

## APPENDIX II: CHAIR'S STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT) FOR THE YEAR ENDED 31 DECEMBER 2023

### Annual Governance Statement for the Scheme Year Ending 31 December 2023

Governance requirements apply to defined contribution (DC) pension schemes, to help members achieve a good outcome from their pension savings. The Trustee of the Goldman Sachs UK Retirement Plan ('the Plan') is required to produce for the Plan's DC Section a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds),
- the investment performance, net of all charges, achieved by each of the investment options,
- the requirements for processing financial transactions,
- the charges and transaction costs borne by members, including an illustration of the cumulative effect of these charges and transaction costs as well as a 'value for members' assessment, and,
- Trustee knowledge and understanding.

This statement covers the Plan year from 1 January 2023 to 31 December 2023.

### Default arrangements

The Plan's DC Section is not used for automatic-enrolment purposes. During 2017 the Trustee closed the Plan to new members and any further contributions. The majority of the DC members were transferred to a master trust arrangement, however, some members remained in the Plan because they benefit from certain valuable protections in relation to their tax-free lump sum entitlements and retirement ages.

Members of the Plan's DC Section can be invested in up to five investment strategies/funds, four of which are classified as default arrangements following a fund rationalisation exercise in 2018. These four default arrangements are marked (\*) in the table below.

Strategy/fund	Aim & objective
Lifecycle strategy (*)	To provide an appropriate investment strategy for those members who didn't make an investment choice on joining the Plan. The strategy is deemed appropriate as its asset allocation aims to manage annuity pricing risk in the approach to retirement, in-line with how the typical member is expected to access their DC Section savings. Investments are initially allocated to equities (Global Equity (UK Bias)). Once the member is aged over 55 years, assets are progressively switched into bonds (UK Fixed Annuity Target) and cash (Money Market GBP) as retirement approaches.
Passive - Global Equity (UK Bias) (*)	To match the benchmark of the underlying fund (LGIM Global (30:70) Index Fund) as closely as possible.
Active – Money Market GBP (*)	The fund invests in the underlying LGIM Cash Fund and seeks to maximise income only to the extent that it is consistent with the preservation of capital and the maintenance of liquidity.
Passive – UK Inflation Linked Annuity Target	To match the benchmark of the underlying fund (LGIM Pre-Retirement Inflation Linked Fund) as closely as possible.
Passive – UK Fixed Annuity Target (*)	To match the benchmark of the underlying fund (LGIM Pre-Retirement Inflation Sensitive Fund) as closely as possible.

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The Trustee reviews the net fund performance of the above funds against their aims and objectives on a quarterly basis. Furthermore, at least every three years, a default strategy suitability review is undertaken – the last review took place during the Plan year. Following this review, the Trustee agreed to switch the Global Equity (UK Bias) Fund to a blended Future World Global Equity Index Fund which is more ESG- aligned. This transition is expected to be complete around July 2024, and further information will be provided in the Chair's statement for the 2024 Plan Year.

A copy of the Plan's latest Statement of Investment Principles (SIP) is available at: <https://www.gspensions.co.uk/static/35a47974e005204bc33e512c5a7938a8/statement-of-investment-principles.pdf> and the DC section is available as an Appendix to this statement.

This SIP was most recently reviewed in December 2023 as part of the Trustee's continuous review of Plan documentation – it was decided that no updates were required. Like the two previous versions, dated December 2022 and August 2021, it covers both the Defined Benefit and Defined Contribution Sections of the Plan and reflects requirements applicable from 1 October 2020. This SIP includes the following items:

i The Trustee's aims and objectives

ii The Trustee's policies in relation to the:

- Kinds of investments to be held,
- Balance between the different kinds of investment,
- Risks, including how these are measured and managed,
- Expected return on investments,
- Realisation of investments,
- Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments, and
- Extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.

iii The Trustee's policy in relation to the:

- Exercise of the rights (including voting rights) attaching to the investments, and
- Undertaking of engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

iv The Trustee's policy in relation to its arrangement with the DC Section's fund manager, setting out the following matters:

- How the arrangement with the fund manager incentivises the fund manager to align its investment strategy and decisions with the Trustee's policies in sub-paragraph (ii) above,
- How that arrangement incentivises the fund manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their medium to long-term performance,
- How the method (and time horizon) of the evaluation of the fund manager's performance and the remuneration for fund management services are in line with the Trustee's policies mentioned in sub-paragraph (ii) above,

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- How the Trustee monitors portfolio turnover costs incurred by the fund manager, and how they define and monitor targeted portfolio turnover or turnover range, and
- The duration of the arrangement with the fund manager.

**Default asset allocations**

For the first Plan year that ends after 1 October 2023, trustees or managers of relevant occupational pension schemes are required to disclose their full asset allocation of investments from their default arrangements. This information has been provided by the Plan administrator as follows:

<b>Plan Fund</b>	<b>Asset Allocation</b>
Passive – Global Equity (UK Bias)	100% Listed Equity
Active – Money Market GBP	34.9% Cash 65.1% Other
Passive – UK Fixed Annuity Target	100% Bonds
Passive – UK Inflation Linked Annuity Target	100% Bonds
<b>Lifecycle strategy</b>	<b>Asset Allocation</b>
Member aged 30	100% Listed Equity
Member aged 60	50% Listed Equity 50% Bonds
Member aged 65	75% Bonds 8.7% Cash 16.3% Other

**Net investment returns**

Each quarter, the Trustee monitors the performance of the investment funds used by members. The table below shows the net investment returns for the Plan funds used by members; taking account of the below charges and transaction costs.

When preparing this information, the Trustees have taken account of the guidance issued by the Department for Work and Pensions (DWP) titled 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' dated October 2021.

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<b>Plan fund</b>	<b>Net investment return for 5 years to 31/12/2023</b>	<b>Net investment return for 1 year to 31/12/2023</b>
Passive - Global Equity (UK Bias)	10.3% per annum	16.0%
Active – Money Market GBP	1.3% per annum	4.5%
Passive – UK Fixed Annuity Target	-1.7% per annum	7.2%
Passive – UK Inflation Linked Annuity Target	-3.5% per annum	4.8%
<b>Lifecycle strategy</b>	<b>Net investment return for 5 years to 31/12/2023</b>	<b>Net investment return for 1 year to 31/12/2023</b>
Member aged 25*	10.3% per annum	16.0%
Member aged 45*	10.3% per annum	16.0%
Member aged 55*	6.4% per annum	11.6%

\*Ages shown are at the start of the 5-year period as per DWP guidance

### Financial transactions

A service level agreement (SLA) is in place with Aon (the Plan Administrator) in respect of the core financial transactions. As noted above, the Plan is closed to new contributions and transfers-in, therefore core financial transactions are limited to transfers-out, investment switches and payments to members/beneficiaries.

During the Plan year there have been no material administration errors in relation to processing core financial transactions.

The Trustee is satisfied that core financial transactions have been processed promptly and accurately during the Plan year for the following reasons:

- There is robust quarterly reporting from the Plan Administrator which helps the Trustee to spot and resolve any issues. The Plan Administrator attends the quarterly Administration Committee meetings to present their report and the Trustee challenges and questions them as appropriate.
- Average quarterly performance against the agreed 95% SLA was 95% over the Plan year.

### Charges and transaction costs

The level of Annual Management Charges (AMCs) and estimated transaction costs applicable to each of the four current investment funds over the period 1 January 2023 to 31 December 2023 are below.

<b>Fund name</b>	<b>Transaction cost</b>	<b>AMC*</b>	<b>Total (% and £ per £1,000)</b>
Passive - Global Equity (UK Bias) (L)	0.0732%	0.1600%	0.2332% (≈£2.33 per £1,000)
Active – Money Market GBP (L)	0.1080%	0.1200%	0.2280% (≈£2.28 per £1,000)
Passive – UK Fixed Annuity Target (L)	0.0164%	0.1450%	0.1614% (≈£1.61 per £1,000)
Passive – UK Inflation Linked Annuity Target	0.0101%	0.1450%	0.1551% (≈£1.55 per £1,000)

(L) forms part of the default lifecycle strategy \* Equivalent to Total Expense Ratio

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**Illustration of charges and transaction costs**

Over a period of time, the charges and transaction costs that are taken out of a member's investment funds can reduce the amount available to the member at retirement. In this section, the Trustee sets out illustrations of the cumulative impact of charges and transaction costs on different investment options in the Plan. These 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. In accordance with this guidance, the Trustee has provided illustrations that cover:

- The fund with the highest expected return (before charges) – this is the Passive Global Equity (UK Bias)
- The fund with the lowest expected return (before charges) – this is the Active - UK Inflation Linked Annuity Target
- The fund with the highest annual member borne costs – this is the Passive Global Equity (UK Bias)
- The fund with lowest annual member borne costs – this is the Active – Money Market GBP
- The fund in which most members are invested – this is the Passive Global Equity (UK Bias)

As each member has a different amount of savings within the Plan's DC Section and the amount of any future investment returns, together with future charges and transaction costs, cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. These assumptions are explained beneath the table of illustrations.

The "before charges" figures represent the value of projected savings assuming an investment return with no deduction of member borne charges or transaction costs. The "after charges" figures represent the value of projected savings using the same assumed investment return but after deducting member borne charges and average transaction costs over time.

Example Member	Years	Lifestyle Strategy		Global Equity (UK Bias)		UK Fixed Annuity Target	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Strawman A Age 39	1	£41,700	£41,600	£41,700	£41,600	£40,900	£40,900
	3	£45,400	£45,100	£45,400	£45,100	£42,900	£42,700
	5	£49,500	£48,900	£49,500	£48,900	£44,900	£44,500
	10	£61,200	£59,900	£61,200	£59,900	£50,500	£49,500
	15	£75,700	£73,200	£75,700	£73,200	£56,800	£55,100
	20	£91,800	£87,900	£93,600	£89,600	£63,800	£61,400
	25	£105,200	£99,800	£115,700	£109,600	£71,700	£68,300
	26	£106,600	£100,900	£120,700	£114,100	£73,400	£69,800
Strawman B Age 52	1	£104,300	£104,100	£104,300	£104,100	£102,400	£102,200
	3	£113,600	£112,900	£113,600	£112,900	£107,200	£106,600
	5	£123,000	£121,700	£123,700	£122,300	£112,400	£111,300
	10	£145,000	£142,000	£152,900	£149,700	£126,300	£123,900
	13	£153,400	£149,400	£173,700	£168,900	£135,400	£132,100

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Example Member	Years	Money Market		UK Inflation Linked Annuity Target	
		Before charges	After charges	Before charges	After charges
<b>Strawman A</b> Age 39	1	£39,400	£39,300	£40,900	£40,900
	3	£38,100	£37,900	£42,900	£42,600
	5	£36,900	£36,600	£44,900	£44,500
	10	£34,000	£33,400	£50,500	£49,500
	15	£31,300	£30,500	£56,800	£55,100
	20	£28,900	£27,900	£63,800	£61,300
	25	£26,600	£25,500	£71,700	£68,200
	26	£26,200	£25,000	£73,400	£69,600
<b>Strawman B</b> Age 52	1	£98,400	£98,200	£102,400	£102,200
	3	£95,200	£94,700	£107,200	£106,600
	5	£92,200	£91,400	£112,400	£111,200
	10	£84,900	£83,500	£126,300	£123,800
	13	£80,900	£79,100	£135,400	£131,900

**Assumptions**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. There are no ongoing contributions.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Switching costs are not considered in the lifestyle strategy.
6. Inflation is assumed to be 2.5% each year.
7. Values shown are estimates and are not guaranteed.
8. The real projected growth rates for each fund are as follows:

Fund	Real projected growth rate (p.a.)
Lifestyle Strategy	From 1.365% to 4.340% (adjusted depending on term to retirement)
Global Equity (UK Bias)	4.340%
UK Fixed Annuity Target	2.360%
Money Market	-1.620%
UK Inflation Linked Annuity Target	2.360%

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9. Transactions costs and other charges have been provided by Phoenix and covered the period 1 January 2020 to 31 December 2023. The transaction costs have been averaged by WTW using a time-based approach. The transaction costs for Blended funds were estimated by WTW based on the transaction costs for the underlying funds.
10. Pension scheme's normal retirement age is 65.
11. Example member:
- A: youngest member (deferred): age 39, contributions: nil, starting fund value: £40,000.
  - B: member approaching retirement (deferred): age 52, contributions: nil, starting fund value: £100,000.

### Value for members ('VFM')

In accordance with regulation 25(1)(b) of the Administration Regulations, and with regard to statutory guidance, the Trustee assessed the extent to which the charges and transaction costs borne by members, as set out above, represent good value for members. This section of this statement explains the assessment that was carried out in relation to the 2023 Plan year and its results. Like last year, this assessment did not consider Plan protections such as Scheme Specific Lump Sum protection or Protected Retirement Ages, which provide additional value to members.

The value for members assessment comprised of three 'Pillars' as follows:

- (a) Pillar One: a review of the Plan's investment returns, focusing on the default fund;
- (b) Pillar Two: a review of the Plan's services\*, taking a holistic look at a variety of key areas including:
- Plan governance
  - Risk management
  - Administration
  - Default strategy and investment governance

#### Transaction cost data

*'A zero cost has been used where there are negative transaction costs (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future'*

- Communication and engagement
  - At retirement support options
- (c) Pillar Three: a review of the Plan's costs and charges

\*The Trustee's advisor has developed a checklist of key features that it would expect to be present in leading DC schemes and the value for members assessment reflects the presence or absence of those key features across the six service areas.

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### Summary of Trustee's conclusions in relation to each Pillar assessed

#### (a) Pillar One: Investment returns

##### *Lifecycle Strategy*

- Growth phase – the component fund(s) of the growth phase of the lifecycle strategy (which are also available as standalone funds) achieved above average performance compared to a peer group over a 5-year period to 31 December 2023.
- At retirement - the component fund(s) of the at-retirement phase of the lifecycle strategy (which are also available as standalone funds) achieved below average performance compared to a peer group over a 5-year period to 31 December 2023.

##### *Self-select*

- The self-select funds available to members achieved below average performance compared to a peer group over a 5-year period to 31 December 2023.

Overall, the Trustee assessed that both the default investment strategy returns and the net returns for the self-select fund range have been assessed as providing **“good value”** for members. All the funds performed in line with expectations compared to their benchmarks.

#### (b) Pillar Two: Services

The Plan achieved 59 out of 70 relevant key features in regard to services, with a weighted average score of 87%, broken down as follows:

Plan governance – 100%

Risk management – 100%

Administration – 92%

Investment governance – 73%

Communications & engagement – 95%

At-retirement support – 68%

Where the Plan has scored less than 100%, the Trustee is considering whether there are appropriate actions that could be taken to raise those scores. Overall, the Trustee concluded that the Plan's services provide **“good value”** for members.

#### (c) Pillar Three: Costs and charges

- Total Expense Ratio (TER) – Compared to similar schemes, the assessment concluded that the TERs paid by members represent 'good value'.

Overall, the Trustee concluded that the Plan's aggregate costs and charges provide **“good value”** for members.

### Overall conclusion

The Trustee reviewed the value for members assessment and agreed with its conclusions that the combined value provided to members by the investment, administration and communication services members pay for represent 'good value' compared with the overall charges members pay. This conclusion is irrespective of the Plan protections such as Scheme Specific Lump Sum protection and Protected Retirement Ages, which provide additional value to members.



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#### **Trustees' knowledge and understanding (TKU)**

The Trustee Directors' combined knowledge and understanding, together with advice available to them, enables them properly to exercise their functions.

In terms of TKU, the Trustee Directors are satisfied that they have met their knowledge and understanding duties during the Plan year. At each quarterly Trustee meeting in 2023 there was a specific training item on the agenda; as guided by a TKU gap assessment undertaken in March 2023. In addition, there were presentations by advisers on relevant matters to further increase the Trustee Directors' knowledge and understanding. For example, during 2023, the following TKU activity occurred:

- A training session by the Trustee's administrator on Pension Dashboards at the 28 March 2023 meeting
- A training session by the Trustee's legal advisor on the General Code at the 28 June 2023 meeting
- Journey Planning and Pensions End-Game States training by the Trustee's actuary at the 26 September 2023 meeting

TKU activity for 2023 has once again been recorded in a training log, showing the attendance at training sessions by each Trustee Director. Further, the Trustee has a TKU policy in place, which has an induction process for new Trustee Directors, and an expectation regarding ongoing learning. One new Trustee Director was inducted in 2023.

As a consequence of the above activity, the Trustee Directors 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.

In addition to the above, the Trustee is familiar with the Plan's governing documentation, including the December 2022 SIP and the Trust Deed & Rules. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding whether to make any changes to the Plan and, where relevant, deciding individual member cases.

Overall, considering the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g., investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

**Signed by the Chair on behalf of the Trustee: Stephen Davies**

**Date: 30/07/2024**