

# THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE:

1 JANUARY 2019 – 31 DECEMBER 2019

---

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Fujifilm UK Limited Pension and Life Assurance Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes - "DC").

## Default arrangement

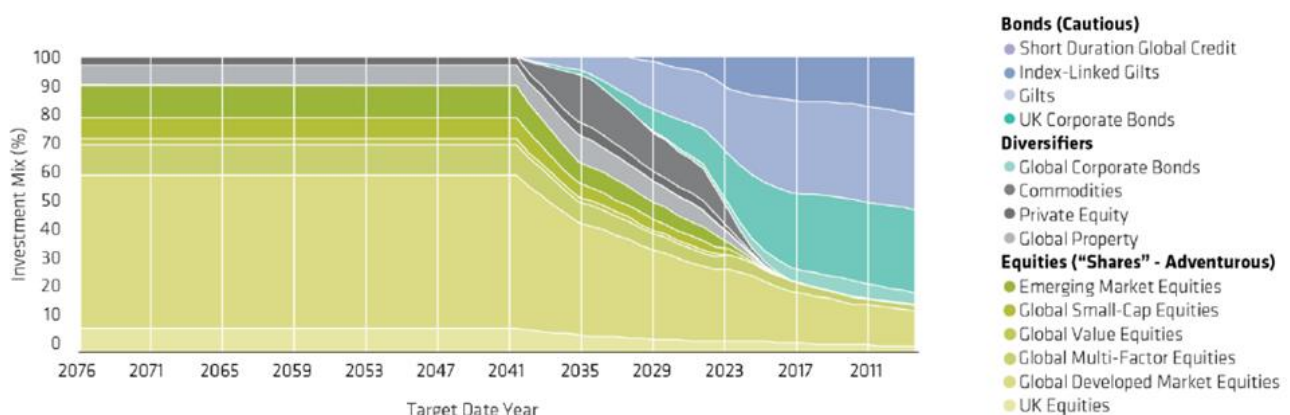
Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustees with the advice of their Investment Consultant.

Historically the chosen default strategy was a Lifestyle Strategy, where member's contributions were initially fully invested in the Legal & General (LGIM) Global Equity Fixed Weights (50:50) Index Fund. However, the Trustees carried out a review of the investment strategy on 7 September 2018 and a new strategy was implemented with effect on 30 April 2019. The new default strategy is a range of Target Date Funds (TDF) managed by Alliance Bernstein (AB).

A TDF is a specific fund in which the members are invested during their entire career until their Target Retirement Age (TRA) is reached. When investing in the fund, each member is placed into a TDF vintage, depending on their TRA. In essence this means when a member is further away from their TRA the TDF will target growth (i.e. riskier assets with a higher anticipated return, such as equities). As the member approaches their retirement, the asset allocation will gradually de-risk (i.e. move into safer assets with a lower expected return). Once the member reaches their retirement age, their savings will be fully invested in a fund which primarily aims to preserve the value instead of increasing it, through asset classes such as bonds and cash.

Unlike the previous default strategy, the new default strategy does not specifically target annuity-purchase. Instead, it is designed to allow for greater flexibility in terms of how and when members choose to access their savings.

This strategy can be illustrated using the following graph:



Source: Alliance Bernstein

The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last reviewed by the Trustees in September 2019 and a copy of which is submitted alongside this governance statement. The SIP will be reviewed a minimum of every three years (i.e. by September 2022) or as soon as any significant developments in investment policy or member demographics take place.

The Trustees continue to review the performance of all the funds available to members through the fund factsheets and updates from their investment consultant at regular Trustee meetings. We are happy with the performance over the period covered by this statement and we believe the Scheme's investment strategy remains on track to meet our aims and objectives.

The Trustees have set up processes to publish relevant information on the default arrangement online at the following URL: <https://www.fujifilm.eu/uk/about-us/pension-life-assurance-scheme> and will notify members about this in their annual benefit statements.

#### **Processing Scheme transactions**

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include 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.

These transactions are undertaken on the Trustees' behalf by the Scheme administrator, JLT Benefits Solutions, and its investment managers Legal and General Investment Management (LGIM) prior to 30 April 2019, Alliance Bernstein hereafter and Newton.

The Trustees periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustees have a service level agreement (SLA) in place with the Scheme administrator, which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the admin team, daily monitoring of bank accounts, a dedicated contribution processing team, and four eyes checking of investment and banking transactions.

During the period covered by this statement there were no issues relating to the processing of Scheme transactions. We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from JLT.

We also perform periodic assessments of methods and efficiency of the Scheme's administrators and challenge them in terms of their efficiency when necessary.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

#### **Charges and transaction costs - default arrangement and additional funds**

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of the statutory guidance when preparing this section of the report.

Transaction costs have been provided by the Scheme's investment manager and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
Fujifilm Target Date 2014 - 2016 Retirement Fund	0.288	0.021
Fujifilm Target Date 2023 - 2025 Retirement Fund	0.295	0.008

Fujifilm Target Date 2026 - 2028 Retirement Fund	0.301	0.002
Fujifilm Target Date 2029 - 2031 Retirement Fund	0.303	-0.002
Fujifilm Target Date 2032 - 2034 Retirement Fund	0.306	-0.006
Fujifilm Target Date 2035 - 2037 Retirement Fund	0.309	-0.009
Fujifilm Target Date 2038 - 2040 Retirement Fund	0.309	-0.008
Fujifilm Target Date 2041 - 2043 Retirement Fund	0.310	-0.008
Fujifilm Target Date 2044 - 2046 Retirement Fund	0.310	0.015
Fujifilm Target Date 2047 - 2049 Retirement Fund	0.310	0.015
Fujifilm Target Date 2050 - 2052 Retirement Fund	0.310	0.014
Fujifilm Target Date 2053 - 2055 Retirement Fund	0.310	0.014
Fujifilm Target Date 2056 - 2058 Retirement Fund	0.310	0.014
Fujifilm Target Date 2059 - 2061 Retirement Fund	0.310	0.014
Fujifilm Target Date 2062 - 2064 Retirement Fund	0.310	0.013

Source: Alliance Bernstein, effective 31 December 2019

These are lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustees also make available a range of funds, which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
LGIM UK Equity Index Fund	0.132	-0.022
LGIM Overseas Equity Consensus Index Fund	0.255	-0.001
LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged)	0.198	0.007
LGIM World Emerging Markets Equity Fund	0.464	0.009
LGIM Managed Property Fund	0.870	-0.509
LGIM Over 15 Year Gilts Index Fund	0.100	0.019
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.100	0.065
LGIM Active Corporate Bond - All Stocks Fund	0.257	0.060
LGIM Sterling Liquidity Fund	0.135	-0.031
Newton Global Equity Fund	0.80	0.11

Source: LGIM and Newton, effective 31 December 2019

The 0.75% fee cap only applies to the default arrangement, hence some of the funds above exceed this amount.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

**Cumulative effect of charges**

We have taken account of statutory guidance when preparing this section of the report. In practice, the charges applied to the default fund vary depending on which TDF bucket a member is invested in. Therefore to demonstrate prudence, for the purposes of this illustration the highest TER and transaction cost for this fund range have been used.

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member										
	Default Strategy <i>(the most popular choice)</i>		LGIM World Emerging Markets Equity Fund <i>(highest expected return)</i>		LGIM Managed Property Fund <i>(most expensive fund)</i>		LGIM Over 15 Year Gilts Index Fund <i>(the cheapest fund)</i>		Sterling Liquidity Fund <i>(lowest expected return)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	35,933	35,746	36,571	36,398	35,896	35,584	34,716	34,675	34,678	34,631
3	49,289	48,612	51,690	51,041	49,152	48,025	44,941	44,800	44,810	44,650
5	63,408	62,072	68,299	66,974	63,134	60,920	54,966	54,704	54,719	54,424
10	102,335	98,502	117,334	113,224	101,529	95,252	79,180	78,526	78,555	77,821
15	147,060	139,284	179,351	170,348	145,394	132,799	102,229	101,068	101,108	99,811
20 (retirement)	198,447	184,935	257,786	240,903	195,510	173,862	124,170	122,399	122,448	120,477
Total Fees	10,995		11,959		17,731		1,906		2,140	
Illustrations for a "Young" member										
	Default Strategy <i>(the most popular choice)</i>		LGIM World Emerging Markets Equity Fund <i>(highest expected return)</i>		LGIM Managed Property Fund <i>(most expensive fund)</i>		LGIM Over 15 Year Gilts Index Fund <i>(the cheapest fund)</i>		Sterling Liquidity Fund <i>(lowest expected return)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	5,040	5,014	5,114	5,089	5,036	4,992	4,900	4,894	4,896	4,889

3	10,052	9,932	10,430	10,316	10,030	9,831	9,360	9,335	9,339	9,311
5	15,349	15,078	16,270	16,004	15,298	14,846	13,733	13,679	13,686	13,624
10	29,956	29,004	33,512	32,513	29,762	28,199	24,296	24,127	24,140	23,950
15	46,737	44,593	55,318	52,903	46,288	42,802	34,351	34,014	34,032	33,654
20	66,018	62,044	82,898	78,088	65,168	58,773	43,921	43,369	43,391	42,775
25	88,172	81,579	117,779	109,195	86,739	76,239	53,032	52,221	52,247	51,346
30	113,625	103,447	161,894	147,614	111,383	95,341	61,704	60,597	60,626	59,402
35	142,869	127,927	217,689	195,067	139,538	116,232	69,959	68,524	68,555	66,974
40 (retirement)	176,469	155,330	288,254	253,677	171,706	139,079	77,817	76,024	76,057	74,089
Total Fees	14,528		18,543		22,641		2,046		2,282	

*It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Younger" members' pots at retirement would be £104,244 and £58,854 respectively in today's money.*

#### **Assumptions**

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Age	<ul style="list-style-type: none"> <li>"Average" member</li> <li>"Young" member</li> </ul>	<p>45 (<i>the average age of the Scheme's membership</i>)</p> <p>25 (<i>the average age of the youngest 10% of members</i>)</p>
Scheme Retirement Age		65
Starting Pot Size	<ul style="list-style-type: none"> <li>"Average" member</li> <li>"Young" member</li> </ul>	<p>£29,528 (<i>the median pot size of the Scheme's membership</i>)</p> <p>£2,637 (<i>the median pot size for the youngest 10% of members</i>)</p>

Starting Salary	<ul style="list-style-type: none"> <li>• "Average" member</li> <li>• "Young" member</li> </ul>	<p>£42,330 (the median salary of the Scheme's membership)</p> <p>£25,550 (the median salary for the youngest 10% of members)</p>
Inflation		2.5% p.a.
Rate of Salary Growth		2.5% p.a. (i.e. in line with inflation)
Total annual contributions		<p>13.0% p.a. (the median contribution rate for the Scheme's membership)</p> <p>9.0% p.a. (the median contribution rate for the youngest 10% of members)</p>
Expected future nominal returns on investment:		
	<ul style="list-style-type: none"> <li>• Default Strategy (AB TDFs)</li> <li>• LGIM World Emerging Markets Equity Fund</li> <li>• LGIM Managed Property Fund</li> <li>• LGIM Over 15 Year Gilts Index Fund</li> <li>• LGIM Sterling Liquidity Fund</li> </ul>	<p>2.6% above inflation</p> <p>4.8% above inflation</p> <p>2.7% above inflation</p> <p>1.0% below inflation</p> <p>1.1% below inflation</p>

#### **Value for members**

Albeit no formal value for money assessment has been carried out over the reporting period, the Trustees believe they have a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate.

It is understood that value for money does not necessarily mean selecting the cheapest offering and during the ongoing reviews of value for money the Trustees consider many factors including quality of customer service, member communications and support, the efficiency of administration services, robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustees have assessed the fees disclosed above and are satisfied that they have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile and size of assets under management. The Trustees will be formally reviewing value for members in 2020.

The Trustees have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at the following URL: <https://www.fujifilm.eu/uk/about-us/pension-life-assurance-scheme> and will notify members about this in their annual benefit statements.

#### **Trustees' knowledge and understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13. The section related to the Trustees as a body in dealing with the Scheme.

The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out

a self-assessment of training needs to help identify any knowledge gaps. The Secretary to the Trustees reviews the self-assessments and arranges for training to be made available to individual Trustees or to the Trustee body as appropriate. The Secretary to the Trustees keeps a training log which is discussed and reviewed at every full Trustee meeting and will eventually form part of a wider governance document that details all Trustee policies and procedures. Four Trustee meetings were held during the period covered by this statement.

Over the last year, the Trustees have received training on the Environmental, Social and Governance ("ESG") factors, which related to the responsible investment by pension schemes. In addition, the Trustees received advice from our professional advisers, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisers. The Trustees also include legislative updates on the agenda for each of their meetings where necessary.

All of the existing Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this in its entirety. All the Trustees are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles ("SIP). Throughout the year, the Trustees have demonstrated a working knowledge of the Trust Deed and Rules on a number of occasions, particularly relating to the scheme retirement rules. The Trustees have tabled discussions regarding retirement options within the Scheme and engaged our legal adviser to ensure that members are receiving as much flexibility as possible, which continues to be detailed within the annual newsletter.

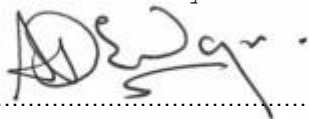
The Trustees also demonstrated a working knowledge of the SIP during the year whilst reviewing the document with our adviser, following updates to account for a revised investment strategy and new ESG requirements. The Trustees also include the conflicts of interest policy, governance calendar and other key documents for reference and discussion at Trustee meetings as appropriate.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that we are enabled properly to exercise our functions as Trustees of the Scheme. In particular, throughout the year, consideration has been given to whether formal advice, including legal advice, is required on particular issues.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour, otherwise trustees cannot be certain that a scheme remains fit for purpose.

Given the extent of the above, the Trustees are comfortable that they have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. The combined knowledge and understanding of the Trustees and our advisers coupled with the self-assessment enabled us to run the Scheme appropriately. I am also satisfied that the Trustees have demonstrated a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and all other documents setting out the Trustees current policies.

The Chair's statement regarding DC governance was approved by the Trustees and signed on their behalf by:



Mr D Edgar  
Chair of the Trustees  
Date: