

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

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### 1. INTRODUCTION

1.1 I am pleased to present the Trustees' statement of governance for the year ending 31 March 2023. This statement describes how the Trustees have governed the Money Purchase Section of the Plan and the Additional Voluntary Contribution (AVC) arrangements within the Final Salary Section during the period. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

1.2 The Trustees note that the Plan does not provide "conventional" money purchase benefits because a defined benefit underpin is in place. This means that members' pension benefits at retirement from the Money Purchase section will be the better of:

- The value of their money purchase account in the Plan; or,
- Their defined benefit underpin.

Members are able to contact the Plan administrator for further information regarding the nature of their benefits.

1.3 The statement covers four principal areas:

1. Investment, including the Plan's default investment arrangements.
2. Internal controls, with particular focus on the processing of core financial transactions.
3. Value, including the charges and costs deducted from members' funds.
4. The knowledge and resources available to the Trustees, including how the Trustees maintained the statutory levels of knowledge and understanding to govern the Plan and how these help the Trustees to ensure that the Plan is governed effectively.

The Trustees considered the Pension Regulator's Guidance and statutory guidance when preparing this statement.

### 2. INVESTMENT ARRANGEMENTS

#### *Introduction*

2.1 A copy of the Plan's Statement of Investment Principles (SIP) in respect of the Money Purchase Section, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, is included within the Annual Report and is available online at [Bechtel-Money-Purchase-SIP](#). The SIP covers the Trustees' aims and objectives in relation to the investments as well as policies in relation to risk, diversification, and environmental, social, and governance (ESG) matters, including climate change.

2.2 Although the Plan is now closed, investments have historically been placed into default investment options, unless a member has made a specific choice about how their contributions are invested.

2.3 Following the last detailed review of the Money Purchase SIP in September 2020 (which led to the addition of new policies relating to the arrangements with the Plan's asset managers), there were no changes to the SIP during the Plan year covered by this Statement, as there were no changes to the overall investment principles and policies. The next review of the SIP is scheduled for the Q3 2023.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

### (continued)

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#### 2. **INVESTMENT ARRANGEMENTS (continued)**

##### *Current Default Investment Arrangements*

- 2.4 In summary, the default arrangements that were in place when the Plan was open were designed to be broadly appropriate for members who intend to take a proportion of their funds as cash at retirement (within current tax-free cash regulations) and to purchase an annuity with the balance. The default options include "lifestyling" arrangements to de-risk investments to an asset allocation, at retirement, designed to be appropriate for these benefits. There were no changes to the default investment option during the period.
- 2.5 The growth phase of the strategy invests predominantly in a diversified range of assets, including global equities, bonds, and alternative assets such as property. Overall these investments are expected to provide long term (above inflation) growth with some protection against inflation erosion, albeit with volatility.
- 2.6 As a member approaches retirement, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over the ten-year period prior to a member's retirement date. Investments are switched into a mix of money market investments (for capital preservation purposes) and UK Government bonds (to provide a broadly appropriate match to short-term annuity price movements).

##### *Strategic Review of Default Investment Arrangement*

- 2.7 The Trustees review the appropriateness of the legacy default investment arrangements at least triennially, or after significant changes to the Plan's demographic. The last strategic review of the default strategy commenced in November 2020 and was completed in 2021. The next review will take place during the second half of 2023.

##### *Investment Governance*

- 2.8 Between our triennial strategic reviews, investment performance and risk-based monitoring of the funds used in the legacy default investment arrangement is carried out each quarter, primarily by reviewing the investment report provided by the investment manager for the legacy default, Legal & General Investment Management ("L&G").
- 2.9 The Trustees also meet with L&G, typically annually, to discuss performance, costs and charges, and future developments.

##### *Net Investment Returns to 31 March 2023*

- 2.10 From 1 October 2021, the Trustees are required to calculate and state the return on investments from the Plan's default and self-select funds, net of transaction costs and charges. This information must be recorded in the Chair's Statement and published on a publicly accessible website.
- 2.11 Investment returns after charges and costs for the funds available to members during the year are provided in the following tables. For the default strategy, the analysis assumes a retirement age of 65 and its performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle strategy that is in place, with the weightings as at the ages shown.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

### (continued)

## 2. INVESTMENT ARRANGEMENTS (continued)

- 2.12 Note, 20-year returns (and in some cases, returns over shorter periods) are not available because a number of the Plan's funds were only launched by the investment manager or added to the Plan more recently. Where practical, underlying pooled fund returns are provided. Data is not available for the Friends Life With Profits Fund, as returns from this fund are based on bonuses and guarantees and vary by individual.
- 2.13 As context, the year to 31 March 2023 was a very volatile year for investment markets. Global equities produced a return over the year of -5.0% (in local currency), whilst long dated inflation linked UK Government bond markets returned -30.4%. Few investment markets and regions were spared from concerns around inflation, geopolitical tensions such as the war in Ukraine, and the ongoing economic impact of the pandemic.

Default arrangement: Lifestyle Strategy Returns (Net of Fees) % p.a.			
	1 year	5 years	10 years
Up to age 55 (growth phase)	-4.7	3.8	5.4
Age 60 (part way through de-risking)	-14.1	-0.6	2.9
65 (based on the "at retirement" asset allocation)	-23.4	-5.1	0.5
All funds available to members - Returns (Net of Fees) % p.a.			
L&G Multi-Asset (was Consensus Index)	-4.7	3.8	5.4
Global Equity (70:30) Index	1.7	6.6	7.3
L&G Over 5 year Index-Linked Gilts	-30.5	-4.2	1.5
L&G Over 15 year Fixed Interest Gilts	-29.8	-6.5	0.5
L&G Cash	2.1	0.6	0.4
L&G Diversified	-5.1	4.0	5.5
Aviva BlackRock UK Equity Index Tracker	2.1	4.8	5.2
Aviva Stewardship	1.6	5.2	5.9

Source: Investment managers. Returns for the default investment arrangement based on the default strategy that was historically in place when the Plan was open to contributions, for members joining post 1999.

## 3. INTERNAL CONTROLS AND CORE FINANCIAL TRANSACTIONS

### *Introduction*

- 3.1 The Trustees have appointed a professional third party administrator, Isio Total Reward and Benefits Ltd.
- 3.2 The Trustees have received assurance from the administrator (and has taken steps to seek to ensure) that there were adequate internal controls to ensure that core financial transactions were processed promptly and accurately during the year in accordance with regulation 24 of the Regulations. This includes processing of transfers in and out of the Plan, transfers of assets between different investments, and payment of benefits to members (the Plan is closed and therefore no contribution processing takes place in respect of the Money Purchase Section). Our governance arrangements in this regard are documented below.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

### (continued)

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#### 3. **INTERNAL CONTROLS AND CORE FINANCIAL TRANSACTIONS (continued)**

##### *Administration*

- 3.3 The Trustees have established Service Level Agreements (SLAs) with the administrator, which are monitored by the Trustees. The SLAs cover both accuracy and timeliness of core financial transaction processing, and the Trustees meet with the administrator at Trustee meetings in order to review administration service levels and related matters. It should be noted that given the hybrid nature of the Plan and the fact that the benefits are not traditional DC benefits owing to the underpin described earlier, SLAs are not split between Final Salary Section activities and Money Purchase Section activities.
- 3.4 The Trustees receive Plan administration reports, including SLA details, each quarter, and review these at quarterly Trustee meetings. Administration reporting runs from April to April and during the period to 30 April 2023, the average percentage level of SLAs achieved stood at 100% (this figure was 99% in the year to 30 April 2022).
- 3.5 The administrator's reports are used by the Trustees to verify that transactions are performed in line with the SLAs and to determine if there have been any administration errors or unreasonable delays. Where procedures are outside of agreed SLAs or there are any significant errors or delays, the administrator provides an explanation of what has happened and how it has been corrected.
- 3.6 The administrator provides an AAF 01/20 Report every year, the AAF 01/20 Report 2022 was provided on 27 November 2022.
- 3.7 Member data spot-checks are carried out periodically and any inconsistencies addressed through close working between the administrator and in-house teams at Bechtel Limited.
- 3.8 Other processes that have been established with the administrator to assist the Trustees in monitoring the processing of core financial transactions include:
- The administrator's accounts team perform a monthly peer reviewed reconciliation of all transactions.
  - The administration team regularly monitor the account in between monthly reconciliation times. There is working knowledge within the administration team of the inflows expected, and what is being paid out, and will monitor this appropriately. This can involve checking the account multiple times per day when needed.
  - The administration team produce a monthly cashflow forecast which is peer reviewed. This projects the cashflow requirements for the coming month and will include retaining an agreed float for unknown / unexpected payments.
  - The administration team have set procedures to authorise payments out, with at least two signatories on all transactions, and varying degrees of authority depending on the amount.
  - All transaction contract notes are reviewed and peer reviewed.

##### *Broader Controls*

- 3.9 The Trustees have taken steps to ensure that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer. In March 2020 as the pandemic triggered a UK-wide lockdown, business continuity plans were tested, and we are pleased to confirm that the smooth running of the Plan continued throughout the period.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

### (continued)

#### 3. INTERNAL CONTROLS AND CORE FINANCIAL TRANSACTIONS (continued)

3.10 A risk register is maintained and monitored, which includes risks in relation to core financial transactions and Plan data. The risk register considers the impact, likelihood, controls and mitigation steps for each risk and is monitored and reviewed regularly. Target risk scores are in place, and where a risk falls short of target, an action plan is put in place.

3.11 The Trustees have appointed a professional firm to undertake an annual audit.

#### *Conclusion*

3.12 I am pleased that in the Plan year there have been no material administration service issues which need to be reported here. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with promptly and accurately, meeting the requirements of regulation 24 of the Regulations.

#### 4. VALUE, CHARGES AND TRANSACTION COSTS

4.1 Charges and transaction costs applicable to the funds available to members of the Money Purchase Section are detailed in this section. The Plan is not used for auto-enrolment, and never has been, and as such the charge cap is not a legislative requirement.

4.2 In relation to transaction costs, note that when buying and selling investments, transaction costs can be incurred. Such costs are not explicitly deducted from a fund but are captured in its performance (i.e., the higher the transaction costs, the lower the returns). The FCA provides guidance regarding calculation and disclosure of transaction costs. Due to the way in which these costs must be calculated, they can be negative or positive; a negative figure is effectively a gain from trading activity, whilst a positive figure is a cost from trading activity.

4.3 Funds used as part of the default investment option are shaded in blue.

Fund	Total Expense Ratio %	Transaction Costs %
L&G Multi-Asset (was Consensus Index)	0.26	0.04
L&G Over 5 year Index-Linked Gilts	0.10	0.21
L&G Over 15 year Fixed Interest Gilts	0.10	0.19
L&G Cash	0.12	0.04
L&G Global Equity (70:30) Index	0.22	0.04
L&G Diversified	0.32	0.00
Aviva BlackRock UK Equity Index Tracker	0.50	0.12
Aviva With Profits*	0.50	0.06
Aviva Stewardship	0.50	0.06

Source: L&G, Aviva. As at 31 March 2023. Total expense ratios reflect all costs of managing a fund, including investment, legal, fund auditor fees and any other expenses within the fund.

\*The total cost of investment in a with profits fund will vary by member and is unknown until a member disinvests. Costs & charges stated for this fund do not include the cost of guarantees.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

### (continued)

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#### 4. **VALUE, CHARGES AND TRANSACTION COSTS (continued)**

4.4 The Trustees have assessed the extent to which the charges and transaction costs set out above, alongside other elements of the Plan, represent good value for members (noting the data limitations described above) and have concluded, in consultation with its independent DC adviser, that **the Plan offers good value for members**. The assessment process includes benchmarking analysis (for example, relative to funds managed by different investment managers) and consideration of the Plan relative to alternative options available in the market with different investment managers, governance structures and providers. The Value for Members framework considers:

- Investment management charges.
- Transaction costs (wider industry data has not been compared as it does not exist).
- Net of fees performance.
- Nature of the benefits, and in particular the underpin benefits.
- Administration service standards.
- Investment design and range, including the fund choice offered to members and the capabilities of the appointed fund managers, including in respect of integration of environmental, social and governance considerations.
- Governance arrangements, including Trustee record keeping and documentation, meeting frequency and format, and Trustee board diversity.

4.5 The Trustees have also considered the expectations set out in The Pensions Regulator's DC Code in relation to value for members and incorporated these considerations in their governance processes.

#### *Impact of Costs and Charges*

4.6 Using the charges and transaction cost data provided by the investment managers and in accordance with Regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member on their retirement savings pot. Statutory guidance has been considered when providing these examples.

4.7 To represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following:

- Default investment arrangement (which is also the most popular option)
- The self-select fund with the highest total charges (Aviva BlackRock UK Equity Index Tracker)
- The self-select fund with the lowest total charges (L&G Cash Fund).

4.8 The illustrations take into account the following:

- Typical savings pot size, for the age of the youngest members in this section of the Plan.
- The fact that the Plan is closed and no contributions are being paid.
- Real terms investment returns gross of costs and charges, adjusted for the effect of costs and charges (using assumptions made in the Plan's Statutory Money Purchase Illustrations).
- Adjustment for the effect of costs and charges over time.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

(continued)

#### 4. VALUE, CHARGES AND TRANSACTION COSTS (continued)

*Illustration of the Impact of Costs and Charges*

Age	Most popular fund: The default investment strategy		Highest cost fund: Aviva BlackRock UK Equity Index Tracker		Lowest cost fund: L&G Cash	
	Pot size with no charges incurred	Pot size with charges incurred	Pot size with no charges incurred	Pot size with charges incurred	Pot size with no charges incurred	Pot size with charges incurred
42	£36,091	£35,986	£36,292	£36,075	£35,381	£35,332
43	£37,005	£36,789	£37,418	£36,971	£35,562	£35,464
44	£37,942	£37,611	£38,578	£37,890	£35,745	£35,597
45	£38,902	£38,450	£39,775	£38,831	£35,929	£35,731
46	£39,887	£39,309	£41,009	£39,796	£36,113	£35,864
47	£40,897	£40,186	£42,281	£40,785	£36,298	£35,999
48	£41,932	£41,083	£43,592	£41,799	£36,485	£36,134
49	£42,994	£42,001	£44,944	£42,838	£36,672	£36,269
50	£44,082	£42,938	£46,338	£43,902	£36,860	£36,405
51	£45,198	£43,897	£47,776	£44,993	£37,050	£36,541
52	£46,343	£44,877	£49,258	£46,111	£37,240	£36,678
53	£47,516	£45,879	£50,786	£47,257	£37,431	£36,816
54	£48,719	£46,903	£52,361	£48,431	£37,623	£36,954
55	£49,952	£47,950	£53,985	£49,635	£37,816	£37,092
56	£51,138	£48,952	£55,660	£50,868	£38,011	£37,231
57	£52,271	£49,904	£57,386	£52,132	£38,206	£37,371
58	£53,347	£50,803	£59,166	£53,428	£38,402	£37,511
59	£54,361	£51,645	£61,001	£54,756	£38,599	£37,651
60	£55,308	£52,427	£62,893	£56,116	£38,797	£37,792
61	£56,184	£53,145	£64,844	£57,511	£38,997	£37,934
62	£56,985	£53,797	£66,856	£58,940	£39,197	£38,076
63	£57,708	£54,379	£68,929	£60,405	£39,398	£38,219
64	£58,349	£54,889	£71,068	£61,906	£39,600	£38,362
65	£58,905	£55,325	£73,272	£63,444	£39,804	£38,506

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from the administrator. The assumed youngest member age is therefore age 42, with a normal retirement age of 65, using a starting pot size in line with the Plan average. The member is assumed to be making no further contributions to the Plan.
4. Inflation is assumed to be 2.5% per annum and return assumptions are in line with the Plan's SMPI assumptions.
5. The Regulations require that where possible the transaction costs assumed are based on an average of the previous 5 years' transaction costs, where available. As L&G and Aviva were unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 5 year period to 31/03/2023.

#### 5. TRUSTEE KNOWLEDGE AND UNDERSTANDING

- 5.1 The requirements under section 247 of the Pensions Act 2004 (requirement for knowledge and understanding) have been met during the Plan year by the Trustees as a body in dealing with the whole Plan (not just the Money Purchase Section).
- 5.2 The Money Purchase and AVC arrangements are discussed at every Trustee meeting, with dedicated time on the agenda.

# Bechtel Limited Pension Plan

## Chairman's Statement for the year ended 31 March 2023

(continued)

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### 5. **TRUSTEE KNOWLEDGE AND UNDERSTANDING (continued)**

- 5.3 The Trustees have put in place arrangements for ensuring each Trustee takes responsibility for keeping up to date with relevant developments and consider training needs. Training logs are maintained for each Trustee and training is provided regularly during quarterly meetings, on a bespoke basis, tailored to issues that arise on the Trustees' business plan.
- 5.4 As part of the induction process, Trustees receive training on Plan documents, including the Trust Deed and Rules, the SIP, and other policy documents, as well as on the law relating to pensions and trusts and the relevant principles relating to investments. Part of this training is usually provided by the Plan's legal advisers, who ensure that it is up to date. The Trustees maintain a working knowledge of these documents, and receive updated training from professional advisers when these documents are reviewed and amended.
- 5.5 The Trustees seek to identify any knowledge and skills gaps through ongoing self-evaluation and by working with their advisors on training needs.
- 5.6 The Trustees are conversant with, and have a working knowledge of the Trust Deed and Rules, all documents setting out the Trustees' current policies and the SIP, including the requirements that came into force from October 2020 in relation to our policies in relation to investment manager arrangements.
- 5.7 In addition, the Trustees receive advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers.
- 5.8 The Trustees consider topical updates from its DC advisor at each Trustee meeting. During the year, topics considered that supported Trustee knowledge and understanding included and conversance with the Plan:
- Considerations relating to the new General Code of Practice from the Pensions Regulator (April 2022 meeting).
  - Training from the main DC investment manager, L&G, on environmental, social, and governance (ESG) matters, including climate change and "net zero" emissions targets (June 2022 meeting).
  - Training on the changes to the requirements around setting strategic objectives for the Plan's investment advisers (December 2022 Trustee meeting).
  - The Trustees attended various external pension related webinars provided by their advisers and other industry organisations during the year.
- 5.9 Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are enabled properly to exercise their function as a Trustee board.



# Bechtel Limited Pension Plan Chairman’s Statement for the year ended 31 March 2023 (continued)

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6. **STATEMENT OF DC GOVERNANCE**

6.1 The Trustees consider that our systems, processes and controls across key governance functions are consistent with those set out in DC Code of Practice.

Signed for and on behalf of the Trustees of the Bechtel Limited Pension Plan

J Cochrane

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Chair

*Note that the Trustees have processes in place to publish this statement on a publicly accessible website, and will comply with the requirements to notify members about this statement in their annual benefit statements.*

6 October 2023