

CHAIR'S ANNUAL STATEMENT
SIEMENS FIRE SAFETY AND SECURITY (PFP) PENSION SCHEME ("the Scheme")
1 April 2018 to 31 March 2019

Introduction

As Chair of Trustees, I present this statement in relation to the defined contribution (DC) benefits in the Scheme represented by 3 members that held protected rights funds and those members with defined benefits (DB) who have Additional Voluntary Contributions (AVCs).

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 require trustees of schemes holding money purchase funds to prepare an annual statement that discloses how they have governed these funds. A money purchase scheme is one where broadly, each member has their own savings pot into which employer and member contributions are paid.

The retirement benefits eventually paid to members are not known in advance but depend instead upon factors such as the amount of contributions paid in, the investment returns that they earn and the level of charges that are deducted from the funds. Members' outcomes at retirement are therefore partly affected by how well the Trustees carry out their investment governance functions as well as its ability to negotiate charges and services that provide good value for members. The purpose of the annual statement is for trustees of money purchase schemes to explain how they have exercised their responsibilities in these crucial areas.

This Statement covers the period from 1 April 2018 to 31 March 2019. As specified in the Regulations, it sets out how the Trustee has met the governance requirements in relation to:

- The default investment strategy;
- Processing of core financial transactions;
- Costs and charges paid by members;
- Value for members; and
- Trustee knowledge and understanding

Background to the Scheme's DC benefits

There are 3 members who have DC benefits nominally invested with LGIM in the existing DB funds.

Separately, members were offered AVC investments through policies with Equitable Life and Aviva (previously Friends Life). The AVC policies are closed to new contributions, however members can move their existing assets between available funds.

The Default Investment Strategy

The Trustees do not operate a default investment arrangement as defined by the Pensions Act 2008 for the money purchase funds. The Trustees therefore believe that the disclosures required by the Regulations with regard to default investment arrangements do not apply to the Scheme (or this Statement). For the same reason, the Trustees Statement of Investment Principles does not contain wording relating to default investment arrangements and as such no Statement of Investment Principles is included with this Statement.

As at 31 March 2019, the DC funds under management were £64,251

Legal & General Fund	Funds under Management
LGIM Diversified Fund	£1,828
Equitable Life Money Fund - AVC	£1,682
Equitable Life With-Profits Fund - AVC	£15,996
Aviva (Friends Life) FL UK Tracker - AVC	£18,283
Aviva (Friends Life) FL Retire 2025 - AVC	£1,490
Aviva (Friends Life) With-Profits - AVC	£24,972

The 3 members who have money-purchase type benefits hold funds totalling less than £2000 in LGIM's Diversified fund. The funds remain within the total scheme assets and are not held in separate pots. In the event the member retires, dies or wishes to transfer their remaining funds, the fund value will be calculated at that time and the benefits will be paid in accordance with the rules.

The Trustees are keen to ensure that assets are invested in the best interests of members and beneficiaries. The investment performance of the available funds is considered annually at a Trustee meeting. The next formal review of investments and suitability will be at the 1 June 2020 meeting.

The Trustees are satisfied that the investment performance (net of fees) remains in line with the stated objectives for the funds available to members.

Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. These include, but are not limited to:

- Investing AVC contributions in the Scheme,
- Transferring money purchase funds relating to members into and out of the Scheme,
- Switching members' funds between different investments within the Scheme, and
- Making payments from the Scheme to or on behalf of members.

The Trustee has a Service Level Agreement ('SLA') in place with the Scheme Administrator. The SLA covers all member transactions and benefit processing activities. The Scheme Administrator records these activities in a work management system which assigns the relevant timescale to the task and reports performance against the SLA to the Trustees on a quarterly basis. The report also notifies the Trustees of any complaints received from members. These reports are considered by the Trustees at each Trustee Meeting.

Equitable Life and Friends Life administer the AVC funds, with LGIM administering the nominally invested DC fund. These providers issue investment performance and member activity reports to the Trustees on a regular basis. These reports cover receipt and investment of contributions paid, investment switches and redemptions. These reports are included in each Trustee Meeting pack.

The Trustees are satisfied that during the period of this statement, processes are in place to monitor that financial transactions which are important to members are processed promptly and accurately.

Charges and transaction costs paid by members

The annual ongoing charges levied by the investment manager and deducted from members' investment depends on the funds used and the table below shows these charges.

The Trustee monitors;

- I. explicit charges such as the Annual Management Charge ('AMC') and additional expenses that are disclosed by the providers which when added to the AMC, make up the Total Expense Ratio ('TER') and
- II. transaction costs ('TC') i.e. the costs of buying and selling which are paid by members.

Members in the DC scheme use the LGIM Diversified Fund for fund performance only, no charges are explicitly or implicitly levied for the 3 relevant individuals.

Those members who are invested in the Equitable Life and Aviva (Friends Life) AVC funds do pay charges and are subject to an ongoing equivalent investment management charge (Total Expense Ratio) of 0.50 to 1.50% depending on the fund invested in. The Total Expense Ratio is made up of an Annual Management Charge and other fees and charges incurred by the fund

In addition to these explicit charges, members also incur transaction costs (incurred as a result of buying, selling, lending or borrowing investments).

Transaction costs are defined in regulations as the costs incurred as a result of buying, selling, lending or borrowing investments and they can have a significant impact on members' fund values.

Transaction costs are typically categorized as explicit costs or implicit costs. Explicit costs are directly observable e.g. taxes such as stamp duty. Implicit costs cannot be observed in the same way but will result in a reduction in the total amount of money invested e.g. buying and selling spreads and market impact and can have a significant impact on net returns.

Due to the methodology used in calculating transaction costs, these costs may actually be negative, therefore having a positive impact on the fund. The transaction costs incurred as disclosed by Equitable Life are shown in the table below.

The sponsoring employer also meets the cost of ongoing governance and administration services, communications and support with decision making (including annuity broking, where this benefit option is chosen by members); members meet investment management charges only.

Where information about member charges and costs is not available for whatever reason, the Trustees have to disclose this, together with an explanation of what steps are being taken to obtain the information.

The AVC funds are not subject to the charge cap of 0.75% p.a. as these policies are not being used to satisfy the Employer's automatic enrolment duties for members.

Charges for and transaction costs for DC investment are as follows:

Legal & General Fund	Annual Management Charge	Total Expense Ratio (TER) *	Transaction costs (%)
LGIM Diversified Fund (MAAA)	n/a	n/a	n/a
Equitable Life Money Fund AVC	0.50%	0.50%	0.01%
Equitable Life With Profits Fund AVC**	1.50%	1.50%	0.04%
Aviva (Friends Life) FL UK Tracker AVC	0.55%	tbc	tbc
Aviva (Friends Life) FL Retire 2025 AVC	0.55%	tbc	tbc
Aviva (Friends Life) With-Profits AVC**	0.55%	tbc	tbc

* annual charge including additional expenses

**implicit charges that are factored into the bonus rates set for With Profit members

This information is available to members via a website details of the website are made available on the member's annual benefit statement

Illustrations to show the cumulative effect of costs and charges

The Trustees are now required to illustrate the effect of the costs and charges typically paid by a member on the value of their money purchase fund at retirement (as a "pounds and pence figure"). The Regulations allow the Trustees to exercise their discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme's money purchase membership.

The Trustee has taken account of the statutory guidance when preparing these illustrations, except that transaction costs have not been included for Aviva (Friends Life) as they are not available for all funds at the current time.

In order to show the impact of different levels of charges and investment returns, we have produced illustrations to demonstrate the effect of costs and charges on the Equitable Life With Profits Fund.

The tables shown in the Appendix illustrate the effect of charges at different ages on projected retirement pots for example members.

Value assessment

The Administration Regulations require that the Trustees make an assessment of 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" and the process of determining this for members is a subjective one.

The Trustees have received advice on how to assess good value from its advisers, First Actuarial in June 2018 and has considered the regulatory guidance.

- We have assessed fund performance after charges to ensure the costs borne by members are reasonable for each AVC fund option offered through the Scheme.
- We have also considered how the costs paid by members from their funds compare against the services and benefits provided by the Scheme. We have taken account of

the quality and suitability of investment options and the governance processes in place to monitor these, efficiency of administration, provider financial strength and the quality of support provided to members (particularly at retirement).

Having undertaken the assessment of value for the period covered by this Statement, the Trustees have concluded that the costs and charges represent value for members.

The Trustee is aware of the requirement to engage with members in order to assess their priorities and thus feed into the value for money assessment. A communication with members will be sent after the next formal review on 1 June 2020.

Trustee Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2008, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to the Trustee Board, enables the Trustees to exercise their functions as Trustees and to run the Scheme effectively. These requirements are set out in Sections 247 and 248 of the Pensions Act 2004.

The Chair of the Trustee is an experienced pension professional who has acted as a trustee for over 20 years across a number of different pension schemes. These schemes include those with DC or cash balance sections/benefits.

In 2018 the Trustee Directors carried out a training gap analysis which identified areas to focus on and as a result have organised training on these areas, including training by the Trustee's legal advisers, Burges Salmon, on legal aspects of general pension issues. The first of these sessions took place on 5th June 2019.

The Trustee Directors also keep their knowledge and understanding of the Scheme up to date through involvement in the running of the Scheme. During 2018, this included the actuarial valuation and factor review. Work on environmental, social and governance issues and the review of the AVC arrangements (including the new disclosure requirements for the Chair's Statement) is on-going.

As a result of the training activities which have been completed by the Trustees individually and collectively as a board and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enable them to exercise their function properly.

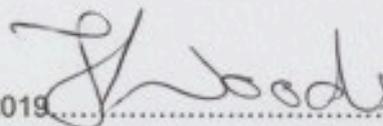
How to contact the Trustees

If you have any further queries regarding the Scheme, please contact:

Pension Services
PO Box 9011
Poole BH12 9HW

Telephone: 0845 603 9972
Email: askhr.uk@siemens.com

Signed on behalf of the Trustees on 26th September 2019.....



Jacqueline Woods, Chair of Trustees

Appendix

The tables below show the cumulative impact of costs and charges (as set out in the main body of this Statement).

LGIM

Projected Pensions Pot in todays money		
	LGIM Diversified	
Years	Before charges	After all costs and charges
1	£663	£642
3	£700	£636
5	£740	£630
10	£848	£616
15	£972	£602
20	£1,115	£589
25	£1,279	£576
30	£1,466	£563
35	£1,681	£550
40	£1,928	£537

Assumptions

- Projected pension pot values are shown in today's terms and do not need to be reduced further for future inflation
- The average starting pot size is assumed to be £645
- No further contributions are being paid
- Inflation is assumed to be 2.5% each year
- No further contributions are assumed
- Values shown are estimates and are not guaranteed
- The projected growth rate for the LGIM Diversified Fund is 2.78% above inflation

Equitable Life

Projected Pensions Pot in todays money		
	Equitable Life With Profits	
Years	Before charges	After all costs and charges
1	£2,993	£2,947
3	£3,005	£2,869
5	£3,018	£2,793
10	£3,049	£2,611
15	£3,080	£2,442
20	£3,112	£2,283
25	£3,144	£2,135
30	£3,176	£1,996
35	£3,209	£1,866

40	£3,242	£1,745
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Assumptions

- Projected pension pot values are shown in today's terms and do not need to be reduced further for inflation
- The average starting pot size is assumed to be £2,987
- No further contributions are being paid
- Inflation is assumed to be 2.5% each year
- No further contributions are assumed
- Values shown are estimates and are not guaranteed
- The projected growth rate for the Equitable Life With-Profits Fund is 0.21% above inflation