

Catalent UK Retirement and Death Benefits Plan Defined Contribution Category

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustees to publish parts of the Chair of Trustees defined contribution governance statement on a website for public consumption.

We have therefore set out below the information that needs to be published online for the Catalent UK Retirement and Death Benefits Plan Defined Contribution Category.

The Default Arrangement

The Trustees are required to design default arrangements in members' interests and keep them under review. The Trustees need to take account of the level of costs and the risk profile in determining what is appropriate in this context.

The Trustees have designated the "Passive All Equity" lifestyle option as the default arrangement for the DC Category of the Plan. This is outlined in the Statement of Investment Principles, which governs decisions about investments in the Plan.

The Trustees last reviewed the investment strategy and objectives of the default investment arrangement during 2016, although the proposed changes were not implemented given a decision by the Company to reconsider its pension strategy. The Company has now closed the DC Category of the Plan to further contributions and the Trustees intend to close the DC Category and assets to an alternative arrangement.

The Equitable Life AVC arrangement does not have a default arrangement.

The Trustee's investment policies for DC funds are set out in the Plan's Statement of Investment Principles.

Member Borne Charges and Transaction costs

The Trustees must set out the level of charges borne by members through their DC funds. These charges comprise:

- i. Explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER);
- ii. Implicit charges, such as the costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.
- iii. For the first time this year, the Regulations require the Trustees to provide an illustrative example of the cumulative effect of costs and charges incurred by members.

i. Explicit charges

The default arrangement for the DC Category of the Plan has levied a Total Expense Ratio ('TER') of between 0.157% and 0.17% of assets under management (depending on proximity to retirement), for all members during the charges year. This is significantly lower than the charge cap of 0.75% p.a.

The Trustees also make two other lifestyle strategies and a range of self-select funds available to members as an alternative to the default arrangement.

During the reporting period the TERs of the alternative lifestyle strategies and self-select funds available to the members of the DC Category ranged from 0.103% to 0.1857%, as shown in the table below:

Fund	AMC (% p.a.)	TER(% p.a.)
DC Category of the Plan		
Aquila Life 50:50 GBL Equity S3	0.15	0.1573
Aquila Life All Stocks UK Gilt Index S3	0.10	0.1036
Aquila Life Balanced Fund S3	0.15	0.1549
Aquila Life Cash Fund S2	0.15	0.1857
Aquila Life Cautious Fund S3	0.15	0.1546
Aquila Life Corporate BD Index All Stocks S3	0.15	0.1648
Aquila Life Overseas Consensus Equity S3	0.25	0.2631
Aquila Life Over 5yr UK Index Linked S3	0.10	0.1036
Aquila Life UK Equity Index S4	0.10	0.103
Passive All Equity Lifestyle (the default) ¹	0.1125 – 0.15	0.1573 – 0.17
Passive Balanced Lifestyle ¹		0.1549 – 0.17
Passive Cautious Lifestyle ¹		0.1546 – 0.17
Equitable Life AVC arrangement²		
Gilt & Fixed Interest		0.5
Managed		0.75
Pelican		0.75
Clerical Medical With Profits		n/a ³
Equitable Life With Profits		1.5 ⁴

1.The charges on the lifestyle arrangements vary according to the term to retirement.

2.The total expense ratio on funds held in the Equitable Life AVC arrangement are capped at the annual management charge.

3.There is no explicit charge on the Clerical Medical With-Profits Fund. Charges are taken into account when the annual bonus on the Fund is declared. Clerical Medical estimates charges are in the region of 1.0% p.a..

4. Equitable Life states charges are 1.0% for administration of the Fund and 0.5% to meet the cost of the guarantees.

ii Transaction costs

The Financial Conduct Authority rules on disclosure of transaction costs have now come into effect. These rules introduce a legal requirement for all fund managers to disclose transaction costs in a standardised format from 3 January 2018.

We requested details transaction costs for the DC / AVC funds held by Plan members. BlackRock has stated that the FCA rules do not prescribe the same transaction cost calculation methodologies as anticipated and therefore Investment Managers are having to revisit their transaction cost models

to ensure compliance. BlackRock has confirmed it will provide this information 'within a reasonable timeframe' but it is not available at the time of writing this Statement.

Although explicit details of transaction costs are not available for the BlackRock funds held by members at this time, the Trustees monitor investment returns on a quarterly basis and these returns include the impact of transaction costs.

Equitable Life is only able to provide transaction cost information for its funds run by Aberdeen Standard Life on a quarterly calendar basis. We have therefore included this information for the year to 31 March 2018 below.

Fund	Transaction costs to 31 March 2018 (% p.a.)
Gilt & Fixed Interest	0.0187
Managed	0.001061
Pelican	0.0001
Clerical Medical With Profits	n/a
Equitable Life With Profits	-0.00354***

*** The prescribed method of calculating transaction costs can result in a negative cost (i.e. a gain to the Fund) and this was the case for the Equitable Life With Profits Fund over the year to 31 March 2018.

iii Example to show the cumulative effect of costs and charges

The Trustees are also required to illustrate the effect of the costs and charges typically paid by a member on their retirement values (as a "pounds and pence figure").

The Regulations allow the Trustees to exercise their discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the scheme's membership.

We have decided to illustrate two example members:

- Example member 1: the youngest member (age 40) with a retirement age of 65 and a fund value of £1,026
- Example member 2: the average member (aged 52) with a retirement age of 65 and a fund value of £76,839

We have assumed no further contributions are paid, as the DC Section of the Plan has now closed to further contributions.

There are three lifestyle strategies available through the Plan and we have produced illustrations to demonstrate the effect of the above costs and charges for each of these three lifestyle strategies to ensure illustrations are representative of the Plan's DC membership. We have decided not to show the representative effect of costs on each of the self-select funds in the range on the expected investment return for members as the impact of costs on the return will depend largely on individual member's fund choices, retirement date and fund value. The Trustees therefore believe the Statutory Money Purchase Illustrations (SMPI) are more likely to provide an accurate illustration to members who have chosen to self-select their investment funds.

The tables and charts below illustrate the effect of the costs and charges at different ages on members' projected retirement pots for a typical member invested in each of the three lifestyle strategies.

Example member 1:

For the youngest member invested in each of the three lifestyle strategies, the estimated impact of charges on accumulated fund values is shown in the table below.

Value after 'x' years	Passive All Equity strategy (default)			Passive Balanced strategy			Passive Cautious strategy		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
5	£1,151	£1,143	-£9	£1,098	£1,089	-£8	£1,046	£1,038	-£8
10	£1,291	£1,272	-£19	£1,174	£1,157	-£17	£1,067	£1,051	-£16
15	£1,449	£1,417	-£32	£1,256	£1,228	-£28	£1,087	£1,063	-£24
20	£1,579	£1,532	-£47	£1,317	£1,279	-£39	£1,097	£1,065	-£33
25	£1,599	£1,539	-£60	£1,315	£1,266	-£49	£1,079	£1,039	-£40

For instance, for the youngest member, who is 25 years from retirement age 65, the potential impact on their retirement fund as a result of charges is a total net reduction of between £40 (for the passive cautious strategy) and £60 for the Passive All Equity (default) strategy. Whereas the potential impact of charges on the youngest members' fund after 10 years is between £16 (for the passive cautious strategy) and £19 for the Passive All Equity (default) strategy, because the fund is invested for less time.

Example member 2:

Value after 'x' years	Passive All Equity strategy (default)			Passive Balanced strategy			Passive Cautious strategy		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
5	£89,716	£88,637	-£1,079	£83,916	£82,912	-£1,005	£78,446	£77,501	-£945
10	£90,832	£89,021	-£1,812	£83,737	£82,072	-£1,665	£77,146	£75,605	-£1,541

For instance, for the average member, who is 13 years from retirement age 65, the potential impact on their retirement fund as a result of charges is a total net reduction of between £1,541 (for the passive cautious strategy) and £1,812 for the Passive All Equity (default) strategy. Whereas the potential impact of charges on the average members' fund after 5 years is between £945 (for the passive cautious strategy) and £1,079 for the Passive All Equity (default) strategy, because the fund is invested for less time.

Notes

Fund values shown are estimates and are not guaranteed

The projected growth rate for each strategy is as follows:

- Passive All Equity Strategy (default): 2.4% per annum above inflation
- Passive Balanced Strategy: 1.4% per annum above inflation
- Passive Cautious Strategy: 0.4% per annum above inflation