Piramal Healthcare
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2019 Annual Chair's Statement for the Piramal Healthcare UK Pension Fund (Defined Contribution Section) ("the Fund")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") were amended by the Occupational Pension Scheme (Charges and Governance) Regulations 2015 (the "Regulations") which introduced new minimum governance standards that apply to all trust-based Defined Contribution (DC) schemes, such as the Fund.

The requirements include ensuring that schemes:

- meet the new governance standards,
- explain how they have done so in an annual statement (i.e. this "Chair's statement"),
- have an appointed Chair who signs the annual statement, and
- are compliant with the new charge controls where they are being used by employers to comply with their duties under automatic enrolment legislation.

The trustee body of any registered pension scheme providing DC benefits must have a chair of trustees who will have a single additional regulatory responsibility compared to other trustees, which is to sign off on an annual Chair's statement, which should be included in the annual report.

This is the fifth Fund Chair's statement which covers the period from 1 January 2019 to 31 December 2019 and describes how the Trustee of the Fund has met the statutory, governance and charge requirements in relation to:

- The Default Investment Strategy,
- Processing of core financial transactions
- Charges and transaction costs paid by members
- Value for Members assessment, and
- Trustee knowledge and understanding.

Piramal Healthcare UK Limited ("the sponsoring employer") in conjunction with the Trustee, has undertaken a comprehensive review of its UK pension arrangements to ensure the sponsoring employer's pension provision remained suitable for all UK employees.

Following this review, it was decided to close the Fund to future contributions on 30th September 2019 and automatically enrol all "pure DC" members (including all employed members) into a new pension scheme, the Aon Master Trust, as this was assessed by the Trustee as being a better option. This was also agreed with the sponsoring employer, who consulted with employees during the year on the proposed change of future contributions being paid to the Aon Master Trust. The primary reasons for this change were to improve member account access, communications, and education, to improve member support at retirement, and to provide a drawdown option that does not require a member to leave the scheme.

From 1 October 2019, pensions contributions were paid to the Piramal Section of the Aon Master Trust and in November 2019, all "pure DC" members were bulk transferred into the Aon Master Trust. This left a small group of 39 members in the Fund and so a second intended change is to switch to an alternative investment platform and investment strategy during 2020 for those remaining members and also change the administration provider; this is to enable similar improvements for those members and provide a more suitable default strategy. Ahead of these proposed changes, the existing investment options are being maintained. A membership survey was undertaken in Q1 2020 to help inform the new investment strategy.

Considering the significant reduction to the Fund's membership over the year under review and the changes planned for the coming year, a pragmatic approach has been taken to governance of the Fund during this period.

1. The Default Investment Strategy

The Trustee is responsible for investment governance. This includes setting and monitoring the Fund’s Default Investment Strategy which is provided for members who join the Fund and do not make an active investment choice for their contributions. Members can also choose to invest in the Default Investment Strategy if they so wish.

The ‘Drawdown Lifestyle Strategy’ is the Trustee's Default Investment Strategy and has been designed for members who wish to retain flexibility in the form in which they take their benefits at retirement, by transferring to a flexible income drawdown product

The aim of the Drawdown Lifestyle Strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to equity funds and then to gradually diversify their investments in the years approaching retirement to reduce volatility, and provide a broad base of assets from which members can draw income (albeit the Trustee acknowledges that the member would need to transfer their retirement savings to an external arrangement in order to access this facility) .

The default Drawdown Lifestyle Strategy consists of an accumulation phase, a transition phase (beginning 10 years from a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age). In broad terms the accumulation phase focuses on growing the value of the members’ funds and the latter phases switch funds into investments with a greater protection focus.

In addition to the Default Investment Strategy there are a further two investment strategies available to members and 9 self-select funds (reduced by one during the year).

The latest Statement of Investment Principles (SIP) for the Fund, which governs decisions about investments in the Fund, including details of how the Drawdown Lifestyle Strategy is currently invested, is appended to this statement.

It is the Trustee's policy to review the Fund's investment options, including the funds underlying the default strategy, on a regular basis. Performance of the funds underlying the default strategy of the Fund has been monitored during the period under review on a quarterly basis and reported through the Fund's quarterly monitoring report. Additionally, analysis of the Default Lifestyle Strategy, to assess changes in projected member retirement outcomes over time was last formally reviewed in March 2018. The Trustee took the view that with the bulk transfer planned for late 2019, and the remaining membership having a very different profile, there was limited benefit in repeating that review during 2019.

An investment strategy review is undertaken for the Fund at least every three years, as prescribed by the Regulations. The last investment strategy review, including a review of the funds underlying the default strategy, was completed on 7 March 2017. Following this review, changes were made to the Adventurous Fund (one of several funds underlying the default strategy), to help improve retirement outcomes for members. These were as follows:

- Reduction in the allocation to UK equities;
- Replacement of the non-currency hedged overseas equity allocation with a currency hedged alternative; and
- Introduction of new allocations to emerging market equities and alternative weighted equities.

2. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- investment of contributions to the Fund;
- transfer of member assets into and out of the Fund;
- transfers between different investments within the Fund; and
- payments to and in respect of members.

Piramal Healthcare UK Limited paid contributions to the Fund up to September 30th, 2019, after which contributions were paid into the Aon Master Trust on behalf of all employed members. The timing of such payments was monitored by the Trustee through reports submitted regularly by the Fund's administrator, Willis Towers Watson.

The Trustee has a service level agreement (SLA) in place with Willis Towers Watson, which covers both timeliness and accuracy of financial transactions. Those covered by the agreement include;

- pension payments, by the due date each month
- pension increases, by November 1st each year *
- pensioner payroll reconciliation, monthly
- bank receipts, checked daily
- payment of benefits and invoices as required, daily
- ensuring cleared funds match benefit and other payments, daily
- reconciliation of bank accounts, monthly
- cash book and nominal ledger, input, and validation daily
- contributions received, by the 19th of each month *
- complete transfers out and in on receipt of correct documentation, 5 days maximum *
- invest contributions following receipt of monies and data, 5 days maximum *
- reconciliation of IA member unit holdings with providers, monthly *

To enable the Trustee to monitor the processing of core financial transactions, the Trustee receives quarterly administration reports from Willis Towers Watson on key aspects of the administration which includes performance against the agreed service levels in relation to the financial transaction marked with a * above. Willis Towers Watson manage the Fund bank account as required daily and reconcile monthly bank statements with their internal cash ledger. They have in place a strict payment authorisation processes that involves more than a single individual and have a separate dealing team who invest contributions and disinvest benefits, as necessary. The Trustee continues to hold regular monthly review meetings with the Willis Towers Watson team to prioritise and progress all outstanding administration-related actions and issues.

The Trustee implemented a follow-up benefit calculations audit in early 2019 to test whether the deficiencies noted in the 2018 audit had been addressed. The results of this audit showed that in several cases audited some form of delay was experienced by the member. The auditor also queried the quality of some of the record-keeping, and its availability, associated with the cases. The quarterly performance reports highlight the areas of transfers out and retirement quotations as being key contributors to the agreed SLA target of 95% not being achieved (average over 2019 was 92%).

The issue of a participating employer's and their employee contributions not being invested over a 9-month period to March 2019 was fully investigated during the year after it became known to the Trustee in April 2019. Corrective actions were put in place, and all affected members accounts were rectified to the position they should have been in. The details supporting this rectification were audited by a representative of the Trustee Board.

The Trustee is satisfied that core financial transactions were processed promptly and accurately over the last year. However, considering the above overall SLA performance, and the need to better serve the remaining 39 DC account-holding members, the Trustee has made the decision to switch administration provider from Willis Towers Watson to Buck, and a handover during Q2 and Q3 2020 is planned. The Trustee, in conjunction with an independent advisor from LCP, reviewed administration providers who had expressed an interest in the new business. Following detailed review (which included site visits at the later stages) to assess capabilities and potential match more fully with the Fund's requirements. Buck was selected to provide administration services going forward.

3. Charges and Transaction costs paid by members

The Trustee is required to assess the costs associated with the Fund, which are paid by the members. All non-investment related fees are currently paid by the principal employer, so these costs only comprise charges and transaction costs as follows:

Charges: The Total Expense Ratio (TER) is the total cost of investing in the fund and includes the publicised Annual Management Charge and additional fund expenses. The TER information is readily available and is clearly stated in fund literature. It is expressed as a percentage of members' funds.

Transaction costs: as defined by the Financial Conduct Authority:

- explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.
- implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as "negative costs".

This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order, because something has happened in the market that pushes the price of the asset down - such as some negative publicity or a big sell order by someone else. Transaction costs are incurred on an on-going basis and the reported performance of the fund will take account of these costs.

The TERs and transaction costs that were applicable to the Fund's default arrangement, the Drawdown Lifestyle Strategy, and the two other lifestyle strategies available to members can also be found in the table below.

Importantly, the TER range for the Fund's default arrangement is within the charge cap set by the regulations of 0.75% p.a. The reason a range exists is that a member's account will be invested in different investment funds at different points over the period leading to retirement through investment in the Default Investment Strategy.

Lifestyle strategy	T.E.R range (% p.a.)*	Transaction costs (%)	Total costs and charges (%)
Drawdown Lifestyle strategy (default arrangement) – up to 10 years prior to retirement	**0.170**	**0.040**	**0.210**
Drawdown Lifestyle strategy (default arrangement) – range between 5 and 10 years prior to retirement	0.170 – 0.307	0.040 – 0.145	0.210 – 0.452
Drawdown Lifestyle strategy	0.301 – 0.307	0.145 – 0.151	0.452

(default arrangement) – range between 0 and 5 years prior to retirement			
Annuity Lifestyle strategy	0.119 – 0.307	0.015 – 0.145	0.134 – 0.452
Cash Lifestyle strategy	0.100 – 0.307	0.003 – 0.145	0.103 – 0.452

* % p.a. of assets under management, depending on the combination of funds relating to each member's term to retirement age.

In addition to the three lifestyle strategies, the Trustee also made available 10 alternative self-select funds during the year, which could be chosen as an alternative to the default lifestyle. However, one of these funds, the Property Fund, was closed to all members during the year due to no remaining members being invested, coupled with the delays experienced with disinvestment. The remaining 9 self-select funds attracted TERs and transaction costs at the levels shown in the table below, as at 31 December 2019.

Fund	**TER* (% p.a.)**	**Transaction costs (%)**	**Total costs and charges (%)**
Adventurous Fund	0.170	0.040	0.210
Balanced Fund	0.560	0.139	0.699
Passive UK Equity Fund	0.100	0.054	0.154
Passive Overseas Equity Fund	0.125	0.000*	0.125
Diversified Growth Fund	0.950	0.238	1.188
Annuity Fund	0.125	0.019	0.144
Corporate Bond Fund	0.125	0.339	0.464
Index-Linked Gilt Fund	0.100	0.024	0.124
Cash Fund	0.100	0.003	0.103

Source: Phoenix Life
* Transaction costs for this Fund were negative for both the 12 months to 2018 and 2019. In contrast to last year, we have assumed these costs are zero, as per the revised Regulations.

The transaction costs reported for the Balanced Fund and Diversified Growth Fund do not represent the full amount of transaction costs that applied to these funds over the 12 months to 31 December 2019. This is because complete data was not available from the underlying manager. For the Balanced Fund, the transaction costs shown in the table reflect 93.75% of the transaction costs that applied over the year and for the Diversified Growth Fund, 87.5%. This has also impacted the calculated range of transaction costs for the all three Lifestyle strategies, as the Diversified Growth Fund is one of several underlying funds. The Trustee will continue to work with the investment platform provider to ensure complete information is provided.

Illustration of the cumulative effect over time of costs and charges on member fund values

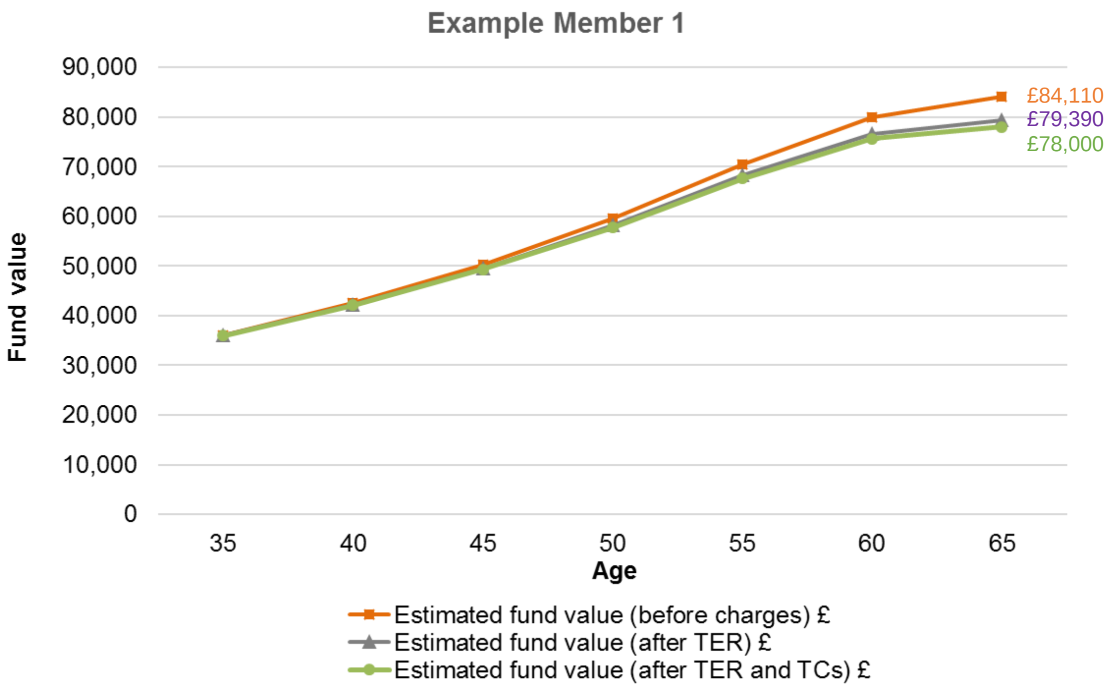
From 6 April 2018, the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of charges and transaction costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member's benefits. The projected fund values shown below are estimates for illustrative purposes only and are not guaranteed.

We have produced the following illustrations to demonstrate the effect of the costs and charges set out above for investment funds and strategies available through Phoenix CIS on 2 different combinations of terms to retirement and accumulated fund value. Following the bulk transfer in November 2019, there are no longer any active members in the Fund, and we have therefore not included an illustration representing an active member. The illustrations have been prepared with regard to the statutory guidance.

A large proportion of members were and still are invested in the default Drawdown Lifestyle strategy which automatically transitions members' funds between the underlying funds as members approach retirement age. We therefore chose this option for the illustrations. Members are also offered alternative lifestyle strategies and a series of self-select funds which, as the tables on previous pages show, carry a variety of TERs and transaction costs.

Example member 1

For a deferred member with 30 years to retirement (assuming retirement at the normal retirement age of 65), and invested in the default Drawdown Lifestyle strategy, the estimated impact of charges on projected retirement values is shown below. Projections are based on a current fund value of £36,000 are shown in current money terms. This illustration reflects the youngest scheme member at the end of 2019.



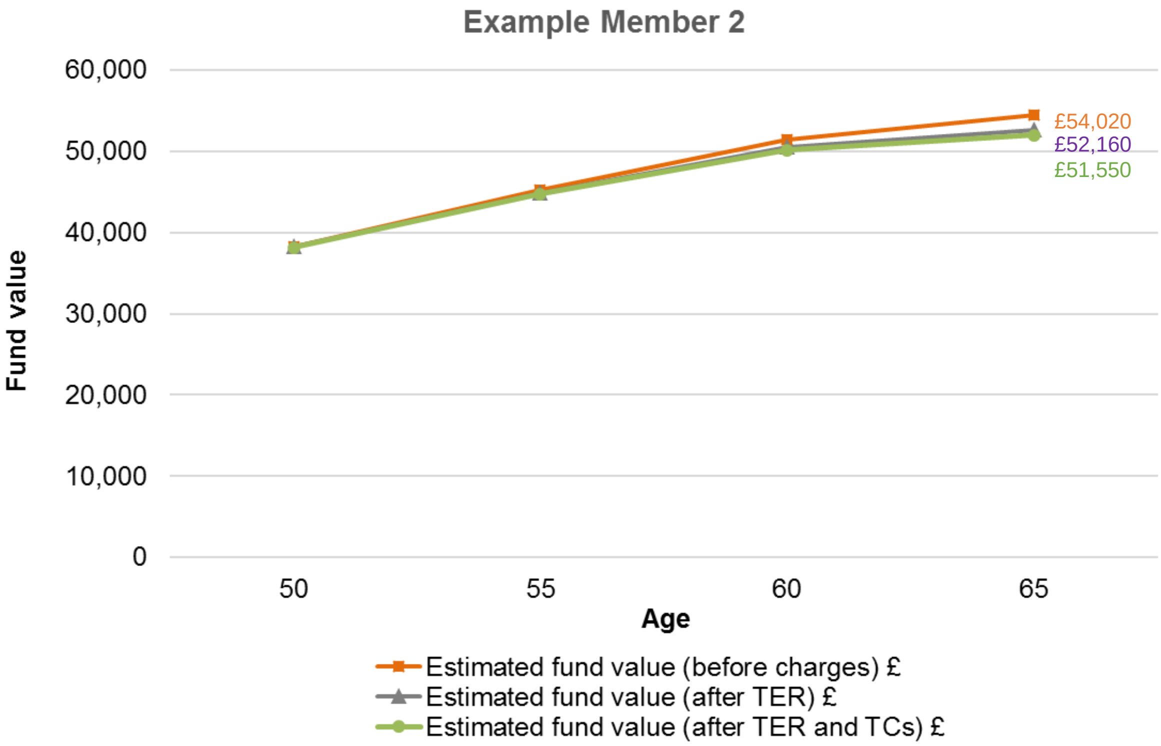
As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (the Index-Linked Gilt Fund) which has a lower expected return as well as the Passive Overseas Equity Fund, which has a higher risk profile and higher expected return.

	Drawdown Lifestyle Strategy			Index Linked Gilt Fund			Passive Overseas Equity Fund		
Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £
35	36,000	36,000	0	36,000	36,000	0	36,000	36,000	0
40	42,580	42,150	430	32,300	32,070	230	43,590	43,340	250
45	50,360	49,350	1,010	28,980	28,560	420	52,790	52,170	620
50	59,570	57,770	1,800	26,000	25,440	560	63,930	62,810	1,120
55	70,460	67,640	2,820	23,330	22,660	670	77,410	75,620	1,790

60	79,890	75,610	4,280	20,930	20,180	750	93,740	91,030	2,710
65	84,110	78,000	6,110	18,780	17,980	800	113,520	109,590	3,930

Example member 2

For a deferred member with 16 years to retirement (assuming retirement at the normal retirement age of 65) and invested in the Drawdown Lifestyle strategy, the estimated impact of charges on projected retirement values is shown below. Projections are based on a current fund value of £37,000 and are shown in current money terms. This illustration reflects the average remaining deferred scheme member as of the end of 2019.



As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (the Index-Linked Gilt Fund) which has a lower expected return as well as the Passive Overseas Equity Fund, which has a higher risk profile and higher expected return.

	Drawdown Lifestyle Strategy			Index Linked Gilt Fund			Passive Overseas Equity Fund		
Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £
49	37,000	37,000	0	37,000	37,000	0	37,000	37,000	0
50	38,260	38,190	70	36,210	36,150	60	38,440	38,400	40
55	45,260	44,710	550	32,480	32,200	280	46,550	46,230	320
60	51,320	49,980	1,340	29,140	28,680	460	56,370	55,650	720
65	54,020	51,550	2,470	26,150	25,550	600	68,270	67,000	1,270

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Members are advised to consider both the level of costs and charges and the expected return on assets (i.e. the risk profile of the fund/strategy) in making investment decisions and not in isolation.

Assumptions for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

1. *Accumulated fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% each year.*
3. *The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available. Currently, less than 5 years of transaction cost information is available from providers, however we expect data provision to improve over time. For the majority of funds, two years of transaction cost information is available and as such, the transaction costs in the table above (which have been used in producing the above illustrations) reflect the average over the last two years.*
   The TERs and transaction costs used in the illustrations are as follows:

	TER (%)	**Average Transaction Costs (%)**
Corporate Bond Fund	0.125	0.198
Diversified Growth Fund	0.950	0.216
Index Linked Gilt Fund	0.100	0.046
Adventurous Fund	0.170	0.046
Passive Overseas Equity Fund	0.125	0.000*

Transaction costs for this Fund were negative for both the 12 months to 2018 and 2019. In contrast to last year, we have assumed these costs are zero for both years, as per the revised Regulations.

4. *The assumed growth rates (gross of costs and charges) are as follows:*
   - *Corporate Bond Fund* *1.5%*
   - *Diversified Growth Fund* *3.5%*
   - *Index Linked Gilt Fund* *0.3%*
   - *Adventurous Fund* *6.0%*
   - *Passive Overseas Equity Fund* *6.5%*

4. Value for Members Assessment

In addition to the requirement to assess the charges and transactions costs paid by members, the Trustee is also required to consider the extent to which those charges and costs represent good value for money for members ("Value for Members"). Please note that there is no legal definition for what represents good value.

In conjunction with its investment advisors, the Trustee has established a cost-benefit analysis assessment framework to assess whether the scheme delivers good value to its members.

The Trustee has identified the following areas where they believe there is a benefit derived by members and compared these to the costs and charges shown in section 3 above. The Trustee has given each of the following equal weighting as they are deemed equally important.

a) Member communications and engagement (including support at retirement)
   - Ensuring member communications are effective and timely and support informed decisions

b) Investment choices
   - Providing appropriate choices for members to invest their funds

c) Flexible contributions (contributions to the Fund ceased on September 30th, 2019)
   - Ensuring members could make changes to savings levels regularly and easily

d) Administration
   - Ensuring administration is robust and timely

e) Governance
   - This represents the time spent by the Trustee in making sure that the Fund is run in the best interests of its members

The Trustee recognises that members would benefit from improvements in areas (a) and (d), and has plans to deliver those improvements in 2020, as detailed elsewhere in this statement. However, given the relatively low level of costs borne by the member as detailed in section 3, under the Trustee's assessment framework, the Trustee believes that the costs and charges borne by members represent fair to good value relative to the benefits provided to members.

5. Trustees' Knowledge and Understanding

The Regulations require the individual Trustee Directors to have appropriate knowledge and understanding to run the Fund effectively. The induction process for new Trustee Directors is that they undertake the Trustee toolkit as their initial basic training, alongside on-the-job training as required in Trustee meetings, and offline support from the Trustee Chair and Secretary, as necessary. In addition, they are encouraged to attend relevant training and awareness courses provided by the Fund's advisor's, administrator, and lawyers.

New Trustee Directors are also sent copies of all key documents for retention and reference on appointment. Key documents are available for reference during Trustee meetings. In addition, all Trustee Directors are involved when any key documents are revised, such as the SIP, which is reviewed annually. As a result, all Trustee Directors are sufficiently familiar with the key Fund documents.

All Trustee Directors have sufficient working knowledge of Trust and Pensions law through the relevant Trustee Toolkit modules, supported by relevant legal training on relevant topics by the Fund's legal advisor every year. Relevant topics covered in 2019 were opposite sex civil partnerships, the SIP requirement changes, the Pension Schemes Bill, and record-keeping.

All Trustee Directors have sufficient working knowledge of the relevant principles of funding and investment through the relevant Trustee Toolkit modules, and discussion on investment matters at Trustee, and for some directors, Investment Sub-Committee, meetings. From June 2020 all directors will be involved in all investment matters.

As at end of 2019, there were four Individual Trustee Directors, three of whom have held this role for at least ten years and as such have a great deal of experience. One of the four Trustee Directors is an Independent (professional) Trustee who is a member of the Association of Professional Pensions Trustees and who undertakes over 25 hours per annum of professional CPD alongside specific training around the Plan's DC arrangements. Additionally, the professional trustee brings to the Board his experience of wider industry best practice and his experience from his roles on other DC arrangements.

The other Trustee Director was newly appointed as a DC member-nominated director during 2018, and their training during 2019 has primarily been "on-the-job" supplemented by the completion of two Trustee Toolkit modules. The plan is for this director to complete the Trustee Toolkit during 2020.

The DB member-nominated director role was vacated in late 2018, and with no applications from the DB membership was held open until late 2019, when a further nomination process was carried out. As a result, a new Trustee Director was appointed in early 2020. The Trustee recognises the importance of training and development and has put in place arrangements for ensuring that Trustee Directors take personal responsibility for keeping themselves up to date with relevant developments and carry out a self-assessment of training needs. The Trustee Directors have responsibilities over both the Defined Benefit ('DB') and Defined Contribution ('DC') sections of the Fund and they aim to ensure enough training is taken on both DB and DC specific issues.

Training logs, which record all relevant training completed, are maintained by Trustee Directors and these are reviewed and updated regularly. Trustee Directors are also encouraged to complete the Pensions Regulator's Toolkit training online, and as of 31 December 2019, two out of the three non-professional trustee directors had done so.

The Trustee Board also aims to carry out a Trustee Knowledge and Understanding (TKU) self-evaluation every ~3 years to determine the areas on which training should focus both at Trustee Board and individual level. This Gap analysis is presented in the form of a survey to be completed by the Trustee Directors, which compares their current level of knowledge against the Pensions Regulator's TKU framework. The last review was carried out in June 2017, and the next review is planned for Q3 2020.

The Trustee Board holds regular Trustee's meetings and detailed minutes of the four quarterly meetings held during 2019, as well as all other interim Trustee and Investment Sub-Committee meetings, are available. At the quarterly meetings, the Trustee received specific DC training including on Responsible Investing, Investment Advisor Objectives and Cost Transparency. In addition to the experience within the Trustee board, the Trustee works closely with its appointed professional advisers throughout the year to ensure that it runs the Fund and exercises its functions properly. Its professional advisers also attend the Trustee's meetings as and when required.

The Trustee Board's independent professional trustee director led a questionnaire-based Trustee Effectiveness review in 2019, with several specific Board-effectiveness improvement actions put in place as a result.

Taking into consideration the training activities completed by the Trustee board together with the professional advice available to the Trustee, the Trustee considers that it has met the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) during the Fund year and is confident that the combined knowledge and understanding of the Trustee board, together with the input from its specialist advisers, enables it to properly exercise its functions as the Trustee of the Fund.

Overall, the Trustee is confident that all requirements of the Regulations as they apply are being met, and in many areas exceeded, in the interests of members of the Fund.

Signed on behalf of the Trustee of the Piramal Healthcare UK Pension Fund

Mark T Garrod

Chairman of the Trustee

Date of signing June 18th 2020
