in relation to long term financial sustainability of investments including consideration of climate change and ESG factors.

#### 5. Level of trustee knowledge, understanding and skills to properly exercise their functions and operate the pension scheme effectively

The knowledge, understanding and skills held across the trustee board as a whole can have a significant impact on the member experience and outcomes. Sections 247 to 249 of the Pensions Act 2004 and regulations made under those sections, set out the legislative requirements that trustees of occupational pension schemes must meet in terms of knowledge and understanding. TPR also provides guidance on trustee knowledge and understanding and scheme management skills.

##### Assessment

The Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment principles and any other document recording policy for the time being adopted by them relating to the administration of the Scheme generally;
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as a Trustee, knowledge and understanding of the law relating to



pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

All of the Trustees have completed the Trustee Toolkit made available by the Pensions Regulator.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this statement, the Trustees received training on the following topics:

- Liability Driven Investing
- Value for Member assessments
- Single Code of Practice

All the Trustees are familiar with, and have access to, copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the Statement of Investment Principles and key policies and procedures. In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding on individual member cases (where the exercise of discretion is required), and the Statement of Investment Principles is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

Further, the Trustees consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

#### Conclusion

- The Trustees are of the opinion that: Taking into account the knowledge and experience of the Trustees, combined with the specialist advice (both in writing and whilst attending meetings) received from their appointed professional advisors (e.g. investment consultants, legal advisors), that they are well placed to exercise their duties as Trustees of the Scheme properly and effectively.

## 6. Quality of communication with Scheme members

The Trustees aim to provide clear communications to members to ensure that they understand the Scheme sufficiently to be able to make informed decisions and to further their understanding by allowing them to ask questions about the Scheme. The Trustees are required to ensure that communications comply with the relevant disclosure regulations.

#### Assessment

Members benefit from the following methods of communication:

- Member booklets which are reviewed and updated on an annual basis. Member booklets are available upon request to the Scheme administrator, The Crown Estate. They are also available on Benefit Options and on i-Site.
- A suite of legally compliant and clearly written letters are used by the Scheme administrator to communicate with members. These include retirement illustrations, early leaver statements transfer of benefits.



- The letters issued to members include the following information:
  - Information and guidance in relation to the rights to transfer to another scheme
  - The quality of guidance on spotting potential scams
  - Information to help with decision making on investment options
  - Information in the retirement wake up pack
  - General signposting of members to various guidance bodies
  - Information to help with decision making on pension saving, including, for example, an indication of the value at retirement and the impact of contribution levels on that value
- An annual Trustees' Newsletter is issued to all members.
- Benefit Options, an online member portal, allows members to:
  - update personal details;
  - obtain fund valuations;
  - model projected retirement outcomes e.g., annuity, tax-free cash and flexi-access income drawdown;
  - access Scheme information such as member booklets, annual benefit statements, deferred statements and retirement illustrations.
- All communication related costs are met by The Crown Estate.

#### Conclusion

The Trustees are of the opinion that:

- Members receive clear and concise communications to ensure that they understand the Scheme sufficiently to be able to make informed decisions and to further their understanding by allowing them to ask questions about the Scheme.
- They take adequate steps to ensure that the Scheme's communications comply with the relevant disclosure regulations.
- Member booklets are reviewed and updated each Scheme year to ensure that they accurately reflect the Scheme's provisions and current legislative requirements.

## 7. Effectiveness of management of conflicts of interest

Conflicts of interest may arise either among the Trustees, between the Trustees and The Crown Estate, or with the Trustees' advisers.

### Assessment

The Trustees have the following in place in relation to managing conflicts of interest:

- A robust policy and written procedures in place that identifies, manages and monitors conflicts of interest effectively, which is reviewed annually;
- The Scheme has controls in place to ensure that all Trustees are aware of the requirement to declare and discuss any potential conflicts;
- The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustees' meeting and document these in the minutes.
- The Scheme has controls in place to ensure that all conflicts of interest are declared upon appointment of a new Trustee or adviser.

### Conclusion

- The Trustees are of the opinion that: There are adequate controls in place to ensure the early identification and management of actual and potential conflicts of interest.

Signed on behalf of the Trustees of The Crown Estate Pension Scheme by the Chair of Trustees.

Steve Balmont for BESTrustees Limited  
Chair of Trustees  
The Crown Estate Pension Scheme