

The First UK Bus Pension Scheme

Chair's statement regarding the governance of defined contribution arrangements

Scheme year – 6 April 2022 to 5 April 2023

1. Introduction

- 1.1. This statement has been prepared by The First UK Bus Pension Scheme Trustee Limited ("the Trustee"), the Trustee of The First UK Bus Pension Scheme ("the Scheme"), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the Scheme year 6 April 2022 to 5 April 2023.

2. The Scheme's DC arrangements

- 2.1. Over the Scheme year, the Scheme's DC arrangements comprised the following:
 - 2.1.1. A DC Section ("the Bronze Section") which is operated by Aegon, is open to future contributions and is used as a qualifying workplace pension scheme for auto-enrolment purposes.
 - 2.1.2. A DC Section ("the Lifetime Savings Plan") which is also operated by Aegon, open to future contributions and used as an auto-enrolment scheme.
 - 2.1.3. AVC arrangements provided by Prudential and Standard Life within the Scheme's defined benefit ("DB") Section. These AVC arrangements are closed to future contributions.
 - 2.1.4. The above are collectively referred to in this document as "DC arrangements" or "DC Sections" when relating solely to the DC arrangements operated by Aegon.

3. The DC Sections' default investment arrangement

- 3.1. For members who are automatically enrolled into the Scheme's DC Sections and do not make an alternative selection, contributions are invested in the Aegon BlackRock LifePath Flexi Funds ("the current default").
- 3.2. The key features of the current default are:
 - 3.2.1. It is structured as target date funds across three-year maturity date windows, with the fund most closely aligned to a member's target retirement date being used. For example, a member with a target retirement date in 2026 would be invested in the Aegon BlackRock LifePath Flexi Fund 2025 – 2027.
 - 3.2.2. Each target date fund invests in a broad mix of assets which are automatically rebalanced at different stages depending on the fund's maturity date window. When this is further away, emphasis is placed on growth assets in search of long-term returns that exceed inflation.
 - 3.2.3. As a fund's maturity date window approaches, broadly over the final 10 years, the investments are progressively switched to lower risk investments to give more protection to the value built up. This de-risking assumes that members will access their pension savings through retirement via drawdown, so retains an allocation to growth assets at a member's target retirement date.
 - 3.2.4. BlackRock will adjust the investment profile, strategy and asset allocations on an ongoing basis in order to take account of changes in market conditions and their strategic view of long-term drivers of performance.

3.3. In addition to the LifePath Flexi Funds, there are two other default strategies under regulatory reporting requirements:

3.3.1. The Aegon BlackRock LifePath Capital Funds ("LifePath Capital"). This is a version of the LifePath target date funds that targets withdrawal of funds as a cash lump sum at retirement. This is the legacy default strategy which was retained for members who were within 10 years of their target retirement date when the default strategy was changed to the LifePath Flexi Funds.

3.3.2. The Replacement Cash Fund which is a deemed default. The Replacement Cash Fund invests in the same underlying building blocks as the Scheme's self-select cash fund (UK Bus Cash Fund) but has been created as a separate share class. Therefore, the UK Bus Cash Fund is not considered a default. The Trustee reviewed the use of this fund during the year and decided to redirect future contributions and accrued funds from the Replacement Cash Fund to LifePath Flexi. The Trustee communicated this decision to members and advised them they would need to make an active decision to have these funds and contributions invested elsewhere.

Review of the default investment arrangement

3.4. The strategy and performance of the default were formally reviewed over the previous Scheme year, and this review was concluded in May 2022.

3.5. The outcome of the review was that the Trustee believed that the default investment arrangements and the self-select fund range has performed in line with its stated aims and objectives and remains appropriate for the membership.

3.6. The membership analysis projected the DC savings of members of the DC Sections and compared the expected real outcomes against FCA retirement statistics and Joseph Rowntree affluence bands to reach the conclusion. The projected average real fund value was £52,480 for active members, which would indicate that a drawdown target endpoint would remain suitable for member needs.

3.7. The review also concluded that the LifePath Capital Funds remained suitable as a legacy default for the cohort of members invested in it as they were more likely to take their DC Section fund as a cash lump sum at retirement. This was because these members had smaller projected pot sizes and many also had DB benefits in the Scheme, where their DC Section fund could be used as tax-free cash.

3.8. No action to change the default strategy was taken off the back of the review.

3.9. The Trustee noted in the review that the Replacement Cash Fund, which became a deemed default when members contributions were diverted into it upon the suspension of the UK Bus Property Fund in early 2020, met its objective to provide capital preservation at a time of uncertainty. A full review of ongoing suitability of the fund was not undertaken as it has served its purpose and, with the resumption of trading of the UK Bus Property Fund, the Trustee has decided to move all monies to the default strategy unless members have made an alternative choice.

3.10. The Trustee monitors the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Scheme and do not constitute part of the formal review of the default, which ordinarily follows a three-year cycle.

Further information on investments

3.11. Details of the new default and legacy default are set out in the Statement of Investment Principles attached to this statement. The Statement of Investment Principles covering the DC Sections' default arrangements was last reviewed and updated in September 2020.

4. Net investment returns

4.1. This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Scheme Year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

4.2. We have provided the net investment returns to 31 March 2023 for the DC Sections below.

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Aegon BlackRock LifePath Capital (BLK) Class DL	1.88	0.51	0.49
Aegon BlackRock LifePath Capital (BLK) Class YL	1.93	0.56	0.54
Aegon BlackRock LifePath Capital 2022-2024 (BLK) Class Y	-3.09	2.82	2.06
Aegon BlackRock LifePath Capital 2025-2027 (BLK) Class Y	-6.12	4.31	2.74
Aegon BlackRock LifePath Capital 2028-2030 (BLK) Class Y	-8.11	6.07	3.53
Aegon BlackRock LifePath Capital 2031-2033 (BLK) Class Y	-9.44	7.22	3.90
Aegon BlackRock LifePath Capital 2034-2036 (BLK) Class Y	-8.83	8.48	4.44
Aegon BlackRock LifePath Capital 2037-2039 (BLK) Class Y	-8.19	9.80	5.02
Aegon BlackRock LifePath Capital 2043-2045 (BLK) Class Y	-6.82	12.46	6.12
Aegon BlackRock LifePath Capital 2046-2048 (BLK) Class Y	-5.91	13.60	6.63
Aegon BlackRock LifePath Capital 2049-2051 (BLK) Class Y	-5.71	14.27	6.90
Aegon BlackRock LifePath Capital 2052-2054 (BLK) Class Y	-5.20	14.73	7.07
Aegon BlackRock LifePath Capital 2061-2063 (BLK) Class Y	-4.88	14.92	7.20
Aegon BlackRock LifePath Flexi (BLK) Class Y	-10.74	2.17	1.74
Aegon BlackRock LifePath Flexi 2022-2024 (BLK) Class Y	-10.67	3.52	2.31
Aegon BlackRock LifePath Flexi 2025-2027 (BLK) Class Y	-10.22	4.81	2.85
Aegon BlackRock LifePath Flexi 2028-2030 (BLK) Class Y	-9.71	6.09	3.40
Aegon BlackRock LifePath Flexi 2031-2033 (BLK) Class Y	-9.39	7.24	3.92
Aegon BlackRock LifePath Flexi 2034-2036 (BLK) Class Y	-8.83	8.48	4.45
Aegon BlackRock LifePath Flexi 2037-2039 (BLK) Class Y	-8.19	9.81	5.04
Aegon BlackRock LifePath Flexi 2040-2042 (BLK) Class Y	-7.46	11.13	5.59
Aegon BlackRock LifePath Flexi 2043-2045 (BLK) Class Y	-6.82	12.46	6.14

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Aegon BlackRock LifePath Flexi 2046-2048 (BLK) Class Y	-5.91	13.60	6.63
Aegon BlackRock LifePath Flexi 2049-2051 (BLK) Class Y	-5.71	14.28	6.93
Aegon BlackRock LifePath Flexi 2052-2054 (BLK) Class Y	-5.20	14.74	7.14
Aegon BlackRock LifePath Flexi 2055-2057 (BLK) Class Y	-4.90	14.92	7.22
Aegon BlackRock LifePath Flexi 2058-2060 (BLK) Class Y	-4.89	14.91	7.21
Aegon BlackRock LifePath Flexi 2061-2063 (BLK) Class Y	-4.89	14.91	7.20
Aegon BlackRock LifePath Flexi 2064-2066 (BLK) Class Y	-4.89	14.91	7.20
Aegon BlackRock LifePath Flexi 2067-2069 (BLK) Class Y	-4.88	14.92	7.18
Aegon BlackRock LifePath Flexi 2070-2072 (BLK) Class Y	-4.88	14.93	7.14
Aegon BlackRock LifePath Flexi 2073-2075 (BLK) Class Y	-4.82	14.97	7.18
Aegon BlackRock LifePath Retirement 2025-27 (BLK) Class Y	-12.49	1.03	1.16
Aegon BlackRock LifePath Retirement 2028-30 (BLK) Class Y	-11.01	4.56	2.66
Aegon BlackRock LifePath Retirement 2031-33 (BLK) Class Y	-9.34	7.26	3.93
Aegon BlackRock LifePath Retirement 2034-36 (BLK) Class Y	-8.81	8.49	4.43
Aegon BlackRock LifePath Retirement 2037-39 (BLK) Class Y	-8.19	9.80	5.02
Aegon BlackRock LifePath Retirement 2040-42 (BLK) Class Y	-7.46	11.12	5.56
Aegon BlackRock LifePath Retirement 2043-45 (BLK) Class Y	-6.82	12.46	6.11
Aegon BlackRock LifePath Retirement 2046-48 (BLK) Class Y	-5.91	13.60	6.61
Aegon BlackRock LifePath Retirement 2049-51 (BLK) Class Y	-5.71	14.27	6.93
Aegon BlackRock LifePath Retirement 2052-54 (BLK) Class Y	-5.19	14.74	7.10
Aegon BlackRock LifePath Retirement 2055-57 (BLK) Class Y	-4.90	14.92	7.19
Aegon BlackRock LifePath Retirement 2058-60 (BLK) Class Y	-4.89	14.93	7.19
Aegon BlackRock LifePath Retirement 2061-63 (BLK) Class Y	-4.87	14.91	7.20
UK Bus Cash Class UB	1.88	0.51	0.49
UK Bus Corporate Bonds Class UB	-11.24	-3.76	-1.24
UK Bus Diversified Growth Class UB	-2.91	4.75	2.68

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
UK Bus EM Equity Class UB	-3.97	13.55	2.70
UK Bus ESG Equity Fund Class UB *	-1.68	-	-
UK Bus Global Equity Class UB	0.02	15.06	8.42
UK Bus Index Linked Gilts Class UB	-29.77	-10.70	-4.44
UK Bus Over 15 Year Gilts Class UB	-30.23	-17.04	-6.72
UK Bus Property Class UB	-16.14	1.55	1.32
UK Bus Shariah Global Equity Class UB	-3.47	16.22	14.37

* This fund was introduced into the Scheme in September 2021 so longer term performance is not available.

5. Core financial transactions

- 5.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 5.2. Core financial transactions comprise the following:
 - 5.2.1. investment of DC contributions.
 - 5.2.2. transfers into and out of the Scheme's DC arrangements.
 - 5.2.3. investment switches within the Scheme's DC arrangements.
 - 5.2.4. payments out of the Scheme's DC arrangements in respect of members.

Controls and monitoring arrangements – DC Sections

- 5.3. Over the Scheme year, the processing of the DC Sections' core financial transactions were largely undertaken by Aegon. Mercer, the administrators to the Scheme's Defined Benefit (DB) Section undertook some core financial transactions in relation to members with both DB and DC benefits.
- 5.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are as follows:
 - 5.4.1. The scope of Aegon's administration functions is recorded in detail in a process manual.
 - 5.4.2. The Trustee has established robust processes for Aegon's reporting to, and monitoring by, the Defined Contribution Committee (DCC). This quarterly reporting includes information on the timeliness of contribution payments and their investment, service provision, data protection breaches and complaints.
 - 5.4.3. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Aegon. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Aegon in respect of the DC Sections. Aegon undertakes to ensure that at a minimum, 95% of all tasks are completed within the defined SLAs. The agreed SLAs for the core financial transactions identified in 5.2 above are as follows:

Core financial transaction	SLA criteria
Investment of contributions	100% of the contribution schedules processed within 1 day of receipt. 100% of BACS payment then processed within 2 days.
Transfer into the DC Sections	95% within 5 days
Transfer out of the DC Sections	95% within 5 days
Investment switches	100% within 1 day
Payments out of the Scheme	Retirements have an SLA of 90% in 5 days Contribution refunds have an SLA of 95% in 5 days. Death claims have an SLA of 95% in 5 days.

5.4.4. The Trustee considers these reports in detail as a regular item at its quarterly DCC meetings.

5.4.5. Administration is also a substantive item at Trustee meetings.

5.4.6. Administration is captured as part of the Scheme's risk register and risks specific to the DC Sections are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions. This is reviewed regularly and updated annually.

5.4.7. Both Aegon and Mercer have robust internal controls procedures in place, e.g. Aegon has procedures in place to check validity of benefit payments.

5.4.8. The Scheme's annual report and accounts is externally audited.

5.4.9. Aegon reconciles after each transaction. Aegon has a daily checklist that is run by their dealing team to verify that all dealing activities are completed accurately and on a timely basis.

5.4.10. The Scheme's membership data is subject to an annual audit and data improvement processes, where required. Membership data is also reviewed after special data projects and prior to submitting the Scheme Return.

Performance during the scheme year

5.5. Aegon's performance against the agreed SLAs for the core financial transactions are set out below:

Core financial transaction	Quarter 2 2022	Quarter 3 2022	Quarter 4 2022	Quarter 1 2023
Investment of contributions (contribution schedule)	92%	100%	90%	100%
Investment of contributions (BACS payment)	100%	100%	100%	100%
Transfers in	84%	76%	87%	92%
Transfers out	99%	99%	99%	99%
Investment switches	96%	95%	100%	100%
Payments out (retirements)	95%	96%	97%	98%
Payments out (contribution refunds)	70%	73%	80%	97%
Death payments	85%	82%	88%	86%

5.6. Aegon's overall service performance was below its 95% target level for the first three quarters of the period, however did improve quarter-by-quarter and the overall target was achieved in Q1 2023. Aegon reported to the Trustee that they struggled with increased demand and staff recruitment challenges in the early part of the year, however implemented plans to resolve this which provided better results as the year went on.

- 5.7. The Trustee outlined its concerns to Aegon regarding the earlier performance, requested more regular service level reporting to enhance its monitoring and went to visit the administration service centre to gain a better understanding of the administration operation and to meet the people involved. The Trustee was comfortable with the steps Aegon took to resolve the servicing issues and was pleased to see performance improve throughout the year.
- 5.8. Aegon also provided the Trustee details of its monthly Net Promoter Score, a measure commonly used to gauge customer satisfaction. This increased from 0 in April 2022 to +33 in March 2023, reflecting how customer satisfaction improved over the year as servicing attainment increased.
- 5.9. Within its quarterly reporting, Aegon provided a summary of complaints upheld and how these have been resolved. The number of complaints received was 192 (an increase from the previous year) in the year.

AVC arrangements

- 5.10. The Trustee has delegated the administrative oversight of the separate AVC arrangements held with Prudential and Standard Life to Mercer.
- 5.11. Mercer reports back to the Trustee as part of the quarterly Trustee meetings with any specific issues relating to the administration of the separate AVC arrangements. Monitoring of core financial transactions relating to the AVC arrangements is challenging, as there is very limited reporting available from the providers.
- 5.12. No material issues were reported during the scheme year.

Trustee assessment of core financial transactions

- 5.13. In view of the controls and monitoring arrangements the Trustee believes that overall core financial transactions have not wholly been processed promptly, but have retained their accuracy. Overall, the Trustee is comfortable that contributions were regularly invested on time throughout the year but raised a concern with Aegon in relation to wider servicing of other work types in the early part of the year. The Trustee was pleased to see Aegon put resolution plans in place and that these led to an improvement in overall servicing (including for core financial transactions) as the year progressed. The Trustee intends to continue engaging with Aegon to ensure that the best possible service for members is delivered.

6. Member-borne charges and transaction costs

- 6.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
 - 6.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
 - 6.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges and transaction costs - DC Sections

- 6.2. The following table provides details of the charges and transaction costs applied to each of the investment options provided through the DC Sections split between the default strategies and self-select options. This data has been sourced from Aegon and covers the year to 31 March 2023.

Default Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Flexi Class Y	0.41%	0.0773%
Aegon BlackRock LifePath Flexi 2022-2024 Class Y	0.41%	0.0567%
Aegon BlackRock LifePath Flexi 2025-2027 Class Y	0.41%	0.0614%
Aegon BlackRock LifePath Flexi 2028-2030 Class Y	0.41%	0.0653%
Aegon BlackRock LifePath Flexi 2031-2033 Class Y	0.41%	0.0598%
Aegon BlackRock LifePath Flexi 2034-2036 Class Y	0.41%	0.0584%
Aegon BlackRock LifePath Flexi 2037-2039 Class Y	0.41%	0.0518%
Aegon BlackRock LifePath Flexi 2040-2042 Class Y	0.41%	0.0543%
Aegon BlackRock LifePath Flexi 2043-2045 Class Y	0.41%	0.0448%
Aegon BlackRock LifePath Flexi 2046-2048 Class Y	0.41%	0.0484%
Aegon BlackRock LifePath Flexi 2049-2051 Class Y	0.41%	0.0353%
Aegon BlackRock LifePath Flexi 2052-2054 Class Y	0.41%	0.0440%
Aegon BlackRock LifePath Flexi 2055-2057 Class Y	0.41%	0.0277%
Aegon BlackRock LifePath Flexi 2058-2060 Class Y	0.41%	0.0604%
Aegon BlackRock LifePath Flexi 2061-2063 Class Y	0.41%	0.0603%
Aegon BlackRock LifePath Flexi 2064-2066 Class Y	0.41%	0.0602%
Aegon BlackRock LifePath Flexi 2067-2069 Class Y	0.41%	0.0601%
Aegon BlackRock LifePath Flexi 2070-2072 Class Y	0.41%	0.0603%
Aegon BlackRock LifePath Flexi 2073-2075 Class Y	0.41%	0.0604%

Alternative Default Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Capital Class DL	0.33%	Not provided
Aegon BlackRock LifePath Capital Class YL	0.28%	Not provided
Aegon BlackRock LifePath Capital 2022-2024 Class Y	0.41%	0.0241%
Aegon BlackRock LifePath Capital 2025-2027 Class Y	0.41%	0.0424%
Aegon BlackRock LifePath Capital 2028-2030 Class Y	0.41%	0.0563%
Aegon BlackRock LifePath Capital 2031-2033 Class Y	0.41%	0.0372%
Aegon BlackRock LifePath Capital 2034-2036 Class Y	0.41%	0.0584%

Alternative Default Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Capital 2037-2039 Class Y	0.41%	0.0518%
Aegon BlackRock LifePath Capital 2043-2045 Class Y	0.41%	0.0448%
Aegon BlackRock LifePath Capital 2046-2048 Class Y	0.41%	0.0484%
Aegon BlackRock LifePath Capital 2049-2051 Class Y	0.41%	0.0353%
Aegon BlackRock LifePath Capital 2052-2054 Class Y	0.41%	0.0440%
Aegon BlackRock LifePath Capital 2061-2063 Class Y	0.41%	0.0603%
Replacement Cash Fund	0.33%	0.0132%

Self Select Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Retirement 2025-2027 Class Y	0.41%	0.0824%
Aegon BlackRock LifePath Retirement 2028-2030 Class Y	0.41%	0.0761%
Aegon BlackRock LifePath Retirement 2031-2033 Class Y	0.41%	0.0381%
Aegon BlackRock LifePath Retirement 2034-2036 Class Y	0.41%	0.0584%
Aegon BlackRock LifePath Retirement 2037-2039 Class Y	0.41%	0.0518%
Aegon BlackRock LifePath Retirement 2040-2042 Class Y	0.41%	0.0543%
Aegon BlackRock LifePath Retirement 2043-2045 Class Y	0.41%	0.0448%
Aegon BlackRock LifePath Retirement 2046-2048 Class Y	0.41%	0.0484%
Aegon BlackRock LifePath Retirement 2049-2051 Class Y	0.41%	0.0353%
Aegon BlackRock LifePath Retirement 2052-2054 Class Y	0.41%	0.0440%
Aegon BlackRock LifePath Retirement 2055-2057 Class Y	0.41%	0.0277%
Aegon BlackRock LifePath Retirement 2058-2060 Class Y	0.41%	0.0604%
Aegon BlackRock LifePath Retirement 2061-2063 Class Y	0.41%	0.0603%
UK Bus Cash	0.33%	0.0132%
UK Bus Corporate Bond	0.61%	0.0658%
UK Bus Diversified Growth	0.59%	0.4418%
UK Bus EM Equity	0.99%	0.1053%
UK Bus ESG Equity Fund	0.42%	0.0557%
UK Bus Global Equity	0.36%	0.0110%

Self Select Fund	Total Expense Ratio (TER)	Transaction Costs
UK Bus Index Linked Gilts	0.36%	0.0824%
UK Bus Over 15 Year Gilts	0.36%	0.0121%
UK Bus Property	1.01%	0.1007%
UK Bus Shariah Global Equity	0.65%	-0.0650%

6.3. In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

6.4. The Trustee has benchmarked the member charges to ensure the Scheme maintains competitively priced relative to the market. As part of this process, the Trustee has negotiated a reduction in charges which will be implemented over the next Scheme year.

AVC arrangements costs and charges – Prudential

6.5. Scheme members that hold AVC benefits with Prudential are invested in one, or a combination, of the funds below. Details of the charges and transaction costs quoted by Prudential for each of these funds is provided in the table below:

Fund name	TER	Transaction costs	Effective date [1]
Prudential Deposit Fund	Nil – taken into account in the interest payable to members	0.00%	30/09/2022
Prudential With-Profits Cash Accumulation Fund	No explicit TER as charges are deducted before bonuses are applied to members' benefits, however they are estimated to be in the region of 1%	0.20%	30/09/2022

[1] Prudential has only been able to provide transaction cost information as at 30 September 2022 in time for production of this statement.

AVC arrangements costs and charges – Standard Life

6.6. Scheme members that hold AVC benefits with Standard Life are invested in one or more of the below funds. Details of the charges and transaction costs quoted by Standard Life for each of these funds is provided in the table below:

Fund name	TER	Transaction costs	Effective date
Standard Life Managed Pension Fund	1.02% [1]	0.20%	31/03/2023
Standard Life Pension Millennium With Profits Fund	Standard Life does not quote an explicit TER for their range of with-	0.03%	31/03/2023

Fund name	TER	Transaction costs	Effective date
Standard Life Pension Millenium With Profits 2006 Fund	profits funds as charges are taken into account prior to the addition of bonuses.	0.03%	31/03/2023
Standard Life Pension With Profits Fund		0.05%	31/03/2023
Standard Life Pension With Profits One Fund		0.03%	31/03/2023

[1] Standard Life applies a member-specific discount to the quoted TER and as such this will vary between investors in the AVC arrangements.

Impact of costs and charges

6.7. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the appendix.

7. Value for members

7.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

7.2. The annual value for members analysis relating to the scheme year was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings were set out in a draft report dated 24 August 2023. The Trustee considered the draft report and confirmed its value for members assessment at a meeting on 7 September 2023.

7.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.

7.4. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.

7.5. Other services paid for by First Bus UK Plc ("the Company") were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the trustee board, with a duty to act in the best interest of members.

DC Sections

7.6. In relation to the DC Sections, the member-borne charges and transaction costs relate to administration, investment and communication services.

7.7. The assessment considered:

7.7.1. in relation to investment services:

7.7.1.1. the investment strategy, i.e. the range of investment options available and the design and suitability of the default investment arrangement

- 7.7.1.2. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
 - 7.7.1.3. the investment governance arrangements in place
 - 7.7.2. in relation to administration services:
 - 7.7.2.1. the general administration arrangements
 - 7.7.2.2. arrangements in relation to financial transactions
 - 7.7.2.3. data and record keeping practices
 - 7.7.3. in relation to communication services:
 - 7.7.3.1. the design of the communications strategy
 - 7.7.3.2. the quality of communications issued to members
 - 7.7.3.3. the degree of support provided to members
- 7.8. The Trustee concluded that the DC Sections provided excellent value for members on an Absolute basis and good value on a Relative basis. Therefore, overall it was agreed that the DC Sections provided good value for members in relation to the quality of services provided for the charges and transactions costs borne by members. There were no areas in which the DC Sections detracted value and in several areas the offering enhanced value.
- 7.9. Of particular note during the scheme year:
 - 7.9.1. The Investment Strategy Review was completed in May 2022 which concluded that the range of default strategies and self-select funds remained appropriate for members.
 - 7.9.2. The Trustee reviewed the use of the UK Bus Property Fund and the Replacement Cash Fund during the year. The Trustee wrote to members with the outcome of this review and explained that both future contributions and existing assets in these funds would be directed to the Scheme's default strategy unless members made an alternative investment choice.
 - 7.9.3. The Trustee ran communication campaigns during the year, including a member survey which sought feedback from members on items they would like to be included in the member newsletter as well as comments on the method, frequency and clarity of trustee communications. Responses were analysed and incorporated into planning for the newsletter when it was issued later in the year.
 - 7.9.4. The Trustee made some changes to the trustee website, including a refresh of the homepage and implementation of single sign on between the website and the Aegon and Mercer online portals. The Trustee also refreshed the investment guide to ensure currency and quality.
- 7.10. The assessment highlighted some areas where actions could be taken to improve absolute value for members further and the Trustee will consider the appropriateness of implementing these actions in the future.
- 7.11. The Trustee concluded that the DC Sections provide good value relative to other options in the market, e.g. compared with other schemes of this size and nature and other types of pension scheme available to the Company. The Trustee believed that the relative value could be improved and conducted a charges benchmarking exercise was conducted during the year. As a result of this, the Trustee negotiated a reduction in charges with Aegon which will be implemented in the next Scheme year and should increase relative value in the future.

AVC arrangements

- 7.12. In relation to the AVC arrangements, the member-borne charges and transaction costs relate to administration, investment and communication services.
- 7.13. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.
- 7.14. The Trustee concluded that the AVC arrangements offer reasonable value in relation to the charges and transaction costs borne by members. In reaching this conclusion, the Trustee recognised:
- 7.14.1. the range of investment options is limited
 - 7.14.2. the AVC providers offer basic administration services and limited performance reporting
 - 7.14.3. communication services offered by the providers are basic
 - 7.14.4. the costs are broadly in line with AVC arrangements of a similar size and closed nature
 - 7.14.5. members also benefit from the administration services provided by Mercer, whose costs are not borne by members.
- 7.15. The Trustee recognises that the size and closed nature of the AVC arrangements, as well as the inherent guarantees attached to many of the funds used, means that there is likely to be limited opportunities to improve VFM through a change of provider, therefore will continue to review these AVC arrangements to ensure they remain suitable for members.

8. Trustee knowledge and understanding

The Trustee Board

- 8.1. The First UK Bus Pension Scheme Trustee Limited, the Trustee, is a trustee company which comprised six Trustee Directors at the end of the scheme year. Three Trustee Directors are member nominated and three are appointed by the Company. Martin Carroll and Richard Soper acted as Joint Chairs of the Trustee over the Scheme year.
- 8.2. The Trustee operates a number of sub committees, whose powers and objectives are documented in each committee's terms of reference. This includes a DC Committee which meets quarterly to consider issues pertinent to the Scheme's DC arrangements. The DC Committee reports back to the full trustee board at each meeting.

Trustee knowledge and understanding requirements

- 8.3. Trustee Directors are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

Approach

- 8.4. All Trustee Directors are required to sign an individual Trustee Declaration of Fitness to act on an annual basis.
- 8.5. The Trustee Directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles, the Risk Register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the scheme year and access to professional advice.

- 8.6. The Trustee maintains a training log and consults with its professional advisers to identify any Trustee or individual Trustee Director training needs with a view to upcoming agenda items. The training needs are reviewed regularly by the Trustee to ensure they are relevant and DC focussed. Training is reviewed and logged at each quarterly Trustee meeting.
- 8.7. On an ad-hoc basis, the Trustee Directors take part in a Trustee Effectiveness Review which is run by one of the Co-Chairs.
- 8.8. Each Trustee Director in place during the Scheme year has completed all modules of the Pensions Regulator's Trustee Toolkit programme. Newly appointed Trustee Directors are expected to complete the Trustee Toolkit within six months of appointment.
- 8.9. Trustee Directors supplement the Scheme-specific training provided at Trustee meetings with activities such as attending seminars and conferences and reading pensions-related articles.
- 8.10. Additionally, the Scheme has in place a structured induction process for new Trustee Directors. Training is carried out by the Company Pension Team and there is a Trustee Induction Policy which sets out what is required of the Trustee Director. A new Trustee Director was appointed during the Scheme year and the induction process has been followed.

Activities over the scheme year

- 8.11. The Trustee has undertaken training sessions during the year on topics including but not limited to Task Force on Climate-Related Financial Disclosures (TCFD) requirements, cyber security and data protection, and DC decumulation options. The Trustee also receives updates on the market landscape and regulatory changes relevant to DC workplace pension schemes on a quarterly basis from their advisers and Aegon provide regular updates on developments to the services they provide to the Trustee and members.
- 8.12. The Trustee Directors reviewed the following documents:
 - 8.12.1. Business Plan
 - 8.12.2. Risk Register
 - 8.12.3. Annual member newsletter, investment guide and supplementary member communications.
 - 8.12.4. Annual report and accounts, including the Chair's DC governance statement and Implementation Statement.
 - 8.12.5. Documented objectives for its investment advisers in line with the CMA Order.
- 8.13. Several Trustee Directors attended external seminars and conferences run throughout the year.
- 8.14. The Trustee took professional advice in relation to:
 - 8.14.1. Strategic investment review, including a formal review of DC default arrangements.
 - 8.14.2. The suitability of the Statutory Money Purchase Illustration (SMPI) assumptions.
 - 8.14.3. A review of the ongoing suitability of the UK Bus Property fund and Replacement Cash Fund.
 - 8.14.4. Benchmarking the Scheme's charges against alternative options in the market.
 - 8.14.5. Value for members assessment.
- 8.15. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the DC Sections and the access to professional advisers,

ensures that the Trustee has sufficient knowledge and understanding in of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.

Assessment

- 8.16. The Trustee considers that the combined knowledge of the Trustee Directors, together with access to professional advice, enables it to properly exercise its Trustee functions in the following ways:
 - 8.16.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively
 - 8.16.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties
 - 8.16.3. The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

.....
Martin Carroll

Co-Chair

For and on behalf of The First UK Bus Pension Scheme Trustee Limited

Date

.....
Richard Soper

Co-Chair

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, Aegon has produced illustrations on behalf of the Trustee in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the DC Sections and the investment options offered were analysed in determining the parameters to be used.

A1.3. Pot size: pot sizes of £1,000, £4,500 and £11,500 have been used; these represent the 25th percentile, median and the 75th percentile of pot values (rounded to the nearest £500) of the DC Sections' members as at 5 April 2023.

A1.4. DC members: illustrations have been provided for members assuming total regular contributions of 8%.

A1.5. Pensionable salary: a starting pensionable salary of £21,000 has been used as this represents the median (rounded to the nearest £1,000) of active members of the DC Sections. Pensionable salary is assumed to grow at 3.5% per year.

A1.6. Timeframe: the illustrations are shown over a 51-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

A1.7. Investment options: the investment options selected for the illustrations are each default strategy, the highest charged fund and the lowest charged fund.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost
Aegon BlackRock LifePath Flexi Funds	Default strategy	-1.30% to 3.00%**	0.41%	0.06%
Aegon BlackRock LifePath Capital Funds	Legacy default strategy	-1.30% to 3.00%**	0.41%	0.06%
UK Bus Cash	Deemed default strategy and lowest charged fund	-1.30%	0.33%	0.01%
UK Bus Property	Highest charged fund	1.73%	1.01%	0.08%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2023 Statutory Money Purchase Illustrations (SMPs).

** The growth rate used for the LifePath funds varies through time based on the underlying asset mix

Guidance to the illustrations

A1.8. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.0% per year.

A1.10. Values shown are estimates and not guaranteed.

A1.11. The illustrations are presented in two different ways:

A1.11.1. For the default, a target date strategy, the illustrations should be read based on the number of years from the age of 18 until the member reaches their retirement age aged 68. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

A1.11.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Illustrations for a starting fund value of £1,000

A1.12. Note on how to read this table: If an active member aged 18 had £1,000 invested in the LifePath Flexi Fund, when they came to retire in 50 years (at age 68), the savings pot could grow to £189,258.56 if no charges are applied but to £167,805.68 with charges applied.

Years	Lifepath Flexi (Default Investment Option)		UK Bus Cash		UK Bus Global Equity		UK Bus Property	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	2703.09	2694.00	2640.07	2633.67	2719.96	2712.56	2695.29	2674.34
3	6277.01	6224.38	5929.48	5894.08	6386.67	6343.14	6242.51	6122.23
5	10083.87	9951.27	9233.41	9147.86	10373.02	10261.71	10006.67	9705.96
10	20696.90	20183.35	17573.65	17274.04	21884.40	21436.81	20433.08	19288.45
15	33033.49	31834.20	26061.52	25427.42	35915.57	34830.09	32447.65	29819.34
20	47310.07	45055.01	34738.86	33656.59	52910.60	50790.55	46236.62	41376.03
25	63767.52	60011.39	43648.70	42010.17	73386.09	69717.49	62005.80	54041.96
30	82673.73	76884.66	52835.57	50537.01	97942.62	92067.50	79982.42	67907.02
35	104326.46	95873.30	62345.60	59286.58	127278.09	118362.34	100417.35	83068.06
40	129056.55	117194.39	72226.88	68309.21	162202.95	149197.91	123587.37	99629.39
45	157231.34	141085.34	82529.59	77656.42	203657.96	185254.46	149797.70	117703.43
50	189258.56	167805.68	93306.37	87381.13	252734.68	227308.13	179384.75	137411.22
51	196165.27	173513.78	95523.43	89376.15	263572.66	236514.33	185739.35	141560.13

Years	Lifepath Capital (Default Investment Option)	
	Before Charges	After all charges
1	2700.29	2691.20
3	6258.07	6205.62
5	10033.57	9901.80
10	20492.05	19985.02
15	32544.61	31368.27
20	46378.34	44180.85
25	62199.98	58563.61
30	80237.87	74669.93
35	100744.09	92666.82
40	123996.78	112736.01
45	150302.70	135075.23
50	180000.01	159899.48
51	186378.58	165182.77

Illustrations for a starting fund value of £4,500

A1.13. Note on how to read this table: If an active member aged 18 had £4,500 invested in the LifePath Flexi Fund, when they came to retire in 50 years (at age 68), the savings pot could grow to £199,648.50 if no charges are applied but to £176,019.65 with charges applied.

Years	Lifepath Flexi (Default Investment Option)		UK Bus Cash		UK Bus Global Equity		UK Bus Property	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	6280.09	6254.23	6094.57	6076.44	6321.46	6300.40	6251.29	6191.79
3	10013.13	9908.19	9294.75	9225.19	10200.08	10113.33	9913.21	9674.84
5	13986.18	13762.95	12511.75	12370.94	14410.82	14223.52	13795.78	13294.08
10	25047.78	24334.47	20644.36	20242.10	26542.63	25921.35	24535.16	22966.91
15	37884.49	36354.98	28937.76	28160.65	41289.58	39906.35	36888.57	33590.42
20	52718.68	49978.37	37432.94	36173.57	59110.37	56536.59	51044.38	45242.05
25	69797.84	65373.19	46172.16	44327.99	80538.50	76221.69	67210.68	58005.32
30	89397.22	82723.94	55199.21	52671.45	106194.05	99429.90	85617.23	71970.17
35	111822.80	102232.57	64559.55	61252.14	136797.41	126696.16	106517.60	87233.51
40	137414.58	124119.96	74300.62	70119.26	173184.99	158631.34	130191.51	103899.72
45	166550.11	148627.65	84472.00	79323.25	216327.47	195932.57	156947.35	122081.28
50	199648.50	176019.65	95125.76	88916.07	267350.96	239395.16	187124.97	141899.28
51	206783.78	181869.09	97319.17	90886.00	278612.81	248904.71	193603.41	146070.57

Years	Lifepath Capital (Default Investment Option)	
	Before Charges	After all charges
1	6273.79	6247.95
3	9983.24	9878.63
5	13916.84	13694.87
10	24800.54	24095.70
15	37324.90	35823.16
20	51682.08	49008.76
25	68084.51	63795.77
30	86766.78	80340.21
35	107987.93	98811.89
40	132033.85	119395.64
45	159219.86	142292.49
50	189893.63	167721.08
51	196479.96	173131.17

Illustrations for a starting fund value of £11,500

A1.14. Note on how to read this table: If an active member aged 18 had £11,500 invested in the LifePath Flexi Fund, when they came to retire in 50 years (at age 68), the savings pot could grow to £220,428.37 if no charges are applied but to £192,447.58 with charges applied.

Years	Lifepath Flexi (Default Investment Option)		UK Bus Cash		UK Bus Global Equity		UK Bus Property	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	13434.09	13374.68	13003.57	12961.99	13524.46	13476.08	13363.29	13226.68
3	17485.37	17275.80	16025.29	15887.42	17826.91	17653.70	17254.62	16780.06
5	21790.82	21386.31	19068.42	18817.09	22486.42	22147.13	21373.98	20470.32
10	33749.54	32636.71	26785.79	26178.23	35859.11	34890.44	32739.34	30323.84
15	47586.50	45396.55	34690.25	33627.10	52037.61	50058.86	45770.43	41132.57
20	63535.91	59825.10	42821.11	41207.51	71509.91	68028.67	60659.88	52974.10
25	81858.48	76096.79	51219.09	48963.64	94843.32	89230.09	77620.44	65932.04
30	102844.21	94402.49	59926.51	56940.32	122696.92	114154.68	96886.85	80096.47
35	126815.49	114951.12	68987.46	65183.25	155836.06	143363.81	118718.11	95564.41
40	154130.64	137971.12	78448.09	73739.34	195149.07	177498.19	143399.79	112440.37
45	185187.64	163712.27	88356.81	82656.90	241666.50	217288.80	171246.65	130836.96
50	220428.37	192447.58	98764.53	91985.97	296583.51	263569.23	202605.42	150875.42
51	228020.81	198579.72	100910.64	93905.70	308693.10	273685.48	209331.54	155091.46

Years	Lifepath Capital (Default Investment Option)	
	Before Charges	After all charges
1	13420.79	13361.43
3	17433.56	17224.64
5	21683.36	21281.01
10	33417.53	32317.05
15	46885.47	44732.92
20	62289.58	58664.57
25	79853.57	74260.11
30	99824.58	91680.77
35	122475.62	111102.04
40	148107.98	132714.89
45	177054.17	156727.02
50	209680.86	183364.26
51	216682.73	189027.98