

VALUE FOR MONEY.

STATEMENT OF INTENT



INTRODUCTION.

From April 2015 new governance standards apply to all occupational defined contribution schemes. Trustees are now required to provide a governance statement within the scheme's annual report and accounts, setting out how the Trustees will meet these minimum governance standards.

The Trustees are required to:

- Design default arrangements in the best interests of the scheme members and keep these under review
- Ensure that core financial transactions are processed in a timely and accurate manner
- Assess whether member borne costs and charges represent good value.

This document acts as a statement of intent as to how the Trustees of the Mastertrust will assess whether the Mastertrust provides good value for its members and is a summary of the approach the Trustees will take.

PRICE.

Members invested in auto enrolment qualifying default funds must have total charges – Annual Management Charges (AMC) + Fund Management Charges (FMC), but excluding transaction costs – below 0.75%.

The pricing structure must be clear – an AMC and FMC which members can add together to see the total cost.

Non-transitional transaction costs should be at an appropriate level commensurate with the objectives of the fund, its performance, market conditions and associated trading activity. The Trustees objective is to ensure such costs are minimised and we will make a determination and request an explanation from LGIM, or the fund manager, if we feel the level of transaction costs is unjustified.

Charges for drawdown and for uncrystallised funds pension lump sum (UFPLS) should be assessed with regard to market average rates, including minimum values at which options are made available. Where charges are set at levels which are materially above those rates, the Trustees will assess whether the level of service being provided for those charges is justified, or request that the charges are reduced.

DEFAULT INVESTMENT STRATEGIES.

The Trustees will review all default investment strategies on a triennial basis, in line with the Statement of Investment Principles (SIP), ensuring that they are designed and executed in members' interests and have clear statements of aims and objectives.

RETURNS.

All active funds should have a target return which shows a positive benefit for the risk the member is taking. Passive funds will be expected to show benchmark returns within a tracking error set out in the fund objectives.

Actual returns over rolling 5 year periods should show the performance (net of charges) in line with benchmarks for passive funds and the positive relationship between risk and return outlined above for active funds. Funds not meeting this target will be subject to review by the Investment Committee.

FLEXIBILITY.

Members should be able to access all opportunities ordinarily made available by competitors of Legal & General for taking their pension benefits without having to transfer to other products. If a member requests a transfer, no specific transactional charges for processing the transfer should apply (over and above any charges that would be applied for accessing any in-scheme options), and a process should be in place to ensure any period of time where the funds are out of market is minimised.

Set up charges for drawdown arrangements should be assessed with regard to market average rates. Where the charges materially exceed those rates, the Trustees will assess whether the service being provided justifies those charges.

ADMINISTRATION.

Service standards should be set for all major service elements and these should be published on the Trustees' website. Those service elements are defined on the Service Schedule.

Performance against these service standards should also be published every six months in the same way. Service standards should be met in 95% of cases. Failure to meet this test in two consecutive periods will result in the Trustees' review of the suitability of the administration provider.

Members should increasingly be able to access information, as appropriate, and make changes to their pension arrangements via a number of methods, including digital means whenever financially viable and technologically practicable. Legal & General's current digital proposition should be reviewed continually for enhancements.

COMMUNICATION.

Members should have access to information about their pension arrangements and the choices they have in a manner they can understand, and by a variety of media.

We will look for core communications to be tested through member focus groups.

Mastertrust members will receive communications at certain life stages designed to prompt them to review their choices. These will be set out in the service standards published on the website.

GENERAL.

We will undertake the Mastertrust Assurance Framework in 2016 and annually thereafter.

TESTING.

Each year from 2016 we will carry out a survey, run by an independent body, to assess whether members believe they are receiving services which provide them with value for money and to highlight areas for potential improvement. Where possible, we will also utilise the results from any prior surveys conducted by Legal & General.

We will also continue on a regular basis to liaise with sponsoring employers to seek their views on value for money for their employees and service issues.

A member forum will be held each year to allow members to find out more about their pension arrangements and to ask questions of the Trustees.

Member feedback will also be encouraged via digital means.



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Administrator:

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We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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