

GLEASON CUTTING TOOLS LIMITED SUPERANNUATION & LIFE ASSURANCE SCHEME (the Scheme)

1.0 Governance Statement

- i. As Trustees of Gleason Cutting Tools Limited Superannuation & Life Assurance Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:
 - Code of practice 13: Governance and administration of occupational defined contribution (DC) trust-based schemes
 - Regulatory guidance for defined contribution schemes.
- ii. Based on our assessment, the Trustee continues to work towards adopting the standards of practice set out in the DC code and DC regulatory guidance. The Trustee has agreed an action plan to ensure the Scheme achieves and maintains good practice standards and delivers better outcome for members at retirement. The action plan will be reviewed by the Trustee throughout the year. A key focus has been on ensuring that the Trustee is compliant with the General Data Protection Regulation, and remain so going forward.

2.0 Chair's Statement

i. Governance of the Default Arrangement

The Trustee has prepared a statement of the investment principles governing decisions about investments for the purposes of the default arrangement, which is set out below. This was reviewed alongside the Scheme's overall Statement of Investment Principles (SIP) which was signed in June 2019 and is available to members on request.

The Trustee regularly engages with the Scheme's investment consultants, Trigon Pensions Limited (Trigon), who obtain a commercially attractive cost for members and are able to review these costs against the wider defined contribution market. In September 2017, the Trustee considered the DC offering in greater detail at the Trustee meeting, including;

- a) Funds available including lifestyle strategies and corresponding risk ratings and fees
- b) A review of any changes made to funds over the course of the year
- c) Performance of the funds with an analysis of underperforming funds and comment on the ongoing suitability of the funds available. Particular focus was placed on the Default Fund. The Trustee is comfortable that performance of the default arrangement continues to be in line with the aim and objective of the Fund.
- d) Value for members was assessed
- e) DC flexibilities within the Scheme against the industry

ii. Objectives of the Default Fund

The Default Fund is the Balanced Lifestyle Fund (with Legal & General) which initially invests in the Multi-Asset (formerly Consensus) Index Fund. During the final 10 years, the profile gradually switches so that 75% is invested in the Over 15 Years Gilt Fund and 25% in the Cash Fund. The objectives of these funds is noted below:

The Multi-Asset (formerly Consensus) Index Fund aims to meet the criteria of the ABI Mixed Investment 40-85% Shares sector. The Fund is expected to have a level of risk which is equivalent to two thirds of the volatility of a global equity portfolio, over the long-term. This Fund is passively managed.

The objective of the Over 15 year Gilt Fund is to track the performance of the FTSE A Government (Over 15 Year) Index to within +/- 0.25% p.a. for two years out of three. This Fund is passively managed.

Finally, the objective of the Cash Fund is to perform in line with 7 Day LIBID, without incurring excessive risk. The Fund is actively managed, and holds sterling deposits with a range of high quality financial institutions. The Fund may also hold UK Treasury Bills or other short dated debt issued by the Government or other public sector bodies.

The aim of the lifestyle fund is to reduce the risk of members being inappropriately invested at retirement. In the early years, money is invested in funds with greater growth prospects. As retirement approaches, the individual's account will be gradually and automatically switched into lower-risk investment funds.

Over the course of the year, the Trustee reviewed the funds available to members and corresponding performance, with particular focus on the Default Fund. The reviews took place during the Trustee meetings rather than carrying out a written analysis. The next review of the DC arrangement is due to be carried out at the next Trustee meeting.

The Trustee is comfortable that the performance of the Default Fund remains consistent with the aims and objectives of the overall strategy. As the Trustee considers the Default Fund to remain appropriate, no change has been made to the default arrangement over the course of the year. The Trustee continues to consider this arrangement to be the most suitable for the membership as a whole.

iii. Expected Return of the Default Fund

The expected return of the Balanced Lifestyle Fund based on assumptions used to produce Statutory Money Purchase Illustrations is 4.6% p.a. inclusive of charges.

iv. Realisation of Investments

The assets held by the Investment Manager are readily marketable. Notice for realisation of assets can be given on any working day for any amount. All units issued by the Investment Manager and credited to the Trustee are redeemable at bid prices.

Any redemptions that are made will be disinvested using the authorised price on that given day plus any applicable charges.

v. Environmental, Social and Governance Considerations

The Trustee's duty is to act in the best financial interests of the Scheme's beneficiaries. This includes undertaking due diligence when appointing Investment Managers, by reviewing each potential Investment Manager's policies and procedures regarding Environmental, Social and Governance (ESG) issues. The Trustee believes that a considered approach to ESG issues can enhance the investment processes of the Investment Manager that they employ. They believe that responsibly managed companies are better placed to achieve a sustainable competitive advantage and provide strong long-term growth.

The Trustee expects the appointed Investment Manager, when assessing the financial

attractiveness and overall risk of any investment, to have due regard for all relevant issues, including the impact of social, environmental and ethical issues. The Investment Manager has provided a copy of their policies on this subject and the Trustee is satisfied with their approach to socially responsible investment.

The Trustee has delegated to their Investment Manager the exercise of corporate governance issues, including the exercise of voting rights to investments.

vi. Core Financial Transactions

The Trustee has a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC section of the Scheme are processed promptly and accurately. The Trustee delegates the processing of these transactions to a third party administrator, Trigon Pensions Limited, and their Investment Manager, Legal & General. The Trustee receives biannual administration reports from Trigon Pensions Limited including service levels (reporting on all services carried out by the Scheme's administrators). The Trustee is therefore able to monitor the timeliness of all core financial transactions and the service provided to members directly. An independent auditor undertakes an external audit of Trigon's administrative processes and controls (AAF 01/06) on triennial basis which provides further assurance to the Trustee. The Trustee has an Internal Controls Policy/ Risk Register in place to mitigate potential risks relating to core financial transactions and this is reviewed by the Trustee at least annually.

The Trustee bank account is monitored on a regular basis and all transactions are checked by a senior member of the team. In terms of processing core financial transactions, no issues were identified through the year and following the annual audit process.

vii. Charges and Transaction Costs

The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by the members of the DC section of the Scheme and the extent to which those charges and costs represent good value for money for members. Members pay the fees associated with their investments; the Company pays for all adviser costs.

The Annual Management Charge (AMC) for the Default Fund will depend on the underlying funds in which the member is invested (ranging from 0.10% p.a. to 0.25% p.a.). This is lower than the charge cap of 0.75% p.a. and the Trustee is satisfied that they have secured a good deal for members having taken advice from investment consultants who are familiar with industry standards and practices.

The AMCs for other funds utilised by members range from 0.10% p.a. to 0.70% p.a. as detailed in the below table:

Legal & General Funds	Fees as at 31 December 2018					
	AMC*	OCF [±]	TER [^]	Bid/mid spread (%)	Mid/offer spread (%)	Other fees
Global Equity (70:30) Index Fund	0.16	0.00	0.16	0.11	0.46	-0.01
Multi-Asset (Formerly Consensus) Fund	0.25	0.00	0.25	0.21	0.25	0.00
Property Fund	0.70	0.02	0.72	1.12	5.18	-0.01
Over 15 Year Gilts Index Fund	0.10	0.00	0.10	0.00	0.00	-0.03
Cash Fund	0.13	0.00	0.13	0.00	0.00	0.00

AMC: Annual Management Charge

TER: Total Expense Ratio and OCF: Ongoing Charges Figure - Is the total charges applied allowing for transition fees, stamp duty costs etc.

Bid/ offer spread - these represent the transition charges that are applied

With regards to LGIM's 'other fees' column, these consist of various charges such as broker costs, stamp duty etc. however also include the anti-dilution levy. This is the amount of benefit to the ongoing holders of the fund to offset the impact of transactions caused by cash flows into or out of the fund. This figure is a negative and for the funds below these have outweighed the other costs within the calculation.

Charges are disclosed to members via the Scheme's Member Booklet. Members are entitled to one investment switch per year without charge, additional switches may incur a fee. The level of charges and transaction costs applicable to the Default Fund and other funds available to members represents good value for members.

Overall, the Trustee is satisfied that the Investment Manager continues to offer a good level of service (and in turn, good value for members) in terms of investment administration and reporting, fund choice and overall charges. The Trustee therefore remains comfortable that Legal & General should continue to provide investment management services to the Scheme.

3.0 Member Illustrations

In accordance with the Occupational Pension Schemes (Administration and Disclosure) Amendment) Regulations 2018 and relevant statutory guidance, the Trustee has provided an illustrative example using the following elements.

We have provided the illustration for the Default Fund (where the most members are invested) and the Funds with the highest and lowest assumed investment returns.

i. Contributing members

The schedule below provides an indication illustration of the accumulated fund that might be available from the Scheme when a member retires at various time intervals.

The notes below indicate the assumptions used within the illustration to arrive at the accumulated fund.

The illustrations provide an indication of the values before any charges are incorporated and after all costs and charges are incorporated to assist in understanding the effect of all cost and charges.

Projected pension pot in today's money

Years	Fund Choice							
	Balanced Lifestyle Fund (default)		L&G Multi Asset (formerly Consensus) Fund		L&G Global Equity (70:30) Index Fund		L&G Over 15 Years Gilts Index Fund	
	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted
1	£37,700.00	£37,700.00	£38,100.00	£38,000.00	£38,300.00	£38,300.00	£36,900.00	£36,900.00
5	£49,500.00	£49,100.00	£49,800.00	£49,400.00	£50,100.00	£49,700.00	£48,600.00	£48,200.00
10	£65,700.00	£64,700.00	£66,100.00	£65,000.00	£66,400.00	£65,400.00	£64,700.00	£63,700.00
20	£104,100.00	£101,100.00	£104,600.00	£101,500.00	£105,000.00	£102,000.00	£102,800.00	£99,900.00
30	£152,000.00	£145,600.00	£152,600.00	£146,200.00	£153,100.00	£146,700.00	£150,400.00	£144,200.00
40	£211,800.00	£200,200.00	£212,600.00	£200,900.00	£213,200.00	£201,600.00	£209,800.00	£198,500.00

Notes:

- The projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of inflation.
- The starting pot size is assumed to be £35,000.00. This is the median pot size of members that are currently active in the Scheme.
- Inflation is assumed to be 2.5% each year.
- Contributions are assumed to be paid for the periods shown, start at £2,000 pa (i.e. the current median value of contributions in the Scheme) and increase each year in line with inflation measured by 2.5%.
- All values are estimates and cannot be guaranteed to apply for the future. What happens to your own individual circumstances may vary considerably from these general assumptions.
- It is also important to note that the amount of real accumulated fund will depend on the actual contributions paid, the way in which the fund is invested and the investment growth it achieves.
- The projected growth rates used for each fund are:

Balanced Lifestyle Fund (default)

Before charges: 4.80%

After all charges and costs deducted: 4.60%

L&G Multi Asset (formerly Consensus) Fund

Before charges: 5.75%

After all charges and costs deducted: 5.50%

L&G Global Equity (70:30) Index Fund

Before charges: 6.50%

After all charges and costs deducted: 6.34%

L&G Over 15 Years Gilts Index:

Before charges: 2.50%

After all charges and costs deducted: 2.40%

ii. No further contributions

The schedule below provides an indication illustration of the accumulated fund that might be available from the Scheme when a member retires at various time intervals.

The notes below indicate the assumptions used within the illustration to arrive at the accumulated fund.

The illustrations provide an indication of the values before any charges are incorporated and after all costs and charges are incorporated to assist in seeing the effect of all cost and charges.

Projected pension pot in today's money

Years	Fund Choice							
	Balanced Lifestyle Fund (default)		L&G Multi Asset (formerly Consensus) Fund		L&G Global Equity (70:30) Index Fund		L&G Over 15 Years Gilts Index Fund	
	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted
1	£10,200.00	£10,200.00	£10,300.00	£10,200.00	£10,300.00	£10,300.00	£10,000.00	£9,900.00
5	£11,100.00	£11,000.00	£11,600.00	£11,500.00	£12,100.00	£12,000.00	£10,000.00	£9,900.00
10	£12,400.00	£12,200.00	£13,600.00	£13,300.00	£14,600.00	£14,400.00	£10,000.00	£9,900.00
20	£15,500.00	£15,000.00	£18,600.00	£17,800.00	£21,500.00	£20,800.00	£10,000.00	£9,800.00
30	£19,400.00	£18,300.00	£25,500.00	£23,700.00	£31,500.00	£30,100.00	£10,000.00	£9,700.00
40	£24,200.00	£22,500.00	£34,800.00	£31,700.00	£46,200.00	£43,500.00	£10,000.00	£9,600.00

Notes:

- The projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of inflation.
- The starting pot size is assumed to be £10,000.00. This is the median pot size of members that are currently preserved in the Scheme.
- Inflation is assumed to be 2.5% each year.
- No further contributions are assumed to be paid.
- All values are estimates and cannot be guaranteed to apply for the future. What happens to your own individual circumstances may vary considerably from these general assumptions.
- It is also important to note that the amount of real accumulated fund will depend on the actual contributions paid, the way in which the fund is invested and the investment growth it achieves.
- The projected growth rates used for each fund are:

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After all charges and costs deducted: 5.50%

L&G Global Equity (70:30) Index Fund

Before charges: 6.50%

After all charges and costs deducted: 6.34%

L&G Over 15 Years Gilts Index

Before charges: 2.50%

After all charges and costs deducted: 2.40%

4.0 Trustee Knowledge and Understanding (TKU)

Martin Lakey has completed the Pensions Regulator's Toolkit. Over the course of the year, two new Trustees have joined the board with an Induction Checklist having been completed. There is a requirement for all Trustees to complete the Trustee Toolkit within 6 months of appointment. Trustees are also required to have a working knowledge of the Deed and Rules, the SIP and various other Scheme documentation.

The Trustee combines the knowledge and understanding of the board of Trustees, together with the advice which is available to them through their consultants and advisers, to enable them to properly exercise their function as Trustees of the Scheme.

Trustee training is a standing agenda item and is therefore discussed at every Trustee meeting. If any training needs are identified, these will be arranged as deemed appropriate by the Trustee. The Trustee maintains a training log which is updated throughout the year (as applicable) and is reviewed on an annual basis.

Signed: _____



Date: _____

12/6/2019.

Martin Lakey (Chair of Trustees)

Gleason Cutting Tools Limited Superannuation & Life Assurance Scheme