




# Chair's Statement regarding DC governance for the year ending 30 June 2025

## Summary

Governance requirements apply to defined contribution (DC<sup>1</sup>) pension arrangements to help members achieve a good outcome from their pension savings. The Trustee of the Zurich Financial Services UK Pension Scheme (the "Scheme") is required to produce an annual statement (which is signed by the Trustee Chair) to describe how these governance requirements have been met in relation to:



- the investment options in which members' funds are invested and the asset allocations at different ages for those in the default options
- the requirements for processing financial transactions
- the charges and transaction costs borne by members
- an illustration of the cumulative effect of these costs and charges
- investment returns after charges
- a 'value for members' assessment'; and
- Trustee knowledge and understanding.

The statement covers the period from 1 July 2024 – 30 June 2025. More information can be found in the pages that follow.

	Key points:	Rating	Link
<b>Default investment arrangements:</b> The Trustee is required to review the default investment strategies at least every three years and to monitor performance against its investment aims and objectives.	A review of the default investment arrangements was carried out in 2023 and the resulting changes implemented in May 2024. No changes were made to the investments over the year to 30 June 2025. The default strategies continue to invest in an equity fund with a climate tilt and to use an actively managed bond fund. Work continues to facilitate the launch of a carbon neutral fund within the self-select fund range but this was not available during the year ending 30 June 2025.		<a href="#"><u>Default Investments</u></a>
<b>Core financial transactions:</b> The Trustee is required to make sure that core financial transactions (e.g. investing contributions) are processed promptly and accurately.	The Trustee receives regular reports from the administrator and monitors performance against agreed service levels. Based on this the Trustee considers that the core financial transactions have been processed promptly and accurately during the Scheme year.		<a href="#"><u>Core financial transactions</u></a>
<b>Value for Members:</b> The Trustee is required to assess the extent to which the charges, and as far as possible transaction costs, paid by the members represent value for money.	The Trustee carries out an annual assessment using the methodology set out by The Pension Regulator. The assessment which was carried out during the year to 30 June 2025 concluded that the Scheme's DC arrangements provide good value for members.		<a href="#"><u>Value for members</u></a>

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<sup>1</sup> Defined Contribution: a type of pension scheme where the amount of money going in is fixed according to a given formula (usually a percentage of salary). Also known as a money purchase arrangement.

<b>Trustee Knowledge and understanding:</b> The Trustee is required to meet certain standards of knowledge and understanding to ensure the Trustee directors are able to properly exercise their duties as a Trustee.	The Trustee directors take personal responsibility for keeping themselves up to date with relevant developments and believe that this, combined with the use of advisers and the specialist knowledge available within the employer, enables them to properly exercise their duties as Trustee directors.		<u>Trustee knowledge</u>
<b>Governance:</b> The Trustee is aware of the General Code which sets out the Pension Regulator's expectations of the conduct and practice the Trustee should meet in order to comply with their duties in legislation.	The Trustee carried out a gap analysis against the General Code and identified some areas where work was required in order to confirm that the Scheme was compliant with the Code. The Trustee and the DCC continue to work through these areas. The first Own Risk Assessment is expected to be completed in 2026.		<u>Governance</u>

## Introduction

The Trustee is required to produce an annual statement to describe how it meets certain governance requirements. The Trustee has taken note of the statutory guidance when preparing this statement.

The Scheme provides both defined benefit (DB<sup>2</sup>) and DC benefits. The DC benefits are provided through ZCashBuilder and legacy AVC providers. To assist the Trustee in meeting the governance requirements around these DC benefits, the Trustee has a DC Committee (DCC<sup>3</sup>) including both Trustee and company nominated representatives.

The key points that the Trustee Directors would like members reading this Statement to take away are:

- We regularly monitor the investment arrangements and are satisfied that the default and other investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.
- The majority of the legacy AVCs were transferred into ZCashBuilder during March - May 2025. The remaining legacy AVCs could not be transferred due to underlying guarantees. The latest Value for members assessment as at 30 June 2025 concluded that these continue to provide good value for members.
- A new member website home page launched on 27 February 2025.
- In March 2025 the first Savings Snapshots were issued to all ZCashBuilder members.

## 1 Default investment arrangements

ZCashBuilder is a qualifying pension scheme for auto-enrolment and is therefore required to have a default investment option. Members who join the Scheme and who do not choose an investment option are placed into one of the following defaults:

- Drawdown Lifestyle: for members with ZCashBuilder benefits only (DC only default).
- Cash Lifestyle: for members who joined the Scheme before 31 March 2007 and have both DB and ZCashBuilder benefits (hybrid default).

<sup>2</sup> Defined benefit: A pension scheme where you know what the final benefit is going to be according to a given formula, but the company doesn't know how much it will cost to provide it, eg ZPensionBuilder.

<sup>3</sup> Defined Contribution Committee

### **The Statement of Investment Principles**

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements. On 26 September 2023, the Trustee approved a new Statement of Investment Principles (SIP) for the DC assets including the Trustee's policies on illiquid assets and stewardship. This SIP includes a section which forms the SIP for the default arrangements and is attached to this statement.

The aims and objectives of the default arrangements, as stated in the SIP in effect on 30 June 2025 are as follows:

- To provide a good value lifestyle strategy which:
  - is expected to be suitable for the majority of members who do not wish to make an active choice
  - aims to protect members against volatility in the approach to retirement.

The Trustee believes that the default strategies are suitable for the majority of members. The default arrangements are therefore lifestyle strategies which:

- gradually move investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and
- targets members who are expected to access Drawdown (DC only strategy) and members who are expected to take cash at retirement (DB and DC strategy).

These aims and objectives are intended to ensure that the assets are invested in the best interests of the members.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement.

### **Investment review**

The default strategy and the performance of the default arrangement are reviewed at least every three years.

The latest comprehensive review was carried out by the DC Committee during 2023, working with the Trustee's DC investment adviser, and ratified by the Trustee at its meeting on 21 December 2023. The work carried out by the Committee included:

- a review of the default strategies and their suitability for the membership;
- consideration of the asset allocation within each stage of the default strategies including asset classes, UK, overseas and emerging market equities and the use of currency hedging;
- consideration of the most appropriate way of incorporating responsible investment into the default arrangements;
- a review of the self-select options.

As a result of the investment review the following changes were made in May 2024:

- Z Growth Fund is 100% invested in a low carbon global equity fund with a net zero target.
- Z Cautious Growth Fund is invested:
  - 55% in the low carbon global equity fund used in Z Growth Fund; and
  - 45% in an actively managed global bond fund which includes carbon targets and a commitment to net zero.
- The L&G FTSE4Good Developed Equity Fund is closed to new contributors. Members already contributing to this fund can continue doing so.

No changes were made to the investments over the year ending 30 June 2025. The default strategies continue to invest in an equity fund with a climate tilt and to use an actively managed bond fund.

A climate focused fund which uses carbon credits to offset its estimate carbon footprint was added to the fund range in September 2025.

The DC Committee also carried out a review of Scottish Widows as investment platform provider during the Scheme year.

### **Legacy AVCs**

During the year the following legacy AVCs were transferred into ZCashBuilder, providing the members with online access and a wider range of lifestyles and investment funds:

- Supplementary Scheme: £1.4m was transferred on 17 March 2025.
- Threadneedle: £1.5m was transferred on 31 March 2025.
- ReAssure: one policy with a value of £0.4m was transferred on 28 April 2025.

Members were notified of these changes and given the opportunity to select their own investment funds from the range available within ZCashBuilder. Those that did not make a decision were invested in the Cash Lifestyle, as the default strategy for members who also have final salary benefits.

These transfers were pre-funded to protect members from out of market exposure whilst the assets were being transferred.

The following AVCs were not transferred into ZCashBuilder due to the presence of accompanying guarantees.

- Eagle Star with profits and unit-linked funds: these all have a guaranteed annuity rate at retirement.
- ReAssure: the remaining assets pay a guaranteed interest rate in line with the Nationwide Standard Mortgage Rate.

## **2 Processing core financial transactions**

The Trustee has received assurance from the Scheme's administrator (Railpen<sup>4</sup>) and has taken steps to ensure that there were adequate internal controls so that the core financial transactions relating to the Scheme 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 and beneficiaries.

The Scheme has a service level agreement (SLA) in place with the administrator which covers the accuracy and timeliness of all core financial transactions. These are split into granular detail with each step being assigned an SLA.

The key processes adopted by the administrator to help it meet the SLA are as follows:

- Operating appropriate procedures, checks and controls and operating within the SLA.
- Production of quarterly reports which include reporting on performance against SLAs, and which are reviewed by the Scheme management team and the Trustee.
- Holding regular calls with the Scheme management team. These take place at least monthly, and on an ad-hoc basis if required.
- Checks are carried out by Railpen before investment instructions are entered into the automated system for action by Scottish Widows.

The Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. This report is also reviewed by the Scheme management team and any queries raised with Railpen. Based on this information provided by the administrators the Trustee is satisfied that over the period covered by the statement:

- The quarterly reports verify the number of transactions performed and how many were outside the SLA including by how much and why.

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<sup>4</sup> The sale of Railpen's third-party administration function to Broadstone was completed on 30 June 2025. This Statement covers the period up to and including 30 June 2025 so refers to Railpen.

- During the year Railpen completed 898 core financial transactions of which 2 were completed outside SLA giving a performance of over 99%.
- Where a transaction is completed outside SLA the Trustee asks for further information.
- There have been no material administration errors in relation to processing core financial transactions.
- Where Railpen's internal checks identified an error had occurred, this was rectified and if appropriate, calculations and transactions carried out to ensure the member did not lose out financially.
- The Trustee reviewed the processes and internal controls implemented by Railpen on engagement and considered them to be suitably designed to enable core financial transactions to be effectively processed. In particular, the Trustee noted the high level of automation in the processes to reduce errors and inaccuracies. These processes will be reviewed as part of the implementation of the new administration system.
- The Scheme management team also compares expected contributions to actual contributions going into the Scheme on a monthly basis and at an individual level, with all material differences being investigated.
- Quarterly reports with performance against SLAs were received from Scottish Widows in relation to the Supplementary Scheme up to 31 December 2024. These assets were transferred to ZCashBuilder on 17 March 2025.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- The administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA.
- There have been no material administration issues in relation to processing core financial transactions.
- Core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

### **3 Member-borne charges and transaction costs**

The Trustee is required to set out the ongoing 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 also include any costs, e.g. administration and investment costs, since members incur these costs.

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. The charges and transaction costs for:

- ZCashBuilder have been supplied by Scottish Widows, who are the Scheme's platform provider and for some funds, also the investment manager.
- The remaining legacy AVCs have been supplied by each of the providers.

There is no missing transaction cost data.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

#### **Default arrangements**

The Scheme has the following default arrangements:

1. Drawdown Lifestyle: for members with ZCashBuilder benefits only (DC only default).
2. Cash Lifestyle: for members who joined the Scheme before 31 March 2007 and have both defined benefit and ZCashBuilder benefits (DB+DC default).

These defaults have been set up as a lifestyle strategy 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 their target retirement date and in which fund they are invested. The funds used in these defaults are Z Growth Fund, Z Cautious Growth Fund and Z Cash Fund. The charges for these funds are shown in section 3.2 of this statement. There are no performance-based charges in the default arrangements.

Charges can have a significant impact on the total fund value over time so below we show some projected fund values for a typical member both before and after the charges. The member borne charges for all the Scheme's default arrangements complied with the charge cap.

On the next pages are the projected fund values which for a range of sample members show the projected fund value before and after charges for the default arrangements.

### 3.1 Default arrangements: effects of costs and charges on members' pots

The following pages show projected outcomes for the default arrangements and some self-select funds. These notes apply to all the projections on the following pages.

*When mentioning charges in this statement we refer to bps, or basis points, which is the measure used in the investment industry. One basis point is one hundredth of a percent or 0.01% of the fund value. This means that 50 bps = 0.5% and 100 bps = 1%.*

#### Notes:

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges can't be known in advance, the Trustee has had to make a number of assumptions about what these might be and these are explained below:

- 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 and an allowance for transaction costs.
- The transaction costs figures used in the illustration are an average of those provided by the managers over the past 5 years. The Trustee has used average transaction costs over the previous 5 years, which reflects available data and the fact that, in its view, disclosing average costs is the most appropriate and proportionate method of measurement, given the fluctuations in transaction costs during this timeframe.
- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- Charges are based on the projected pension pot values so are also shown in today's terms.
- 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.
- The following financial assumptions have been made for all projections:
  - Longer term inflation is assumed to be 2.50% each year.
  - Salaries will increase with inflation.
- Regard has been given to the DWP Guidance "Reporting of costs, charges and other information: guidance for trustees and managers of occupational schemes" issued in October 2021.
- The assumptions are set by the Trustee each year, taking advice from its advisers and are in line with AS TM1 (The Financial Reporting Council's Technical Memorandum 1).

**Table 1** shows the assumed growth rate and charges for the funds used in the projections.

TABLE 1: Funds	Growth (before taking account of inflation)	Charges*
Z Growth Fund	6.0%	0.34%
Z Cautious Growth Fund	4.0%	0.48%
Z Cash Fund	2.0%	0.08%

\*These charges take into account the total member charge, shown in 3.2 below, plus an average of the transaction costs over the past 5 years.

TABLE 2:	DC only youngest member
Starting age	17 years
Starting fund value	£3,800
Basic salary	£23,700
Future contributions:	Employer contributions of 12% until aged 68. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

**Table 3** shows the projected fund value, both before and after charges, for the youngest member in the DC only default arrangement (the Drawdown Lifestyle). Some details of this sample member are shown in Table 2.

Using Year 40 as an example, this shows that the estimated total charges over 40 years are £18,749.

TABLE 3:	Drawdown Lifestyle	
	Before charges	After charges
Year 1	£4,483	£4,446
Year 3	£10,580	£10,523
Year 5	£17,100	£16,954
Year 10	£35,450	£34,840
Year 15	£57,155	£55,643
Year 20	£82,828	£79,840
Year 25	£113,193	£107,983
Year 30	£149,110	£140,718
Year 35	£191,591	£178,793
Year 40	£240,738	£221,989
Year 45	£277,330	£251,281
Year 50	£305,234	£272,521

TABLE 4:	Hybrid (DB+DC) youngest member
Starting age	35 years
Starting fund value	£65,600
Basic salary	£27,555
Future contributions:	Employer contributions of 12% until aged 60 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

**Table 5** shows the projected fund value, both before and after charges for the youngest member with both final salary and DC benefits in the default arrangement (the Cash Lifestyle). Some details of this sample member are shown in Table 4.

Using Year 20 as an example, this shows that the estimated total charges over 20 years are £10,887.

TABLE 5:	Cash Lifestyle	
	Before charges	After charges
Year 1	£65,778	£65,312
Year 3	£77,073	£76,520
Year 5	£89,152	£88,003
Year 10	£123,150	£119,938
Year 15	£162,639	£156,333
Year 20	£194,525	£183,638
Year 25	£212,027	£198,809
Year 30	-	-
Year 35	-	-
Year 40	-	-

TABLE 6:	DC only typical member
Starting age	39 years: this is the mean age of members of DC only members, to the nearest year.
Starting fund value	£69,500: this is the mean fund value for those aged 39 years.
Basic salary	£53,100: this is the mean salary for those aged 39 years.
Future contributions:	Employer contributions of 12% until aged 67 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

**Table 7** shows the projected fund value, both before and after charges, for an average member in the DC only default arrangement (the Drawdown Lifestyle). Some details of this sample member are shown in Table 6.

Using Year 20 as an example, this shows that the estimated total charges over 20 years are £14,023.

TABLE 7:	Drawdown Lifestyle	
	Before charges	After charges
Year 1	£70,416	£69,912
Year 3	£88,269	£87,657
Year 5	£107,361	£106,059
Year 10	£161,098	£157,236
Year 15	£224,658	£216,761
Year 20	£291,838	£277,815
Year 25	£346,215	£323,906
Year 30	-	-
Year 35	-	-
Year 40	-	-

TABLE 8:	Hybrid (DB+DC) typical member
Starting age	51 years: this is the mean age of members of DC only members, to the nearest year.
Starting fund value	£130,100: this is the mean fund value for those aged 51 years.
Basic salary	£65,200: this is the mean salary for those aged 51 years.
Future contributions:	Employer contributions of 12% until aged 60 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

**Table 9** shows the projected fund value, both before and after charges, for an average member with both final salary and DC benefits in the default lifestyle for these members (the Cash Lifestyle). Some details of this sample member are shown in Table 8.

Using Year 5 as an example, this shows that the estimated total charges over 5 years are £3,003.

TABLE 9:	Cash Lifestyle	
	Before charges	After charges
Year 1	£130,774	£129,845
Year 3	£150,444	£148,983
Year 5	£170,693	£167,690
Year 10	-	-
Year 15	-	-
Year 20	-	-
Year 25	-	-
Year 30	-	-
Year 35	-	-
Year 40	-	-

### 3.2 Levels of costs and charges

In addition to the default arrangements, members also have the option to invest in other lifestyle strategies and several other self-select funds. The level of charges for each self-select fund, including those used in the lifestyle strategies, are set out in the following table. The underlying funds for the lifestyle strategies, including those used in the default arrangements are shown in bold.

Transaction costs are the costs associated with buying and selling the assets within the fund. These figures include an element of 'slippage cost' which is the difference between the price at the time the instruction was sent to the market and the price that is used when the trade is carried out. It is possible for the slippage cost to be negative; for example, if the price at the time the instruction was sent is higher than the price actually paid. Negative transaction costs can also occur where managers are able to offset the purchases and sales in any one fund as a way of reducing the transaction costs paid by members.

TABLE 10:	Admin charge (bps)	Fund charge (bps)	Total member charges (bps)	Transaction cost (bps)
<b>Z Growth Fund</b> <sup>5</sup>	17.5	10.5	28.0	2.1
<b>Z Cautious Growth Fund</b> <sup>16</sup>	17.5	17.5	35.0	23.0
<b>Z Annuity Fund</b>	17.5	10.5	28.0	0.0
<b>Z Cash Fund</b> <sup>16</sup>	Nil	6.0	6.0	2.1
UK Equity Index Fund	17.5	8.5	26.0	7.8
World ex-UK Equity Index	17.5	9.5	27.0	3.0
FTSE4Good Developed Equity Index	17.5	25.5	43.0	0.6
HSBC Islamic	17.5	34.5	52.0	0.7

<sup>5</sup> Funds used in the default lifestyle strategies

L&G Future World Fund	17.5	25.5	43.0	5.1
Scottish Widows Managed Fund	17.5	43.5	61.0	19.6
Property	17.5	69.5	87.0	0.0
Corporate Bond All Stocks Index	17.5	7.5	25.0	0.0
Index Linked Over 5 years Gilt Index	17.5	7.5	25.0	-2.7
Wellington Global Credit ESG	17.5	25.6	43	48.9

Funds in bold are used within the range of lifestyle strategies.

### 3.3 Self-select options – effects of costs and charges on members

Below are the projected fund values, both before and after charges for a typical member in one of the self-select investment funds. The notes in Section 3.1 of this Statement apply to these projections and the assumed growth rates and charges are shown in the table below. These projections are over a 40 year period for the following funds:

- Z Growth Fund: is the most commonly used fund.
- Property Fund: is the fund with the highest charges.
- Z Cash Fund is the fund with the lowest charges.

	Typical member
Starting age	24 years: this is used to show the projections over 40 years.
Starting fund value	£13,600: this is the mean fund value for those aged 24 years.
Basic salary	£33,400: this is the mean salary for those aged 51 years.
Future contributions	Employer contributions of 12% until aged 67 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	No

	Growth (before taking account of inflation)	Charges
Z Growth Fund	6.0%	0.34%
Property Fund	4.0%	0.93%
Z Cash Fund	2.0%	0.08%

The charges take into account the total member charge plus an average of the transaction costs over the past 5 years.

	Z Growth Fund	
	Before charges	After charges
Year 1	£14,455	£14,443
Year 3	£23,612	£23,482
Year 5	£33,405	£33,084
Year 10	£60,967	£59,789
Year 15	£93,568	£90,850
Year 20	£132,128	£126,978
Year 25	£177,736	£169,000
Year 30	£231,682	£217,876
Year 35	£295,489	£274,725
Year 40	£370,959	£340,848

	Property Fund		Z Cash Fund	
	Before charges	After charges	Before charges	After charges
Year 1	£14,386	£14,355	£14,317	£14,314
Year 3	£22,885	£22,558	£22,174	£22,145
Year 5	£31,634	£30,857	£29,954	£29,887
Year 10	£54,653	£52,021	£49,076	£48,861
Year 15	£79,406	£73,800	£67,736	£67,302
Year 20	£106,024	£96,209	£85,946	£85,225
Year 25	£134,647	£119,267	£103,715	£102,645
Year 30	£165,427	£142,993	£121,056	£119,576
Year 35	£198,527	£167,407	£137,977	£136,031
Year 40	£234,119	£192,528	£154,490	£152,023

### 3.4 Remaining legacy AVC funds: level of cost and charges

At 30 June 2025 approximately 150 members had DC benefits in one of the remaining legacy AVC arrangements. These legacy AVCs attract varying levels of management charge depending on the provider and fund chosen as set out below. There are no additional administration charges paid by the members. Transaction costs are shown to the latest available date provided by the investment manager.

Zurich Assurance Limited (Eagle Star)	Admin charge (bps)	Total Annual Management Charge (bps)	Transaction cost (bps)
With Profits	Nil	50.0	5.56
Global Select	Nil	117.0	30.27
Equity Managed	Nil	116.0	16.24
Managed	Nil	119.0	11.97
Secure	Nil	109.0	1.05

The table below sets out the charges paid by the 22 members who had benefits with Scottish Widows, in the Supplementary Scheme. These charges applied for the period up to 17 March 2025, when these assets were transferred into ZCashBuilder. For this reason the transaction costs up to 30 June 2025 are not available.

Scottish Widows (Supplementary Scheme)	Admin charge (bps)	Total AMC (bps)	Transaction cost (bps)
Zurich Long Dated Gilt	Nil	55.0	N/A
Zurich Managed	Nil	56.0	N/A
Zurich Property	Nil	83.0	N/A
Zurich Threadneedle American	Nil	69.0	N/A
Zurich Threadneedle Asia	Nil	72.0	N/A
Zurich Threadneedle European	Nil	68.0	N/A
Zurich Threadneedle Global Equity	Nil	82.0	N/A
Zurich Threadneedle Japan	Nil	67.0	N/A
BlackRock Sterling Liquidity Fund	Nil	35.0	N/A

The table below sets out the charges paid by the 35 members who had legacy AVCs invested with Threadneedle. These charges applied for the period up to 31 March 2025, when these assets were transferred into ZCashBuilder. For this reason the transaction costs up to 30 June 2025 are not available.

Threadneedle	Admin charge (bps)	Total AMC (bps)	Transaction cost (bps)
Global Select	Nil	42.0	N/A
Aquila Over 15 yrs UK Gilt Index	Nil	15.0	N/A

The ReAssure funds are not listed as there are no admin, fund or transaction charges.

## 4 Investment returns

The investment returns for the default arrangements and self-select funds, after deduction of charges and transaction costs is shown below. When preparing these returns the Trustee has taken account of the relevant statutory guidance.

The annualised 3 and 5 year returns are calculated using the geometric mean.

	1 year performance (%)	1 year benchmark (%)	Relative performance
Z Growth Fund <sup>6</sup>	10.27	11.02	-0.75
Z Cautious Growth Fund <sup>17</sup>	9.38	9.32	0.06
Z Annuity Fund	0.71	-5.32	6.03
Z Cash Fund <sup>17</sup>	4.88	4.71	0.17
UK Equity Index	7.87	8.23	-0.36
World ex-UK Equity Index	6.62	6.86	-0.24
FTSE4Good Developed Equity Index	3.36	3.89	-0.53
HSBC Islamic	1.63	1.79	-0.16
L&G Future World Fund	4.91	5.43	-0.52
Scottish Widows Managed Fund	7.99	5.30	2.69
Property	8.85	8.57	0.28
Corporate Bond All Stocks Index	5.30	5.40	-0.10
Index Linked Over 5 years Gilt Index	-7.14	-6.95	-0.19
Wellington Global Credit ESG	N/A	N/A	N/A

	3 year performance (%)	3 year benchmark (%)	Relative performance
Z Growth Fund <sup>17</sup>	14.12	14.56	-0.44
Z Cautious Growth Fund <sup>17</sup>	8.01	8.03	-0.02
Z Annuity Fund	-2.16	-4.49	2.33
Z Cash Fund <sup>17</sup>	4.44	4.31	0.13
UK Equity Index	8.96	9.30	-0.34
World ex-UK Equity Index	13.88	13.85	0.03
FTSE4Good Developed Equity Index	12.61	13.22	-0.61
HSBC Islamic	15.60	15.95	-0.35
L&G Future World Fund	9.16	9.83	-0.67
Scottish Widows Managed Fund	9.01	6.47	2.54
Property	0.12	-3.06	2.94
Corporate Bond All Stocks Index	2.36	2.63	-0.27
Index Linked Over 5 years Gilt Index	-8.66	-8.56	-0.10
	5 year performance (%)	5 year benchmark (%)	Relative performance
Z Growth Fund <sup>17</sup>	10.68	10.94	-0.26
Z Cautious Growth Fund <sup>17</sup>	3.61	3.22	0.39
Z Annuity Fund	-6.07	-7.26	1.19
Z Cash Fund <sup>17</sup>	2.70	2.63	0.07
UK Equity Index	9.18	9.87	0.69
World ex-UK Index	12.15	12.44	0.29
FTSE4Good Developed Equity Index	12.25	12.81	0.56
HSBC Islamic	13.07	13.57	-0.50

<sup>6</sup> Funds used in the default lifestyle strategies

L&G Future World Fund	N/A	N/A	N/A
Scottish Widows Managed Fund	8.92	5.37	3.55
Property	6.95	4.20	2.75
Corporate Bond All Stocks	N/A	N/A	N/A
Index Linked Over 5 years Gilt Index	-11.06	-10.95	-0.11
Wellington Global Credit ESG	N/A	N/A	N/A

N/A is used where the returns are not available as the fund has not been available in ZCashBuilder for the required period of time.

## 5 Default arrangements: asset allocation

The asset allocations for the default arrangements are shown below. When preparing this statement the Trustee has taken account of the relevant statutory guidance.

These defaults have been set up as a lifestyle strategy which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the asset allocation may change depending on how close members are to their target retirement date and in which fund they are invested. The funds used in these defaults are:

Fund	Asset holdings
Z Growth Fund	100% listed equities
Z Cautious Growth Fund	55% listed equities, 45% global credit
Z Cash Fund	100% money market instruments

### Drawdown Lifestyle

The default Target Retirement Age (TRA) is the individual's State Pension Age, although members are able to set their own TRA.

Asset Class	Percentage allocation – average 25 y/0 (%)	Percentage allocation – >10 yrs before TRA	Percentage allocation – 5 years before TRA	Percentage allocation – average 1 day prior to TRA (%)
Cash	0%	0%	0%	25%
Bonds <sup>7</sup>	0%	0%	45%	34%
Listed Equities	100%	100%	55%	41%
Private equity <sup>8</sup>	0%	0%	0%	0%
Property	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Private debt	0%	0%	0%	0%
Other	0%	0%	0%	0%

### Cash Lifestyle

The default Target Retirement Age (TRA) is 60 years, although members are able to set their own TRA.

Asset Class	Percentage allocation – average 25 y/0 (%)	Percentage allocation – >10 yrs before TRA	Percentage allocation – 5 years before TRA	Percentage allocation – average 1 day prior to TRA (%)
Cash	0%	0%	0%	100%
Bonds <sup>18</sup>	0%	0%	45%	0%

<sup>7</sup> Includes corporate bonds and government bonds

<sup>8</sup> includes venture capital and growth equity

Listed Equities	100%	100%	55%	0%
Private equity <sup>19</sup>	0%	0%	0%	0%
Property	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Private debt	0%	0%	0%	0%
Other	0%	0%	0%	0%

## 6 Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of 'good value' but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market. The assessment was undertaken taking account of the pensions Regulator's General Code of Practice, which came into effect on 28 March 2024 and superseded Code of Practice No 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

### 6.1 ZCashBuilder

The Trustee reviews all member-borne charges (including transaction costs where available) annually with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The last review was carried out on 30 June 2025. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of service received has also been considered in this assessment. The Trustee's DC adviser has confirmed that the fund charges are competitive for the types of funds available to members. Following a request from the Trustee, Scottish Widows agreed to reduce the charges across all funds by 0.7bps with the exception of Z Cash Fund as there are no administration charges on this fund.

As detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes. The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and we expect this to lead to greater investment returns net of fees over time.

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and cost that they incur. The Trustee believes this because:

- Members continue to benefit from good governance with a strong DC Committee and Trustee board which includes a professional trustee and strong support of an in-house executive pensions team.
- Members benefit from an employer contribution of 12% and a highly effective administration service with very good performance against Railpen's agreed SLAs and a low number of complaints.
- LCP, the Trustee's DC adviser, has assessed:
  - compared to schemes of a similar size members pay total charges that are either at or below median for most of the asset classes they are invested in.
  - The fund range available to members compares well with schemes of a similar size.
  - The quarterly performance monitoring carried out is in line with standard practice amongst medium to large own-trust schemes.
  - There is close investment performance monitoring and the majority of funds have performed broadly in line with their benchmarks over the period.
  - The level of information and online support present on the ZPen website goes beyond what is seen in many own-trust schemes.
  - The presence of a dedicated DC Committee is positive for governance purposes.
  - The core company contribution of 12% compares well with industry body recommendations regarding contribution rates required to achieve an adequate income.
  - The support services provided by the ZPen team go beyond what is commonly seen amongst own-trust schemes.

## 6.2 Remaining legacy AVCs<sup>9</sup>

The Trustee assessed each of the remaining providers separately on 30 June 2025 and reached the following conclusions. LCP, the Trustee's DC adviser commented that:

- The charges are broadly similar to those across other AVC mandates.
- It is positive that members are able to transfer into ZCashBuilder.

The Trustee will continue to monitor the performance of both the investments and administration services of its AVC providers.

**AD Supplementary Scheme:** the Trustee concluded that these represent value for members because:

- Before the transfer to ZCashBuilder on 17 March 2025 there were no issues with the administration of the AD Supplementary Scheme benefits.
- Following the transfer to ZCashBuilder, members now benefit from access to a wider range of funds and lifestyles, access to fund value and fund information online and being able to see all their Scheme benefits together for retirement planning purposes.

**Threadneedle:** The Trustee concluded that these represent value for members because:

- before the transfer to ZCashBuilder on 31 March, there were no concerns regarding Threadneedle and the charges were low compared to other AVC arrangements.
- following the transfer to ZCashBuilder, members now benefit from access to a wider range of funds and lifestyles, access to fund value and fund information online and being able to see all their Scheme benefits together for retirement planning purposes.

**Eagle Star:** the Trustee concluded that these funds represent value for members as whilst the charges are comparatively high, members benefit from guaranteed annuity rates at retirement. It was noted that some of these funds may not represent value for those members who do not take advantage of the guaranteed annuity rates. This was communicated to these members.

**ReAssure:** Issues with the administration service continue to be experienced. However, the Trustee concluded that these funds represent value for members because:

- members paid no charges whilst invested in the ReAssure funds.
- members whose funds were transferred into ZCashBuilder benefit from a wider range of funds and lifestyles, access to fund value and fund information online and being able to see all their Scheme benefits together for retirement planning purposes.
- members whose funds remain with ReAssure continue to pay no charges and receive interest linked to the Nationwide Standard Mortgage Rate.

## 7 Trustee knowledge and understanding (TKU)

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

- Be conversant with the trust deed and rules of the Scheme, the Scheme's current statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.
- Have, to the degree that is appropriate for the purpose of enabling the individual properly to exercise his or her functions as Trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding and investment of assets of occupational pension schemes.
- The Trustee is aware of the requirement to comply with TCFD reporting and publishes an annual TCFD report.

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<sup>9</sup> AVCs: Additional Voluntary Contributions are contributions made by individuals to the Scheme to build up additional benefits at retirement. These are sometimes called Additional Pension Contributions.

- The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance, 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 Trustee directors are required to maintain a CPD (Continuing Professional Development) log with a minimum requirement of completing 15 hours per year. Each Trustee director has a personal review with the Chair and Head of UK Pensions at least annually. This includes a review of their TKU and specific development areas. Any training needs identified by the assessments are met through tailored training programmes which use a variety of training tools, including interactive workshop sessions, seminars and individual study. Use is made of in-house expertise and the Trustee's own advisers as well as external training programmes and seminars.
  - Professional trustees are subject to additional regulatory requirements to ensure continually high standards are attained, this includes a minimum of 25 hours relevant learning and development. The standards were developed by The Professional Trustee Standards Working Group, the latest standards were published on 26 February 2019.
  - As at 30 June 2025, all Trustee directors had completed The Pension Regulator's Trustee Toolkit, which is designed to meet the minimum level of knowledge and understanding required by law.
  - The Trustee board includes accredited professional trustees who have supported the Scheme for some time and are conversant with the Scheme specifics and documentation, as well as bringing general pension knowledge and experience. Two individuals are used depending on the knowledge required, e.g. one attends the Trustee Board and Funding Committee meetings and the other attends the DC Committee meetings.
  - The Trustee's advisers proactively raise any changes in the governance requirements and other relevant matters as they become aware of them and would typically deliver training on such matters if they were material. During the period covered by this statement:
    - The DCC received the following training:
      - Investment: US Market concentration and volatility (3 June 2025)
      - Pension Schemes bill in King's Speech and Pensions Review (3 June 2025)
    - The Trustee received training on the following topics:
      - General Code of Practice (18 July 2024)
      - The IFRS17 accounting basis – follow up session (4 September 2024)
      - Regulators: PRA, FCA and TPR (16 December 2024)
      - Valuation training from Hymans (9 June 2025)
      - Employer covenant guidance from PWC (3 February 2025)
    - As part of its oversight activities, the DCC received:
      - A presentation from Scottish Widows on 3 June 2025 on responsible investment, i.e. how they engage with managers on their platform on responsible investment and stewardship.
      - A paper from LCP on 25 February 2025 on their survey of RI managers.
  - The Trustee is supported by the Scheme management team providing technical and governance support and Scheme secretarial services.
  - All Trustee directors are familiar with, and have access to copies of, the current Scheme governing documentation, including Trust Deed and Rules, together with any amendments, the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and where relevant deciding individual member cases.
  - The induction training for new Trustee directors includes:
    - Attending external and internal training courses.
    - Being allocated an existing Trustee director as a 'buddy' to provide support and answer questions.
    - Reserve member Trustee directors attend the DC Committee meetings as an introduction to the Trustee and how it works.

The Trustee has its own dedicated, secure website where Scheme documents, trustee procedures and other useful information, including contact information, meeting agendas and minutes are stored. This enables the Trustee to have quick access to the most up to date information relating to the Scheme.

On 5 November 2024 the Trustee carried out a Board Effectiveness Review (BER) and noted that the results were largely positive and appeared to show an improvement since the review in 2021.

The training programme is reviewed regularly to ensure it is aligned with the objectives of the Trustee's work plan and addresses knowledge gaps identified by the Trustee directors through self-evaluation. The Trustee directors consider 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.

Taking into account the knowledge and experience of the Trustee directors with the specialist advice received from the appointed professional advisers, including investment consultants and legal advisers, the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

## **8 Governance**

To assist the Trustee in meeting its governance requirements:

- A dedicated DC committee was set up in 2019 made up of representatives from the Trustee board and the Company. On establishment of the DC committee, it took responsibility from the Funding Committee for the investment of the DC assets. The DC Committee reports back to the full board regularly on matters relating to ZCashBuilder and the legacy AVCs.
- The Trustee carried out a gap analysis against the Pension Regulator's General Code and identified some areas where work was required in order to confirm that the Scheme was compliant with the Code. The Trustee and the DCC continue to work through these areas during the year ending 30 June 2025 and since. The first Own Risk Assessment is expected to be completed in 2026.
- The Trustee Governance Handbook has been reviewed as part of the ongoing review of trustee policies under the requirement of the General Code of Practice. The Handbook documents how the Trustee governs the pension Scheme and provides a framework to signpost all the Trustee's policies and key documentation.
- The Trustee produced an investment governance framework setting out how the Trustee meets its key roles and responsibilities, and which regulations apply. The framework is split between DB and DC arrangements and includes the relationships between the Trustee Board, respective Committees and the key advisers involved in investment decision making.

## **9 Conclusion**

- Taking account of all the factors considered, the Trustee believes that the Scheme's DC arrangements provide good value for members and is expected to deliver good outcomes for members at retirement.
- The Trustee continues to look for ways to improve the value for members, including planning a suite of communication materials, developing a new member website and considering ways to support members in the approach to retirement.

This statement was approved by the Trustee on 12 December 2025 and signed on their behalf by:

David Sims

**Chair: Zurich Financial Services UK Pension Trustee Limited**