John Lewis Partnership Trust for Pensions

Statement by the Chair of the Trustee for the year to 31 March 2024

What is this Statement for?

It's important that members, like you, can feel confident that their savings in the John Lewis Partnership Trust for Pensions (which we call "the Scheme") are being looked after and receiving good value.

The John Lewis Partnership Pensions Trust (which we call "the Trustee") is responsible for the overall management of the Scheme including the defined contribution ("DC") section to which this Statement refers. The preparation of this Statement is delegated to the Trustee's Defined Contribution and Membership Sub-Committee ("DCMC") by the Trustee Main Board.

This Statement explains how the Trustee and the DCMC has managed the DC benefits in the Scheme in the period 1 April 2023 to 31 March 2024 (which we refer to as "the Scheme Year") and includes a summary of some of our future aspirations.

A copy of this Statement, together with other key documents which cover how the Scheme is managed can be found online at John Lewis Partnership - John Lewis Partnership Trust for Pensions.

What's in this Statement?

1 How the Trustee manages the Scheme – who the Trustee is and what guides the Trustee's decision making;

2 Investment options – what the Trustee has done to check the suitability of the Scheme's investment options;

3 Investment performance – what returns the different investment options have given over the Scheme Year;

4 Charges and transaction costs – what costs and charges our members have paid in the Scheme Year and how these might impact the size of a typical member's savings in the Scheme over time;

5 Value for Members – how the quality of the Scheme's services (which members pay for) compare to other pension schemes;

6 Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of member contributions) have been processed;

7 Trustee knowledge and understanding – what the Trustee has done to maintain the level of knowledge and obtain the professional advice needed to look after the Scheme; and

8 Key actions taken by the Trustee in the Scheme Year and future aspirations – what key actions have been taken during the Scheme Year and what the Trustee aims to do in the coming year and beyond to continue to improve the Scheme for all our members.

What were the highlights within the Scheme Year?

1 How the Trustee manages your Scheme

The Trustee is responsible for the overall management of the Scheme. Details of the Trustee Board, including changes made over the Scheme Year can be found in the Trustee Report and Accounts.

The Statement of Investment Principles (the "SIP") sets out the Trustee's policies on how members' contributions are invested. The current version of the SIP is appended to this Statement. The SIP is under continuous review with the most recent update made in September 2024 to reflect latest guidance from the Pensions Regulator. The Implementation Statement (the "IS") which details how the Trustee has followed the policies set out in the SIP is completed annually, the most recent updated completed on September 2024.

2 Investment options

The Trustee performs a detailed review of the Scheme's investment strategy at least every three years and considers:

- The Scheme's default investment strategy; this is known as the JLP Lifecycle and is the strategy in which the majority of members are invested in; and
- The Scheme's self-select investment options; members can make the decision to self-select their own investment(s) from a choice of alternative options offered by the Scheme, instead of utilising the default investment strategy.

A full review of the investment strategy began after the Scheme Year end in April 2024 and is due to be concluded before the end of 2024. Details of the review will be included in next year's Statement.

In addition to the detailed review every three years, the Scheme's investment advisers review the performance of both the default investment strategy and self-select options on a quarterly basis. This considers the performance of the funds against their aims, objectives, the Trustee's policies and member activity to check that the risk and return levels meet expectations.

In addition to this review process, additional reviews are triggered if either of the following events occur:

- There is a significant change in the demographics of the membership; or
- There are changes in legislation and regulations impacting the Scheme.

During the Scheme Year the Trustee raised a concern about the performance of the JLP Cautious Diversified Growth Fund and its ability to meet its long-term performance objectives. As a result of this, and following a review of the Fund, the Trustee made the decision to close the Fund to new investment from 12 October 2023. The Fund remains available to members who had investments already committed to it. A decision on whether to retain this Fund going forward will be made as part of the wider investment strategy review in 2024.

3 Investment performance

The Trustee, with support from its advisers, considers the investment performance against the investment strategy objectives and relative to the Scheme's ability to deliver good retirement outcomes for members.

Over the Scheme Year, the funds used in the Scheme's default investment strategy saw investment returns rise in value between 5.13% to 21.37%, or put another way, a rise of between £51.30 and £213.70 for every £1,000 invested.

The investment returns produced by the funds in both the default investment strategy and self-select options were generally in line with the funds' objectives. Further details are provided in section 3 of the accompanying report.

4 Charges and transaction costs

Members pay for the Scheme's investment services, and part of the administration and communication services. John Lewis Partnership plc ("the Partnership") pays for the Scheme's retirement and governance services, and part of the administration and communication services.

The Trustee has an obligation to monitor the costs and charges going out of members' pension pots during the Scheme Year.

The charges during the Scheme Year for the default investment strategy varied from 0.22% p.a. to 0.38% p.a. of the amount invested (or put another way £2.20 to £3.80 for every £1,000 invested) depending how far the member was from their retirement date – this is well within the "charge cap" for default investment strategies required by the Government of 0.75% p.a..

The Trustee has also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future value when members come to retire. For a new joiner aged 20 through to retirement at age 68, the current level of costs and charges for the Scheme's default investment strategy could reduce the size of an average pension pot by £12,018 from £160,711 to £148,693 (i.e. a reduction of 7.5%). The total costs and charges for the Scheme's default investment strategy over the Scheme Year were broadly in line with those of similar comparator schemes.

5 Value for Members

The Trustee looks at the costs and charges members pay and the range and quality of the services members pay for. Those costs and charges are compared with a selection of similar pension schemes and an assessment made as to whether this is considered to be good value.

Following that assessment, the Trustee and its advisors concluded that the Scheme provided **good** value in the last Scheme Year. Over the next year the Trustee expects to improve value for members by continuing to review the options available to members at retirement and by carrying out a detailed investment strategy review – please see section 5 of the accompanying report for more details.

6 Administration

The Trustee monitors the administration services of the Scheme on an ongoing basis at quarterly DCMC meetings. The majority of core financial transactions were processed accurately and in a timely manner during the Scheme Year.

Administration has been provided through a combination of in-house resource (Pension Operations) and by Legal and General Assurance Society ("L&G"). Adherence to the service level agreement was high with Pensions Operations at 97% and L&G at 99% over the period.

The Trustee also monitors data quality which is an important aspect of administration. Data quality scores for the DC section of the Scheme fall into two categories:

1. Common data: basic data items used to identify Scheme members e.g. date of birth, National Insurance number. A score of 99.7% was achieved.
2. Conditional data: scheme-specific data e.g. contribution history, employment records as at January 2024 (the most recent report). A score of 93.7% was achieved.

As at 9 April 2024, the administration of all active DC only members was delegated to L&G. L&G were already the administrator for deferred DC only members. This means that post 9 April 2024 L&G are responsible for the DC administration of all Scheme members who joined the Scheme on or after 1 April 2015. During the Scheme Year, Pension Operations carried out the administration for all DC members who joined prior to 1 April 2015.

More details about the administration of the Scheme can be found in section 6 of the accompanying report.

7 Trustee knowledge and understanding

The Trustee has access to professional advice and expertise. However, it is important that the Trustee keeps its knowledge of pension and investment matters up to date and relevant.

All Trustee Directors attended training sessions during the Scheme Year on subjects such as the at-retirement options, illiquid asset classes, and environmental, social and governance ("ESG") factors to maintain and further develop their level of knowledge – please see section 7 of the accompanying report for more details.

There have been no changes to the Trustee's advisers during the Scheme Year. Post Scheme Year-end the Trustee appointed Hymans Robertson as their investment advisor (prior to this Mercer were the Scheme's investment adviser).

Overall, the Trustee believes that it has the right level of skills and expertise, together with access to good quality professional advice, so that it can run the Scheme effectively.

8 Our key actions last year and plans for the next year

During the Scheme Year the Trustee undertook a number of activities which focused on reviewing retirement options available to members, Additional Voluntary Contribution arrangements and the transition of administration services to L&G for DC members who joined on or after 1 April 2015.

For the next Scheme Year and longer term, the Trustee will be focusing on concluding the detailed investment strategy review of both the default arrangement and the self-select funds, including setting investment beliefs that underpin the investment strategy and considering how ESG funds can be incorporated. Further areas will be developing a communication strategy which is targeted to members, with the aim of improving overall member engagement.

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly Statement describing how these governance requirements have been met.

This Statement covers the period from 1 April 2023 to 31 March 2024 ("the Scheme Year").

For the record

This Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations;

The Department for Work and Pensions (DWP) guidance on 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' in Section 3; and

The DWP guidance on 'Reporting of costs, charges and other information' for the production of the Illustrations included in Appendix 3.

[redacted] Date: 10 October 2024

Signed by the Chair of the Trustee of the John Lewis Partnership Trust for Pensions

1 How we manage your Scheme

The Trustee is responsible for the overall management of the Scheme. As at the Scheme Year-end, the Trustee Board consisted of seven Trustees, three of which are member nominated, one is a serving Partner nominated by John Lewis Partnership plc ("the Partnership") and three are professional Trustees as nominated by the Partnership. Further details on the changes to the Trustee Board over the Scheme Year can be found in the Trustee Report and Accounts. The preparation of this Statement is now delegated to the Trustee's Defined Contribution and Membership Sub-Committee ("DCMC").

There were no changes to the Trust Deed and Rules (which govern the Scheme) over the year to 31 March 2024.

The Statement of Investment Principles ("the SIP") sets out the Trustee's policies on how members' contributions are invested, and the current version is appended to this Statement. The SIP is under continuous review with the most recent update made in September 2024 to comply with new regulations designed to ensure schemes consider all the investment opportunities available to achieve best value for savers.

Trustees must now state their policy on investing in illiquid assets in the SIP for their scheme's default arrangements.

Illiquid assets are those that cannot easily or quickly be sold or exchanged for and include any such assets held in a collective investment scheme. The Scheme currently does not have investments in illiquid assets.

An Implementation Statement setting out how the Trustee complied with the SIP during the Scheme Year will be published alongside this Statement.

Over the Scheme Year the number of members of the DC section of the Scheme grew from 121,906 to 125,651, while the total value of members' pension pots grew from £1,125,640,477 to £1,507,363,521.

2 Investment options

2.1 Default investment strategy

The Scheme's default arrangement ("the default investment strategy"), the JLP Lifecycle, is designed for members who join the DC section of the Scheme and do not actively choose an investment option. These members are automatically invested in the default investment strategy. The JLP Lifecycle is the sole default investment strategy for the Scheme.

The Trustee is responsible for setting the aims and objectives of the default investment strategy which includes setting and monitoring its investment strategy.

The JLP Lifecycle is a lifestyle strategy; this means that members' contributions are automatically moved between different funds as they approach their selected retirement date, to manage the risk profile and volatility of the strategy. Your pension contributions are initially invested in a fund that offers the potential for long-term growth. As you approach retirement, the strategy switches your pension savings and new contributions into lower-risk funds which aim to protect against losses, in the expectation that many of our members will take their DC pension savings as a cash lump sum when they retire. This aims to reduce (but does not remove) the risk of your savings falling in value if there was a market fall in the period leading up to your retirement, as this is a less volatile fund and so the value of your investments is less likely to be affected by positive or negative market conditions.

The Trustee's main investment objectives are:

- to design a default investment strategy that will be suitable for the majority of members with the objective of enabling them to maximise the return on their DC pension savings while carefully managing the costs and investment risks; and
- to provide a range of self-select investment options for members who wish to have a higher level of control over their savings and/or feel the default investment strategy does not meet their requirements and/or appetite for risk.

The SIP covers all the Scheme's investments (including the default investment strategy). The principles guiding the design of the default investment strategy are set out on page 3 of the SIP.

The JLP Lifecycle has three different "phases" based on the time remaining until members reach their Target Retirement Age ("TRA"): the "Growth Phase", the "Consolidation Phase", and the "Pre-Retirement Phase". The mix of investment funds automatically switches depending upon the design of each phase. The default investment strategy balances between different kinds of investments (including use of both active and passive – i.e. index tracking – strategies) and seeks to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

- **The Growth Phase (more than 15 years until TRA):** The aim over these years is to achieve good long-term growth in excess of inflation. In the Growth Phase all contributions are invested in the JLP Global Equity Fund.
- **The Consolidation Phase (between 15 and seven years until TRA):** The aim is to provide continued growth, but at a lower risk, by gradually switching investments from higher risk assets (JLP Global Equity) to lower risk assets (JLP Diversified Growth). The proportion of pension savings invested in JLP Diversified Growth gradually increases until members are ten years from TRA when 40% of their DC section savings will be in JLP Global Equity and 60% in the JLP Diversified Growth. This proportion remains fixed, until members are seven years from their TRA.

- **The Pre-Retirement Phase (fewer than seven years to TRA):** The aim is to provide some continued growth but increasing certainty for the value of members' pension savings by gradually switching investments into cash (JLP Cash), until all savings are invested in cash when members reach their TRA. The Trustee regularly monitors the investment performance of the default investment strategy and formally reviews both the investment performance against the default investment strategy's objectives and the suitability of the investment strategy at least every three years. The investment performance of these funds during the last year is shown in section 3.

No detailed review of the performance and suitability of the default investment strategy was due to be undertaken during the Scheme Year. The last full review began on 27 April 2021 and was completed on 8 December 2021, with a recommendation following the review to delay the introduction of the JLP Cash fund from seven years to four years before retirement and to introduce an Absolute Return Bond fund seven years before retirement, to provide a small amount of additional growth, compared to cash, during the pre-retirement phase. These recommendations were consistent with the Scheme's objective for the default investment strategy to enable members to maximise the return of their DC pension savings while carefully managing the costs and investment risks. However as a result of significant market movements since the review, the Trustee decided to delay the introduction of an Absolute Bond Fund following their investment adviser's recommendation. To date, this Fund has not been introduced to the default investment strategy.

In addition to the strategy review conducted every three years, the Trustee reviews the performance of the default investment strategy against its aims, objectives, and policies on a quarterly basis. The Scheme's investment advisers attend quarterly meetings to present and highlight any specific issues. These reviews include an analysis of fund performance to check that the risk and return levels meet expectations.

During the Scheme Year, the Trustee did not identify any concerns with the default investment strategy through these quarterly reviews.

The Trustee is satisfied that the default investment strategy currently remains appropriate for the majority of the Scheme's members because:

- Its investment performance has been consistent with its investment objectives;
- Its design continues to meet its principal investment objectives;
- The demographic profile of the membership has not changed materially; and
- Members' needs and likely benefit choices at retirement have not changed materially.

The 2024 investment review will be an opportunity to revisit this and consider whether any changes are required.

2.2 Asset allocation disclosure

The following table shows the asset allocation for the Scheme's default arrangement, JLP Lifecycle, for members of different ages, as at 31 March 2024. The asset allocation disclosure meets the DWP's statutory guidance "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap" as at January 2023.

Asset class	Percentage allocation – average 25 y/o (%)	Percentage allocation – average 45 y/o (%)	Percentage allocation – average 55 y/o (%)	Percentage allocation – average one day prior to State Pension Age (%)
Cash	0.0%	0.0%	2.7%	100.0%
Bonds	0.0%	0.0%	8.9%	0.0%
Listed equities	100.0%	100.0%	84.4%	0.0%
Private equity	0.0%	0.0%	0.4%	0.0%
Infrastructure	0.0%	0.0%	0.8%	0.0%
Property / real estate	0.0%	0.0%	1.7%	0.0%
Private debt / credit	0.0%	0.0%	0.3%	0.0%
Other assets	0.0%	0.0%	0.6%	0.0%
Total	100%	100%	100%*	100%

Note: The asset allocation figures presented have been calculated from the fund allocations detailed in the respective fund factsheets as of 31 March 2024. For members whose asset allocation at the selected age on the default glidepath involves multiple funds, we have determined the overall asset allocation based on the proportion of assets held in each fund.
*Please note that the total may not sum to 100% due to rounding
Source: Legal & General Assurance Society Ltd and Hymans Robertson LLP.

2.3 Other investment options

The Trustee recognises that the default investment strategy will not be suitable for the needs of every member, due to certain members' investment requirements or appetite for risk, and that some members may wish to have greater control over their savings and so the Scheme also offers all members a choice of seven self-select fund investment options. The self-select funds include the three funds which make up the Scheme's default investment strategy.

Some members have Additional Voluntary Contributions ("AVCs") with Aviva (formerly Sun Life and Friends Provident) and Phoenix Life (formerly London Life) – see section 4.6 for further details. Some members also have the Prudential With-Profits Fund available in their self-select range – this is not offered as a self-select fund for all members (and is not currently offered to new members) as the Prudential With-Profits Fund closed to new business in September 2017.

The main objectives of the self-select investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default investment strategy;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches including ethical investment; and
- To support members who want to take a more active part in how their savings are invested.

The Trustee carries out an in-depth review of the performance and suitability of these self-select funds at least every three years, in line with its default investment strategy review.

In keeping with The Pensions Regulator's guidance, the Trustee also continues to review and monitor these additional investment options against its aims, objectives, and policies outside the three-year review cycle on a quarterly basis. Similarly to the default investment strategy, the Scheme's investment advisers attend quarterly meetings to present and highlight any specific issues with the additional investment options. These reviews include an analysis of fund performance to check the risk and return levels meet expectations; more detail is provided in section 3. During the Scheme Year the Trustee raised a concern about the performance of the JLP Cautious Diversified Growth Fund. As a result of this and following a review of the Fund, the Trustee made the decision to close the Fund to new investment from 12 October 2023. The Fund remains available to members who had investments already committed to it. A decision on whether to retain this Fund will be made as part of the wider investment strategy review in 2024.

There are no explicit environmental, social and governance (ESG) tilting strategies within the Scheme's investment options. The Trustee will consider this as part of the 2024 investment strategy review.

For those members who actively contribute their DC savings via the Prudential With-Profits Fund, neither the JLP Lifecycle nor the additional self-select investments are available as simultaneous investment choices.

3 Investment performance

The presentation of the investment performance takes into account the statutory guidance issued by the DWP on 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns'. The Trustee has followed the statutory guidance in all areas and the Trustee has not deviated from the statutory guidance.

Global growth has been stronger than expected over the past 12 months, particularly in the US, and, given ongoing improvements in activity survey data, global growth forecasts for 2024 have also been revised up, now suggesting only a marginal slowdown in 2024 versus 2023.

Year-on-year headline CPI fell to 3.2%, 3.5% and 2.4%, in the UK, US and eurozone, respectively, in March 2024, from 10.1%, 5.0% and 6.9% a year earlier. Core inflation, which excludes volatile energy and food prices, fell less but still declined materially, to 4.2%, 3.8% and 2.9% in the UK, US and eurozone.

3.1 Default investment strategy (JLP Lifecycle)

Over the Scheme Year the funds used in the Scheme's default investment strategy saw investment returns (net of charges and transaction costs) rise in value between 5.13% and 21.37% (or, put another way, a rise in value between £51.30 and £213.70 for every £1,000 invested for the fund).

The investment returns of the funds used in the default investment strategy during the year, three years and five years to 31 March 2024 after costs and charges are applied and expressed as a percentage were:

	Return on investments (net of charges and transaction costs) as a percentage to 31 March 2024		
Fund	**1 year**	**3 years (p.a.)**	**5 years (p.a.)**
JLP Global Equity Fund	21.37%	7.17%	10.32%
JLP Diversified Growth Fund	9.91%	1.76%	3.47%
JLP Cash Fund	5.13%	2.44%	1.63%

Source: Legal & General Assurance Society Ltd

As the default investment strategy uses a lifestyle strategy, the investment return varies depending on the member's age and how far they are from their target retirement age.

For the default investment strategy, investment returns are shown over the one year, three years and five years to 31 March 2024, for a member aged 25, 45 and 55 at the start of the period. These performance figures are illustrative and calculated based on the funds that members would invest in at that point in the lifestyle journey and assuming this allocation has remained unchanged throughout the term invested.

Age of member in Scheme Year (years), assuming selected retirement age of 68	1 year	3 years (p.a.)	5 years (p.a.)
25	21.37%	7.17%	10.32%
45	21.37%	7.17%	10.32%
55	11.79%	3.49%	4.89%

Source: Legal & General Assurance Society Ltd and Hymans Robertson LLP

The Trustee is satisfied that the funds used by the default investment strategy have performed in line with their long-term objectives with the exception of the JLP Diversified Growth Fund. The Fund has underperformed over the three and five-year period (by 5.12% p.a. and 2.60% p.a. respectively). This Fund aims to provide long-term investment growth through an exposure to a diversified ranges of asset classes, and this benchmark was not met due to the volatility within the equity and bond markets over the past few years and the rise in interest rates which meant the objective was higher. The Scheme's investment adviser confirmed that the level of underperformance was not unexpected given the market background. There have been no fundamental changes to the investment process used by the funds within the default strategy, and they remain rated by the Scheme's investment adviser. The design of this Fund will be considered during the review of the default investment strategy in 2024.

3.2 Other investment options

3.2.1 Self-select funds

Over the Scheme Year the self-select funds used in the Scheme's other investment options saw investment returns rise in value between 3.46% and 32.18% (or, put another way, a rise in value between £34.60 and £321.80 for every £1,000 invested for the fund).

The investment returns of the self-select funds over the one year, three years and five years to 31 March 2024 after costs and charges are applied, as well as transaction costs, expressed as a percentage were:

	Return on investments (net of charges and transaction costs) as a percentage to 31 March 2024		
Fund	**1 year**	**3 years (p.a.)**	**5 years (p.a.)**
JLP Global Equity Fund	21.37%	7.17%	10.32%
JLP Diversified Growth Fund	9.91%	1.76%	3.47%
JLP Cash Fund	5.13%	2.44%	1.63%
JLP Cautious Diversified Growth Fund	8.95%	0.57%	1.30%
JLP Ethical Equity Fund	25.62%	11.99%	14.52%
JLP Shariah Equity Fund	32.18%	14.77%	17.25%
JLP Annuity Protection Fund	3.46%	-8.27%	-3.41%
Prudential With Profits Fund*	8.35%	4.25%	5.25%

Source: Legal & General Assurance Society Ltd and Prudential
The funds in bold are components of the default investment strategy.
*Prudential's annual bonus declaration for unitised With Profits take effect on 6 April and return figures for Prudential With Profits are based on the year to 5 April 2024. The returns include a final bonus and assume an investment was made on the 6 April one, three or five years previously and units were cancelled to pay benefits on or after 6 April 2024.

For the Scheme's Prudential With Profits Investment Account, the annual bonus rate which regularly increases the value of units in the With Profits Fund, take effect from each 6 April. The overall return payable when units in the With Profits Fund are sold (annual plus final bonus) changes on 1 May each year. The Trustee has negotiated reduced charges with Prudential which give an enhanced overall yield.

The overall returns from 1 May on the Prudential With Profits Investment Account for 31 March 2024 depend on the year from 6 April in which each unit was purchased, for example:

Year	**2024**	**2023**	**2022**	**2021**	**2020**
Average overall yield % p.a.	8.35	5.00	4.25	6.75	5.25

Source: Prudential

The overall yield on contributions invested in the year to 5 April 2024 was 8.35% p.a. from 6 April 2024.

The Trustee is satisfied that all of the self-select funds have performed in line with their objectives (within 1% maximum) during the Scheme Year. When looking over the longer term, three and five-year period, all funds continue to perform in line with their objectives with the exception of the below funds:

- the JLP Diversified Growth Fund, underperformed its objective by 5.12% p.a. and 2.6% p.a. respectively; and
- the JLP Cautious Diversified Growth Fund underperformed its objective by 5.6% p.a. and 4.0% p.a. respectively.

The underperformance of both Funds can be explained and is a result of poor market performance in the Scheme Year. These Funds aim to provide a better return than cash and, so it is not surprising that this benchmark was not met due to the volatility within the bond markets and the rise in interest rates which meant the objective is higher during the Scheme Year. As discussed previously, the JLP Cautious Diversified Growth Fund was closed to new investment from 12 October 2023. The Fund is still available to members who had previously selected it and will be reviewed as part of the self-select fund range alongside the wider investment strategy review in 2024.

3.3 More information

Further information on the funds, how they are invested and their investment performance during the Scheme Year, can be found on the Scheme's website at John Lewis Partnership – John Lewis Partnership Trust for Pensions.

When preparing this section, the Trustee has taken account of the statutory guidance in place at the time of writing.

4 Charges and transaction costs

The charges and costs borne by members and the Partnership for the Scheme's services are:

Service	By members	Shared	By the Partnership
Investment	Yes	-	-
Administration	-	Yes	-
Governance	-	-	Yes
Communications	-	Yes	-
Retirement	-	-	Yes

The Partnership and the members share the charges for some elements of administration and communications. For members, there is an implicit charge included as part of the annual management charge paid to L&G. The Partnership meets the cost of supplementary administration and communications support via the Pension Operations Team.

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the DWP on 'Reporting of costs, charges and other information'.

The Trustee has followed statutory guidance in all areas.

4.1 Charges

The charges quoted in this Statement are the fund's Annual Management Charge ("AMC") and Fund Management Charge ("FMC") – these are noted in Appendix 2.

All amounts are expressed as a percentage of the total fund, which can then be applied to a member's investment in that fund.

4.2 Transaction costs

The funds' transaction costs are in addition to the funds' charges and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include custodian fees on trades, stockbroker commissions, and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

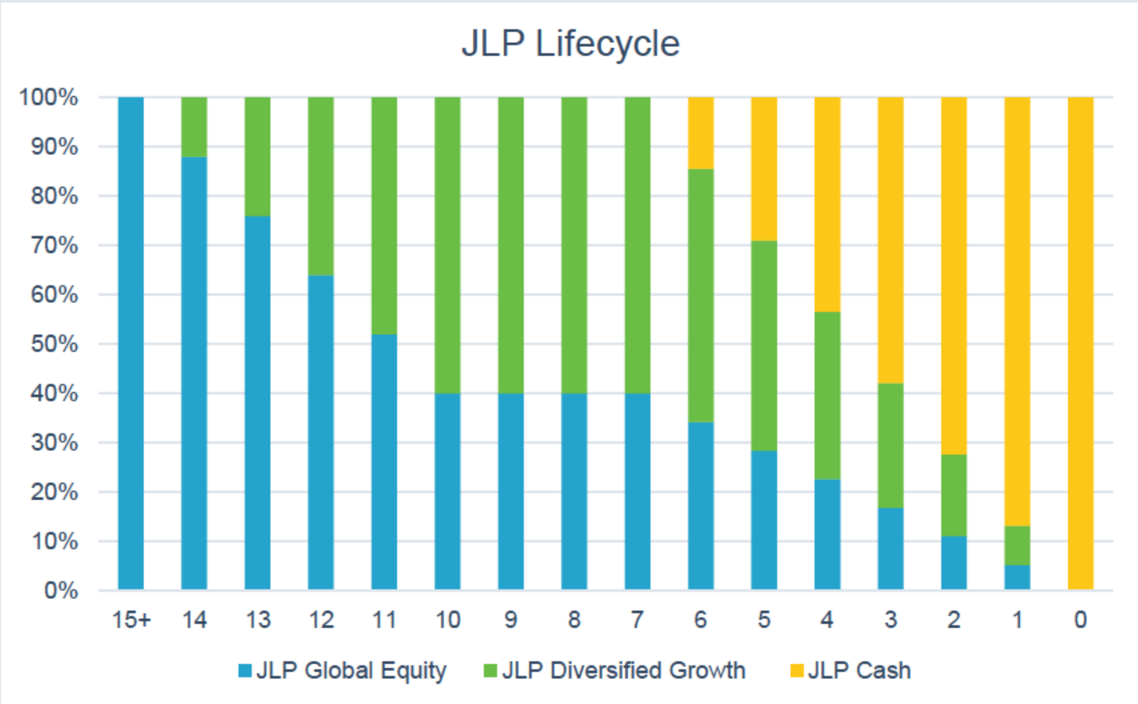
4.3 Member-borne charges and transaction costs

The charges and transaction costs have been supplied by L&G and Prudential, the Scheme's investment managers, for all funds. All costs in connection with the management and administration of investments held with L&G are borne by Scheme members. For those held with Prudential, the cost of maintaining member accounts is borne by the Partnership, with all other costs borne by Scheme members.

Full details of the annualised charges and transaction costs, for all funds, for the Scheme Year can be found in Appendix 2.

4.4 Default investment strategy

The default investment strategy is the JLP Lifecycle. The default investment strategy has been set up as a "lifestyle strategy," which means that members' assets are automatically moved between different funds as they approach their target retirement date. This means that the level of charges and transaction costs borne by Scheme members will vary depending on how close members are to their selected retirement age and in which fund they are invested.



Source: Hymans Robertson LLP

During the Scheme Year the member-borne charges for the default investment strategy were in a range from 0.22% p.a. to 0.38% p.a. of the amount invested (or, put another way, in a range from £2.20 to £3.80 per £1,000 invested).

The transaction costs borne by members in the default investment strategy during the Scheme Year were in a range from 0.00% p.a. to 0.11%% p.a. of the amount invested (or, put another way, in a range from £0.00 to £1.10 per £1,000 invested).

For the Scheme Year, annualised charges and transaction costs for the default investment strategy are set out in the table below.

Period to selected retirement date	Charge (AMC & FMC)		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
15 years or greater	0.24	2.40	0.06	0.60
14 years	0.27	2.70	0.07	0.70
13 years	0.30	3.00	0.08	0.80
12 years	0.33	3.30	0.09	0.90
11 years	0.36	3.60	0.10	1.00
10 years	0.38	3.80	0.11	1.10
9 years	0.38	3.80	0.11	1.10
8 years	0.38	3.80	0.11	1.10
7 years	0.38	3.80	0.11	1.10
6 years	0.36	3.60	0.09	0.90
5 years	0.34	3.40	0.08	0.80
4 years	0.31	3.10	0.06	0.60
3 years	0.29	2.90	0.05	0.50
2 years	0.27	2.70	0.03	0.30
1 year	0.24	2.40	0.01	0.10
At retirement	0.22	2.20	0.00	0.00

Source: Legal & General Assurance Society Ltd and Hymans Robertson LLP

The average charge for the default investment strategy, over a 40-year period, was 0.27% p.a., this is a simple average based off the charge applying at each year over a 40-year period to retirement.

The table in Appendix 2 gives the charges and transaction costs for each fund used by the default investment strategy.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default investment strategy complied with the charge cap during the Scheme Year.

4.5 Other investment options

In addition to the default investment strategy, members also have the option to invest in a range of self-select funds.

During the Scheme Year the charges for the self-select funds were in a range from 0.22% p.a. to 0.48% p.a. of the amount invested (or, put another way, in a range from £2.20 to £4.80 per £1,000 invested).

The transaction costs borne by members in the self-select funds during the Scheme Year were in a range from 0.00% p.a. to 0.26% p.a. of the amount invested (or, put another way, in a range from £0.00 to £2.60 per £1,000 invested).

The table in Appendix 2 gives the charges and transaction costs for each self-select fund.

4.6 Additional Voluntary Contributions (“AVCs”)

Some members have AVCs with Aviva (formerly Sun Life and Friends Provident) and Phoenix Life (formerly London Life). The Trustee has been unable to obtain the investment performance information for these funds. The Trustee notes that the amount of members’ AVCs invested with Aviva (c.£83k as at 1 November 2023 for Friends Provident and c.£240k as at 30 June 2023 for Sun Life) and Phoenix Life (c.£216k as at 30 June 2023) are relatively modest compared to the Scheme’s overall DC assets (£1,507,363,521), but that they may be meaningful at an individual member level.

During the Scheme Year, the Scheme’s investment adviser carried out a review of the AVC arrangements. The Trustee will continue to work through the arising actions post Scheme Year end.

On behalf of the Trustee, Hymans Robertson have liaised with the Pension Operations Team to try to obtain a named contact at Aviva and Phoenix Life (noting that these are legacy schemes). A named contact for Aviva has been found and contacted by Hymans Robertson (missing information not yet provided) and, in the absence of a named contact for Phoenix Life, contact has been made with the general mailbox (response not yet provided).

4.7 Prudential With-Profits Investments

Some members’ DC benefits are invested in the Prudential With-Profits Fund and for other members these benefits are AVCs within this fund. As at 31 March 2024 the surrender value of the With-Profits fund is £313,079,046.69 (i.e. a market value reduction of £4,021,996.06 or 1.27%), which is a notable proportion of the Scheme’s overall DC assets.

The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, the charges and transaction costs are effectively averaged across all policyholders, and it is not possible to determine the exact charges and costs borne by the members of our Scheme.

It should be noted that the implicit costs and charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration services.

During the Scheme Year the fund charge (AMC & FMC) for the With Profits Fund was 0.78% p.a. of the amount invested (consisting of an implicit scheme charge of approximately 0.47% p.a., and other charges and expenses of 0.31% p.a.). Or, put another way, £7.80 per £1,000 invested. There were no transaction costs associated with this Fund, and hence there were no transaction costs borne by members in the With Profits Fund during the Scheme Year.

The With Profits Fund was reviewed in December 2021 as part of the wider investment strategy review. The review considered the Fund’s financial strength, its investment strategy as well as bonuses and governance with respect to other comparable providers. The Fund was reviewed as part of the AVC review throughout 2024 and the Trustee will continue to monitor its ongoing suitability.

4.8 Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member’s pension savings can reduce the amount available to the member at retirement. The illustrations in Appendix 3 show projected fund values in today's money before and after costs and charges for three typical members at stages from joining the Scheme at age 20 up to retirement.

The tables in Appendix 3 to this Statement show these figures for:

- The default investment strategy;
- Two funds from the Scheme's self-select fund range:
  - The fund with highest annual member borne costs –the JLP Shariah Equity; and
  - The fund with lowest annual member borne costs – the JLP Cash

The "before costs" figures show the projected value of a member's savings assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures show the projected value of a member's savings using the same assumed investment return but after deducting the forward-looking member borne fees (including performance fees) and an allowance for transaction costs that members are expected to occur.

Please see the notes to the tables in Appendix 3 for the assumptions used in calculating these illustrations.

The illustrations in Appendix 3 have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

4.9 Performance-based fees

There were no performance-based fees which were deducted from the default arrangement during the Scheme Year.

5 Value for Members

Each year, with the help of our advisers, the DCMC carries out an assessment for the Defined Contribution ("DC") and Additional Voluntary Contribution ("AVC") benefits in the Scheme. This assessment is carried out to establish whether the charges and transaction costs for the default arrangement ("the default investment strategy") and other investment options, which are borne in full or in part by members, represent good Value for Members ("VFM"). Value is not simply about low cost – the Trustee also consider the quality and scope of provision compared against similar schemes and available external benchmarks. This assessment has been made based on information which has been made available to the Trustee by L&G (as the DC section's investment platform provider and main administrator) and John Lewis Partnership plc ("the Partnership").

5.1 Approach

The Trustee has adopted the following approach to assessing VFM for the Scheme year:

- Services – considered the services where members bear or share the costs (i.e. investment, administration and communication services) for the **Value for Members (VFM)** assessment, as well as the other services used by members (i.e. governance and retirement support) in determining the **overall value for money** of the Scheme.
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement.
- Comparison – compared the cost and quality of each service against similar schemes and available external comparisons ("the comparator schemes"), nothing that it is not possible in practice to find directly comparable schemes.
- Rating – rated each service from poor to excellent.

The VFM assessment only considers the services where members bear or share the costs. The costs of each service are borne by:

Category	Paid for by members	Paid for by the Partnership	Shared
Investment	Yes	-	-
Administration	-	-	Yes
Communications	-	-	Yes
Governance	-	Yes	-
Retirement	-	Yes	-

Members pay for the investment and administration services by means of the annual management charge, operating expenses and transaction costs deducted from members' fund values by the platform provider.

The Partnership and the members share the charges for some elements of administration and communications. For the members, there is an implicit charge included as part of the annual management charge paid to L&G. The Partnership meets the cost of supplementary administration and communications support via the Pension Operations Team.

The VFM assessment only considers the services where members bear or share the costs. So, the VFM assessment considers the Scheme's investment, administration and communication services only.

In addition, the Trustee and its adviser also decided to carry out an assessment of the Overall Value for Money, which considers all services which members benefit from regardless of who bears the costs. So, this overall assessment also includes the services for governance and retirement.

Information has been gathered and evaluated as to how each service's cost, quality and scope of provision compare against similar schemes and available external benchmarks.

5.2 Results for the Scheme Year

The Scheme provided **GOOD** VFM over the Scheme Year.

The Trustee also assesses all the services member use (not just those for which they pay part or all of the costs for). The Scheme gave **GOOD** Overall value for money over the Scheme Year.

5.3 Value for Members (VFM)

The rationale for the rating of each service is described below. The investment category has been assigned the largest weighting as it will have the largest impact on long-term member outcomes.

The rating criteria used in the assessment ranges from 1 (Poor) – 5 (Excellent).

Category	Weighting	Rating	Rationale
Investment	50%*	4	The Trustee regularly reviews the investments of the Scheme to make sure they remain suitable for members. With advice from its DC Investment Adviser, the Trustee is satisfied that the investment options are suitable for the Scheme's membership and in particular that the default investment strategy is well designed and is suitable for members who do not wish to make an active choice on where to invest their pension savings. Over the Scheme Year the JLP Diversified Growth Fund, which makes up part of the default investment strategy, underperformed against its benchmark, and the Scheme's investment advisers will review this fund alongside other enhancements in the investment strategy review taking place post Scheme Year end. The total charges that members pay (including those for investment, administration, and communications) were broadly in line with those of the comparator schemes. The fees paid on investment funds were competitive. Transaction costs (effectively the cost of managing the funds our members are invested in) were broadly similar to those of the comparator schemes.

Administration	25%*	4	During the Scheme Year, Pension Operations carried out the administration for all hybrid members and L&G carried out the administration for deferred DC only members. Clear service standards are set out for the administrators and performance against these standards was excellent over the Scheme Year. L&G is accredited to ISO 27001 standard by the Pensions Administration Standards Association ("PASA"). The Pension Operations Team provided the Trustee with quarterly compliance certification over the year. Based on the Trustee's adviser's assessment of this information, the Trustee concluded that during the Scheme Year most of the tasks which the administrators needed to carry out (known as core financial transactions) were processed promptly and accurately to an acceptable level; and the administration processes included effective measures to help protect members against cyber-attacks and pension scams.
Communication	25%*	4	Members are provided with access to a Scheme-specific pensions "microsite" which has general pensions information and links to useful documents including the Scheme's DC section guide and an investment options guide. Members also have access to L&G's online service Manage Your Account (MYA) where they can view fund values, investment options and access modelling tools. L&G also offer a range of other support communications (including webinars) and the Trustee will consider actions they can take to help members benefit from more of these types of communications. The Trustee as part of Pension Awareness Week (11th – 15th September 2023) and in line with The Partnership's 'Money Month' campaign, highlighted five key pension communications to members: Understanding your pensions, L&G's MYA and Learning Zone, Expression of wish form, Pension Wise and Midlife MOT. During the Scheme Year the Trustee developed a 'Pension Glossary' to collate the appropriate language and terminology to be used across all communications to help consistency and improve members' understanding.

Overall value for money additional items (the following categories are not considered in the VFM assessment)			
Governance	0%*	4	A strong governance structure is in place for the Scheme. At the Scheme Year end the Trustee Board consisted of seven Trustee Directors, three of which were independent. The Trustee Board meets on a quarterly basis. There are four sub-committees (Defined Benefit, Defined Contribution and Membership, Audit and Risk and Pensions Management) which meet on a regular basis and provide updates at the quarterly Trustee Board meetings (except for the Pensions Management sub-committee). This structure means that all the key areas of the Scheme that impact our members' income in retirement are monitored well and regularly. The Trustee meets all its regulatory requirements in relation to aspects such as risk management.
Retirement	0%*	2	The Scheme does not offer retirement support services for the majority of members. The Trustee notes that the Scheme's available at-retirement options currently suit the majority of members who use their DC and AVC pots to fund their tax-free cash, albeit certain options (e.g. single uncrystallised funds pension lump sum) are not currently set up for Scheme members and there is the potential for "trapped" DC funds after taking DB pension and Pension Commencement Lump Sum ("PCLS") from DC pots. Post Scheme Year end, the Trustee is reviewing the Scheme's at-retirement offering in line with the Scheme's changing membership demographic. The Trustee has undertaken training during the Scheme Year on the various at-retirement options available to the Scheme and how these could be implemented in practice to suit the Scheme's membership.
Contributions	0%*	4	The Partnership contribute a minimum of 4.5% for members, up to a maximum of 8%. Members are defaulted at a 4.5% contribution level and receive a matching contribution up to the Partnership maximum. After three years of service an additional 4% is contributed by the Partnership.

* When carrying out the Overall Value for Money assessment we have applied the following weightings: Investment – 40%, Administration – 15%, Communications – 15%, Governance – 10%, Retirement – 10% and Contributions – 10%.

Following the VFM assessment, the Trustee has noted some areas of focus it could consider taking to further improve value and obtain any missing information. These steps, along with details of the missing information and value assessment limitations, are detailed in other sections of this Chair's Statement. Full details of the approach used to assess value can be found in the VFM assessment.

5.4 Prudential With Profits VFM

The Scheme includes members who pay DC benefits to a Prudential With-Profits Fund, and some members pay into the Prudential With-Profits Fund as an Additional Voluntary Contribution ("AVC").

Members invested in the Prudential With-Profits Fund only pay for investment charges and so only this factor is relevant to a VFM assessment of the Prudential With-Profits Fund in line with the Regulations.

It is difficult to assess VFM in respect of any With-Profits Fund because of the lack of transparency and each member placing a differing value on the smoothing of returns and the capital guarantee provided by the With-Profits Fund. It is important to note that these are legacy arrangements and are now closed to new contributions.

Nevertheless, across all the Scheme's members with Prudential, and looking at the level of bonus returns relative to the charges, we suggest the Prudential With-Profits Fund is likely to provide **Average** value for the average member invested with Prudential.

5.5 AVCs VFM

The Scheme includes members who pay Additional Voluntary Contributions ("AVCs") with Aviva and Phoenix Life.

AVC members invested in the Aviva With-Profits Fund and Phoenix Life Fund only pay for investment charges and so only this factor is relevant to a VFM assessment of the Aviva With-Profits Fund and Phoenix Life Fund in line with the Regulations.

The Trustee has been unable to obtain investment performance and charges for either Aviva With-Profits Fund or Phoenix Life Fund. Nevertheless, across all the Scheme's members with both providers, and based on our understanding of the providers, we suggest the Aviva With-Profits Fund and Phoenix Life Fund are likely to provide **Below Average** value for the average member invested.

6 Administration

The Trustee has made the following appointments for the administration of the Scheme:

- L&G for the administration of DC savings (including the investment of members' contributions and the switches members make between funds) and certain other administrative functions for deferred members of the Scheme who do not otherwise have a separate entitlement to a deferred DB benefit in the Scheme.
- The Pension Operations department of John Lewis Partnership plc for the other aspects of the administration of active (until 9 April 2024, post Scheme Year-end) and hybrid members' DC benefits (such as managing quotations, leavers, joiners and issuing benefit statements).
- As at 9 April 2024, the administration of all active DC only members was delegated to L&G.
- During the Scheme Year, Pension Operations carried out the administration for all hybrid (i.e. DC members with DB benefits) members in the Scheme, DC members who joined the Scheme prior to 1 April 2015.

6.1 Core financial transactions

The Trustee monitored core financial transactions during the Scheme Year including:

- The investment of contributions;
- The transfer of members' assets to and from the Scheme;
- Switches between investment options within the Scheme; and
- Payments of benefits to members and beneficiaries.

6.2 Service levels

The Scheme has a service level agreement (SLA) in place with both the Scheme's administrators which covers the accuracy and timeliness of all administration work such as:

- The investment of contributions;
- Switching investment options;
- Providing quotations of benefits to members who are retiring or leaving the Scheme;
- Payments of benefits;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

The overall SLA target agreed with the Trustee is 90% for Pension Operations for the DC section of the Scheme and 95% for L&G (this target is unchanged post 9 April 2024 when L&G took over the administration of the active DC only members from Pension Operations). Individual SLAs, which cover areas such as allocating contributions to member accounts, providing quotes and payment for all major benefit categories, and responding to member queries, have been kept under review throughout the Scheme Year to ensure they remain appropriate for the activities undertaken.

Over the reporting period, the SLAs achieved were:

Administrator	Q2 2023	Q3 2023	Q4 2023	Q1 2024
L&G (DC)	99.2%	99.5%	99.1%	99.5%
Pension Operations (DB and DC)	97.0%	98.0%	98.0%	95.0%

Source: Legal & General Assurance Society Ltd and Pension Operations.

There were no material failures to meet SLAs. Both the Scheme's administrators have confirmed that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

The Trustee monitored core financial transactions and administration service levels provided by both the Scheme's administrators during the Scheme Year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by the Partnership;
- Receiving quarterly reports from the administrators on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Considering member feedback including any complaints.

Using this information, the Trustee is satisfied that, during the Scheme Year:

- L&G have maintained compliance with ISO 27001, the global standard for effective information security management systems;
- L&G have maintained accreditation with the Pensions Administration Standards Association ("PASA");
- L&G and the Pension Operations Team have achieved the overall SLA target. For any failure to meet a specific SLA, the Trustee ensured that this was investigated and resolved by the administrators. There were no major failures to meet overall SLA targets;
- Monthly meetings occurred between members of the Trustee Executive (a team of seven Partnership employees whose sole responsibility is to support the Trustee in carrying out its fiduciary obligations) and the Scheme's administrators to discuss any issues arising relating to operational procedures; and
- Quarterly reporting provided by the Scheme's administrators to the Trustee gave further detail of any administration issues, delays and member complaints that occurred during the reporting period. This included background information on the issues, how these have been corrected and any actions that have been agreed in order to resolve outstanding issues.

The Trustee considers that during the Scheme Year, the majority of core financial transactions were processed promptly and accurately to an acceptable level and there have been no material administration errors in relation to processing core financial transactions.

There were 31 DC-specific complaints over the Scheme Year, all with L&G and of which 22 were upheld. These complaints were all non-reportable, which are complaints that can be resolved by close of business the next working day. The nature of these complaints was not disclosed. The Trustee is comfortable that none of these complaints related to any systematic issues or errors. The Trustee considers the number of complaints to be very low in relation to the size of the membership (total DC membership as at 31 March 2024 was 125,651, complaint rate of 0.02%). Over the Scheme Year, there were eight individual data breaches that occurred within Pension Operations, which have now been rectified. These were all in relation to communications being issued to wrong addresses, either via addresses being manually updated incorrectly or human error whilst issuing. The Audit and Risk Committee agreed that these were all non-reportable.

6.3 Data quality

Each year the Trustee asks the Pension Operations Team to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was undertaken in January 2024 by Pensions Operations and covered the data held on the Pension System ("PSP"), which covers the full scheme membership. Data on the pensioner payroll, paper files, microfiche or held anywhere outside of the system was out of scope. This showed that common data was present for 99.7% of membership data.

6.4 Cyber security

The Trustee is conscious of the growing threat of cyber attacks on pension scheme information and participated in a War Games Cyber training session during the Scheme Year. The Trustee's Audit and Risk Committee have been considering and reviewing the Scheme's risk of a cyber security incident and the internal processes the Trustee should have in place to monitor and assess the risk of the Scheme to a cyber security incident. The Trustee's Cyber Policy was last reviewed in June 2023.

The Trustee expects the Scheme's administrators and advisers to ensure that their cyber security arrangements are effective and up to date, and monitors this on a regular basis. The Trustee is not aware of any cyber security incidents that affected the Scheme over the Scheme Year.

6.5 Risk management

The Trustee considers the effectiveness of the controls which are in place to manage the risks faced by the Scheme at each quarterly meeting. The Trustee has been kept up-to-date by its advisers on the requirement to produce an Own Risk Assessment ("ORA") which is, broadly speaking, an assessment of how well governance systems are working within the Scheme and the way potential risks to the Scheme are managed.

6.6 Overall

The Trustee is satisfied that over the Scheme Year:

- The Scheme's administrators were operating appropriate procedures, checks and controls and operating within the agreed SLAs;
- The majority of core financial transactions were processed promptly and accurately to an acceptable level during the Scheme Year;
- There have been no material administration errors in relation to processing core financial transactions;
- The wider administration of the Scheme achieved the agreed service standards;
- The Scheme's common data is accurate and up to date; and
- The Scheme's cyber security arrangements are effective.

6.7 Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date, there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

In this regard, the Trustee reviews the structure of the funds used within the default investment strategy and other self-select options.

The Trustee takes the security of assets into account when selecting and monitoring the funds used by the Scheme. The Trustee reviewed the security of members' assets in the DCMC meeting as at 8 June 2023 and will continue to keep this under review. The Trustee believes that the current structures are appropriate for members when compared to other possible structures.

7 Trustee knowledge – DC Section

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Section 247 and 248 of the Pensions Act 2004 requires that each Trustee Director must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's SIP and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly to exercise his or her functions as trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law.

7.1 Current practices

The Trustee's current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are:

- An induction process for newly appointed Trustee Directors, who are asked to complete The Pensions Regulator's "Trustee Toolkit" within six months of becoming a Trustee Director;
- The Trustee Directors are encouraged to undertake further study and qualifications which support their work as trustees;
- The Trustee Directors have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices is reviewed on an ongoing basis; and
- The Trustee Directors also receive quarterly "hot topics" from their advisers covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

7.2 Trustee training

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps and this awareness is used in the setting of the Trustee's training priorities throughout the year. The Trustee's governance advisers and legal advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they are material.

Individual training records are maintained and reviewed annually by Trustee Services to identify knowledge gaps, if any. If any gaps are identified these are addressed within the DCMC's priorities for the year ahead which is used to inform future Trustee training sessions.

All the Trustee Directors have completed The Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). Training for new Trustee Directors also includes a one-day course, "An Introduction to Trusteeship." This process was carried out for all new Trustees who joined during the Scheme Year.

All Trustee Directors aim to complete at least ten hours of formal training each year, via a combination of attending externally hosted seminars and training session along with bespoke training incorporated into regular Trustee and sub-committee meetings on topical areas.

During the Scheme Year, the Trustee received training on the following topics:

Date	Topic	Aim/benefit	Trainer
8 June 2023	Accessing at retirement options	To develop the Trustee's understanding of the retirement options that are available to members	Hymans Robertson
3 July 2023	Investment Strategy Evolution	To prepare the Trustee's for the investment strategy review that was due to take place in 2024	Mercer
3 July 2023	Climate Related Risks and Opportunities	To develop the Trustee's understanding of key themes of climate change for investors.	Aon
4 July 2023	Cyber War Games	To give the Trustee the opportunity to practice its response to a simulated cyber-attack and ensure the Trustee is as prepared as possible should the Scheme be subject to an attack.	Aon
5 July 2023	Covenant War Games	To give the Trustee the opportunity to practice its response to changes in the employer covenant, alongside the procedures contained in the Emergency Plan.	Cardano
4 July 2023	Skills and Diversity	To develop the Trustee's understanding of DEI within the Trustee Board and practical ways to improve DEI.	Aon
18 January 2024	Mansion House reforms	To develop the Trustee's understanding of the Mansion House reforms and the impact of these on the Scheme.	Sackers
7 February 2024	General Code	To aid the Trustee's understanding of the Pensions Regulator's new General Code	Aon
12 March 2024	Liquid Asset Classes	To develop the Trustee's understanding of different liquid asset classes to assist in the triennial investment strategy review	Mercer

7.3 Governing documentation

All the Trustee Directors have access to copies of, and are familiar with, the current governing documentation for the Scheme, including the Trust Deed and Rules (together with any amendments) and the SIP. The Trustee refers to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed either at least every three years or as part of making any change to the Scheme's investments or to comply with new legislative or regulatory requirements. The current SIP is appended to this Statement. The SIP is under continuous review with the most recent update made September 2024 to reflect latest guidance from the Pensions Regulator, to include wording on the Trustee's illiquid policy. The Implementation Statement (the "IS") which details how the Trustee has followed the policies set out in the SIP is completed annually, the most recent was completed in September 2024.

7.4 Skills, experience and diversity

At the 9 March 2022 DCMC, it was proposed to undertake a review of Board effectiveness within the next scheme year to 31 March 2024. The Trustee completed this in July 2024, post Scheme Year-end and the results of this review will be included in next year's statement.

7.5 Trustee advisers

The Trustee has appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustee reviews the effectiveness of its advisers (Hymans Robertson, Mercer, Sackers and Aon) on an ongoing basis and periodically reviews the appointment of its advisers.

7.6 Overall

Taking into account the knowledge and experience of the Trustee Directors, including the professional Trustee Directors, together with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g. investment consultants, governance consultants, legal advisers), the Trustee Directors believe they are well placed to exercise their responsibilities as Trustee Directors of the Scheme properly and effectively.

8 Our key actions during the Scheme Year and plans for the next year

During the Scheme Year the Trustee undertook the following activities (over and above "business as usual"):

- Completed a review of the retirement options available to members considering trends in the wider industry and member retirement behaviours, and agreed the changes to make post that review;
- Conducted a review of the Scheme's AVC arrangements, which are pension benefits in addition to the standard benefits provided by the Scheme;
- Reviewed the relevance of the benchmarks for funds offered to members on a quarterly basis;
- Completed an assessment of the Security of Assets, with the Scheme's investment advisers;
- Progressed with the transition of the administration of DC only active members to L&G (which went live on 9 April 2024);
- Started the full review of the investment strategy, including the default investment strategy and self-select fund range; and
- Supported the Partnership's Pension Awareness Week campaign, and developed a consistent set of preferred retirement savings language to be used across all pension communications and provide helpful definitions of pension terminology for members to refer to.

In the short term (1 April 2024 to 31 March 2025, which will be covered by the next Statement) and longer term, the Trustee aims to:

- Complete the implementation of agreed changes following the retirement options review, making them available to members as soon as practical;
- Complete the detailed investment strategy review of both the default arrangement and the self-select fund range;
- Develop a communications strategy which can be used to set Scheme goals and assess member engagement;
- Consider how to incorporate further ESG funds within the investment options (default and/or self-select) as part of the 2024 investment strategy review;
- Develop a set of investment beliefs which reflect the collective view of the Trustee on the appropriate principles behind the Scheme's investment strategy;
- Carry out an analysis of the member demographics of the Scheme to develop further understanding of the membership, knowledge which can be used to inform future decisions and develop a targeted communication strategy;
- Work with L&G to improve online engagement, enhance member experience and retirement saving options; and
- Complete the administration services transition to XPS for hybrid members.

9 Missing information

The Trustee has been unable to obtain:

- Information on the investment performance and transaction costs in respect of the AVC funds with Aviva and Phoenix Life.

The following steps are being taken to obtain the missing information for the future:

- On behalf of the Trustee, Hymans Robertson have explored all avenues alongside liaising with the Pension Operations to try and establish a named contact at Aviva and Phoenix Life (noting that these are legacy schemes). A named contact for both has been found and contacted by Hymans Robertson (missing information not yet provided).

The Trustee also notes the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension schemes and has relied heavily on the market knowledge of its advisers.

Appendix 1 – Statement of Investment Principles

Statement of Investment Principles for Defined Contribution Section – John Lewis Partnership Pensions Trust

(September 2024)

Introduction

1 This Statement of Investment Principles ('SIP') sets out the principles governing investments for the John Lewis Partnership Trust for Pensions (the 'Trust' or the 'Scheme'), made by or for the Board of the John Lewis Partnership Pensions Trust (the 'Trustee'). This SIP is drafted in accordance with the requirements of Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and regulations made under it.

2 The Trust is a Registered Pension Scheme for the purposes of the Finance Act 2004.

3 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee has taken written advice from the Trust's Investment Consultant for the Defined Contribution Section (Hymans Robertson), which is regulated by the Financial Conduct Authority ('FCA'), and has consulted with the employer, the John Lewis Partnership (the 'Partnership').

4 The Trustee is responsible for the Trust's investment strategy and for ensuring that it is recorded in the SIP. The Trustee delegates responsibility for the implementation and monitoring of the investment strategy to its Defined Contribution and Communication Sub-Committee ('DCC'). The DCC may engage with other investment advisers to assist in the Trust's selection of investment managers.

5 This document focuses on the high-level principles of the Trustee and considers matters relating to the Defined Contribution ('DC') section of the Scheme only. A separate document covers the principles for the Defined Benefit section of the Scheme. The details of the asset allocation and the implementation arrangements are matters for the DCC and will vary over time. The DCC will prepare and maintain a separate document, the Investment Policy Implementation Document, which sets out further details on how the principles have been implemented. That document does not form a part of the SIP.

6 The DC section provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges.

7 In selecting appropriate investments, the Trustee is aware of the need to provide a default investment strategy and a range of self-select investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.

8 The Trustee last completed a review of its DC investment arrangements in December 2021 and a review is ongoing within 2024.

Objectives

9 The Trustee's aim is to design a default investment strategy that will be suitable for the majority of members, in particular those members who are unwilling, or feel unable, to make investment choices.

10 The Trustee also aims to provide a range of other self-select investment options for members who wish to have a higher level of control over their savings and/or feel the default investment strategy does not meet their requirements and/or appetite for risk.

Investment Principles

11 The Trustee determines the default investment strategy based upon the following investment beliefs:

- Taking relatively high investment risk (for example by investing in equities) when members are far from their selected retirement date, is expected to be rewarded in the long term, with these investments expected to produce the best long-term returns.
- When members are closer to their selected retirement date (i.e. between around 15 years and 7 years from retirement), there remains a need to generate meaningful returns (i.e. above the rate of inflation).
- In the pre-retirement phase (i.e. from around 7 years from a member's selected retirement date), there remains a need to generate returns above the rate of inflation. However, the asset mix at the point of retirement should reflect what members are expected to do at the point of retirement (e.g. take all of their pension as cash, draw their pension down flexibly etc.).

The full list of the Trustee's Investment Beliefs in relation to the default investment strategy and self-select range can be found here.

12 The Trustee has taken advice in determining an appropriate investment strategy for the DC section of the Trust, and has established:

- A default investment strategy known as the JLP Lifecycle; and
- A range of seven self-select investment options.

13 Certain legacy DC members invest in the Prudential With-Profits Fund. There are a number of other legacy additional voluntary contribution options to which some members still pay contributions, with Prudential, Aviva (ex. Friends Provident), Aviva (ex. Sun Life) and Phoenix (ex. London Life). Members who do not currently contribute to those options are not able to start doing so.

Further detail about the default investment strategy, self-select options and additional voluntary contributions is provided in sections 17 to 21.

14 The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower while experiencing less volatility than that of the predominantly equity options. The diversified growth funds options, which invest in, but are not limited to, a mixture of equities, bonds, property and commodities, are still expected to provide excess returns over inflation, but the returns are expected to be more consistent, with fewer fluctuations than the predominantly equity investment options. However, the return is likely to be lower over the long-term when compared to the predominantly equity options. Cash funds will provide protection against changes in short-term capital values and may be appropriate for members who are approaching retirement and want to take some or all of their pension savings as cash when they retire.

15 The Trustee has delegated responsibility for the implementation and monitoring of the chosen investment strategy to the DCC.

16 The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments. The Trustee’s policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

Default Investment Strategy

JLP Lifecycle

17 When devising the phases and the mix of investment funds in the JLP Lifecycle, the Trustee has taken into account the expected returns on the different asset classes as summarised above in paragraph 14. In addition, the JLP Lifecycle and the DC section overall have consistency in approach in terms of the policies for the realisation of investments, the investment risks considered (including the ways they are measured and managed), financially material considerations and the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments.

18 The JLP Lifecycle has three different “phases” based on the time remaining until members reach their Target Retirement Age (‘TRA’): the “Growth Phase”; the “Consolidation Phase”; and the “Pre-Retirement Phase”. The mix of investment funds automatically switches depending upon the design of each phase. The default investment strategy balances between different kinds of investments (including use of both active and passive strategies) to seek to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

- The Growth Phase (more than 15 years until TRA): The aim over these years is to achieve good long-term growth in excess of inflation. In the Growth Phase all contributions are invested in the JLP Global Equity Fund.

- The Consolidation Phase (between 15 and 7 years until TRA): The aim is to provide continued growth, but at a lower risk, by gradually switching investments from higher risk assets (JLP Global Equity Fund) to lower risk assets (JLP Diversified Growth Fund). The proportion of pension savings invested in the JLP Diversified Growth Fund gradually increases until members are ten years from TRA when 40% of their DC section savings will be invested in the JLP Global Equity Fund and 60% invested in the JLP Diversified Growth Fund. This proportion remains fixed, until members are seven years from their TRA.

– The Pre-Retirement Phase (fewer than seven years to TRA): The aim is to provide some continued growth but increasing certainty of the value of members' pension savings by gradually switching investments into the money market fund (JLP Cash Fund), until all savings are invested in the money market fund when members reach their TRA.

19 This default investment strategy has been designed to be in what the Trustee believes to be the best interests of the majority of the members who do not make an active decision to invest in one of the self-select options. This view is based on the demographics of the DC section's membership (e.g. age profile and pot sizes) and the likely way members will access their savings at retirement based on this analysis. The Trustee will continue to review this over time, at least triennially, or after significant changes to the DC section's demographics, if sooner.

Self-select investment options

The DC section offers the following investment funds for members who wish to have a higher level of control over their savings and/or who feel the default investment strategy does not meet their requirements and/or appetite for risk. If members self-select, they can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. Each of the available funds is considered to be diversified across an appropriate number of underlying holdings / issuers. Each of the available investment funds will consider environmental, social and governance (ESG) factors to differing extents. As per the table that follows, ESG considerations are specifically incorporated into the stated investment objective of some investment funds. Further detail on the Trustee's policy in relation to ESG factors can be found in sections 24 and 27 that follow.

White Label Fund Name	Benchmark	Objective
JLP Global Equity Fund	60% FTSE All World Index (100% GBP Hedged); 20% MSCI World Value + Quality + Low Volatility Custom Diversified Multi-Factor Index (Unhedged); 10% MSCI Emerging Markets Index (Unhedged); 10% MSCI World Small Cap ex Selected Securities Index (Unhedged)	• Aims to provide long-term investment growth by passively tracking the performance of a blend of global equity indices

White Label Fund Name	Benchmark	Objective
JLP Diversified Growth Fund	33% 3-Month SONIA + 5% per annum, 67% 1-Month SONIA + 4% per annum	• Aims to provide long-term investment growth through exposure to a diversified range of asset classes
JLP Cash Fund	Sterling Overnight Index Average ('SONIA')	• Aims to provide capital security and income by lending money to companies and governments over short periods of time (the target weighted average of the time to repayment of the loans from the fund is 60 days) • Low-risk offering a correspondingly low return
JLP Annuity Protection Fund	FTSE UK Adjusted Annuity Composite	• Aims to provide diversified exposure to assets that reflect the investment underlying a typical traditional annuity product, incorporating Environmental, Social and Governance considerations as part of the investment strategy • Offers some protection against annuity price fluctuation
JLP Cautious Diversified Growth Fund*	3-Month SONIA + 3.5% per annum over the long term (5 consecutive years)	• Aims to achieve a total return, in the form of capital growth and income returns, over the long term whilst providing some protection against its value moving sharply down in changing investment conditions. • The objective will be implemented through strategic allocations to multiple asset classes • Targets 7% volatility over a market cycle
JLP Ethical Equity Fund	FTSE4 Good Global Equity Index (50% GBP Hedged)	• Aims to provide long term investment growth by passively tracking the performance of the FTSE4 Good Global Equity Index to within +/-0.5% per annum for two years out of three
JLP Shariah Equity Fund	Dow Jones Islamic Titans 100 Index (Unhedged)	• Aims to create long-term investment growth by investing to a diversified portfolio of companies from around the world that are compliant with Islamic Shariah principles and seeks to match the performance of the Dow Jones Islamic Titans 100 Index.

Funds shown in bold are used in the default investment strategy.
*The Cautious Diversified Growth Fund has been soft-closed, meaning that members can no longer self-select into this fund, but members currently invested can continue to pay contributions into the fund.

20 Certain members of the Scheme are able to continue contributing to the Prudential With Profits fund. This is not an option available to new joiners or anyone who does not already contribute to this fund. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash which aims to achieve long-term real returns. Investment returns are passed to members through bonuses which are intended to smooth the peaks and troughs of equity markets.

Additional Voluntary Contributions

21 Certain members can make additional voluntary contributions via the Prudential With-Profits Fund, and via legacy options with Aviva (ex. Friends Provident), Aviva (ex. Sun Life) and Phoenix (ex. London Life). These funds are not an available option for new joiners or anyone who does not already contribute to these funds. All these funds are With Profits funds. Both Aviva policies include guaranteed annuity rates at retirement, whilst the Phoenix policy includes a guaranteed cash option and guaranteed annuity rates. The are no guarantees with the Prudential With-Profits fund.

Investment Management

22 In accordance with the Financial Services and Markets Act 2000, the Trustee sets the general investment policy, but delegates the responsibility for selection of specific investments to its appointed investment managers. The investment managers are expected to possess the skills and expertise necessary to manage the investments of the Trust competently. The funds used by the DC section are accessed through an investment platform provided by Legal & General.

23 The Trustee is not involved in the investment managers' day-to-day operations and does not directly seek to influence attainment of their return objectives. The Trustee maintains processes to ensure that performance is assessed on a regular basis against measurable objectives for each manager, consistent with the achievement of the Trust's long-term objectives, and an acceptable level of risk.

Responsible Investment ("RI")

24 The Trustee formally reviewed its RI beliefs over 2023-4, and as a result of this exercise documented a formal RI policy that covers both the DB and DC Sections of the Trust. The RI policy can be found here. The Trustee's RI policy will be reviewed at least every year, or without delay after any material change to the approach of the Trust's broader investment arrangements.

In summary:

- The Trustee selects investment strategies responsibly to deliver financial performance for members in a way that considers Environmental, Social and Governance ("ESG") issues. The Trustee considers these factors to represent material financial risks that can have an impact on the long-term performance of DC investment funds.

- In relation to the member options, the Trustee will consider whether it is appropriate and the extent to which it should take into account member views during each review of the DC investment options, which takes place at least every three years.

Investment Manager Monitoring and Engagement

25 The policy in relation to the Trustee's arrangements with its investment managers is set out below in sections 26-30.

26 Incentivising investment managers to align their investment strategy and decisions with the Trustee's policies:

- The Trust's investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the specific asset class / strategy sought.

- The Trustee looks to its investment advisers for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view is based on the advisers' assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund in which the Trust invests. The advisers' manager research ratings assist the Trustee with the due diligence and questioning of managers, which are used in decisions around selection, retention and realisation of manager appointments.

- If the investment objective of a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

- Some appointments are for active management approaches and those managers are incentivised through remuneration (including some via performance related fees) and performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds on an ad-hoc basis.

- As the Trustee also invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets beyond those applying to the particular investment vehicle, and therefore selects those vehicles on that basis and to align with the overall investment strategy.

27 Incentivising the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer, and to engage with issuers in order to improve their performance in the medium to long-term:

- The Trustee will consider the investment advisers' assessment of how the investment managers embed ESG into their investment process. In addition, the Trustee will request information about an investment manager's ESG policies and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment manager's policy on voting and engagement.

- The Trustee may challenge the decisions made by the investment managers on their voting history and engagement activity. In addition, the DCC will meet with the investment managers as and when required at DCC meetings.

- The Trustee delegates all voting and engagement activities to the investment managers. When required the Trustee will question managers' voting decisions if it deems them out of line with the investment fund's objectives or the objectives / policies of the Trust. Further information on the Trustee's approach to voting and engagement is set out in its RI Policy.

- The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the

Trustee is dissatisfied, then they will look to replace the manager.

28 Aligning the evaluation of the investment managers' performance and the remuneration for investment management services with the Trustee's policies:

- The Trustee's focus is on longer-term performance, but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance (net of fees) against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons.
- The remuneration for investment managers used by the Trust is based on assets under management; the levels of these fees are reviewed annually to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee may request further action be taken, including a review of fees.

29 Monitoring portfolio turnover costs incurred by the investment managers:

- Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members' assessment. The ability to assess the appropriateness of these costs is currently limited by the availability of data and the lack of industry-wide benchmarks. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessment. Importantly, performance is reviewed net of portfolio turnover costs.

30 The duration of the arrangements with the investment managers:

- The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.
- No manager appointment has a set duration.
- The Trustee is responsible for the selection, appointment, monitoring and removal of the investment managers.
- The available self-select fund range and default investment strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or self-select fund range.

Risk

31 The Trustee recognises the key risk is that members will have insufficient retirement income relative to their expectations. The Trustee considered this risk when setting the investment options and strategy for the Trust. This risk provides the context for the Trustee's approach, although it is not within the Trustee's power to mitigate that risk beyond developing and monitoring its investment approach.

32 The Trustee considers the following sources of risk in designing the investment options:

- **Inflation risk:** The risk that the investment return over members working lives does not keep pace with inflation. It is measured by considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation. The Trustee manages this risk by providing members with a range of funds, across various asset classes, with the majority expected to at least keep pace with inflation in the long term. Members are also able to set their own investment allocations, in line with their risk tolerances.

- **Conversion risk:** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the cash lump sum secured. It is measured by considering the returns of the funds used within the switching phase of the lifecycle strategy. Lifecycle strategies and the suitability of the default investment strategy are reviewed at least triennially. It is managed by offering a lifecycle strategy that automatically switches member assets as they approach retirement into investments that are expected to be less volatile relative to how the Trustee expects the majority of members will access their pension savings. The lifecycle strategy increases the proportion of assets that more closely match the expected retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.

- **Opportunity cost risk:** The risk that members end up with insufficient funds at retirement with which to secure a reasonable income through not having taken enough risk whilst the opportunity was available. It is measured by considering the returns of the funds used within the switching phase of the lifecycle strategy. It is managed by offering a range of funds which members can use to invest in line with their risk tolerances and also by reviewing the suitability of the lifecycle strategy at least triennially.

- **Manager risk:** The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed. This is measured by the Trustee monitoring the performance of the investment funds on a quarterly basis. It is managed by the Trustee providing members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances. In addition, the Trustee monitors any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

- **Capital risk:** The risk that the monetary value of members' funds falls. It is measured by considering the returns and risks of the funds offered to members. Consideration is also given to the time period remaining for members to recoup any capital value losses in the run up to their target retirement date when designing the lifecycle strategy. It is managed by offering a lifecycle strategy that automatically switches member assets as they approach retirement into investments that are expected to be less volatile relative to how the Trustee expects the majority of members will access their pension savings.

- **Suitability risk:** The risk of the default investment strategy being unsuitable for the requirements of some members. The Trustee recognises that there is a risk that the default investment strategy is not suitable for all members but aims to manage this risk by offering a default investment strategy that is suitable for the majority of members and regularly reviewing its ongoing appropriateness. A range of self-select funds are also offered should the default investment strategy not be suitable for some members.

- **Operational risk:** The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received. From an investment perspective, this risk is measured by considering the ratings of investment strategies from the investment advisers and monitoring these on an ongoing basis. It is partially managed by incorporating the ratings into the regular review process and carrying out periodic reviews of the managers' operational credentials. Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the default investment strategy, and its performance, at least every three years, or earlier if there is a significant change in either the investment policy or demographic of the relevant members.

– **Environmental, Social and Governance (ESG) risks** – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

– **Climate risk** - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

33 The risks identified above are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon within which to assess these considerations should be viewed by the Trustee at a member level – that is by devising a default strategy and a range of self-select options that have an appropriate risk profile for members at different ages and lengths of time to retirement.

Private Markets

34 The Trustee acknowledges the evolution of the investment landscape for DC schemes, which has more recently improved the feasibility of incorporating less liquid assets (these are assets which cannot easily or quickly be sold or exchanges for cash) into the Scheme's default investment strategy. These developments present the potential for diversification and enhanced returns within the Schemes' investment strategy. However, the Trustee recognises that the decision to invest in illiquid assets requires careful consideration. The Scheme does not have a standalone allocation to illiquid assets although has a small amount of exposure via the JLP Diversified Growth Fund. The Trustee is mindful of the inherent challenges and risk associated with illiquid investments, emphasising the need for a thorough evaluation before committing assets to such strategies. The Trustee sets clear criteria for prospective entry into the illiquid asset market. The Trustee must be satisfied that any illiquid strategy which is used in the Scheme had been developed sufficiently to give the Trustee comfort that it can be used effectively for our members. The Trustee maintains a steadfast commitment to prioritising the best interests of the Scheme's members. The decision-making framework is centered on prudence, diligence and a fiduciary responsibility to ensure that any investment into illiquid assets aligns with the Scheme's overarching goal and obligations.

Further Information

35 The Annual Report and Accounts for the Trust are published in the third quarter of each year and are available on the Partner intranet. For more information on the Trust's investment strategy please contact Trustee Services team at trustee.services@johnlewis.co.uk.

Appendix 2 – Table of funds and charges

2a Default investment strategy (JLP Lifecycle)

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default investment strategy were:

Fund	AMC %	FMC %	Hosting fee %	TER		Transaction costs	
				% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
JLP Global Equity	0.15	0.09	0.01	0.24	2.40	0.06	0.60
JLP Diversified Growth	0.15	0.33*	0.01	0.48	4.80	0.14	1.40
JLP Cash	0.15	0.07	n/a	0.22	2.20	0.00	0.00

Source: L&G

AMC: for L&G funds, the Annual Management Charge is a product charge visible to members when accessing Manage Your Account (via L&G's website). If a member holds assets in more than one fund with L&G, the AMC is calculated at a rate of 0.15% of the total fund value.

FMC: Fund Management Charges relate to the specific investment fund and are deducted from the fund value to cover costs such as research, investment selection and the custodian for the fund vehicle. The charges have been rounded to 2dp for disclosure purposes.

TER: Total Expense Ratio is the combination of the AMC and FMC.

Hosting fee: for the 'JLP' series of funds, an additional hosting fee is applicable where the underlying funds include non-L&G fund managers. Where relevant, the hosting fee forms part of the stated FMC.

*The FMC for the JLP Diversified Growth Fund rose by 0.01% in January 2024. Prior to this the FMC was 0.32% within the Scheme Year.

2b Other investment options

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the additional investment options (the non-default funds which members were invested in during the Scheme Year) were:

Fund	AMC %	FMC %	Hosting fee %	TER		Transaction costs	
				% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
JLP Global Equity	0.15	0.09	0.01	0.24	2.40	0.06	0.60
JLP Diversified Growth*	0.15	0.33*	0.01	0.48	4.80	0.14	1.40
JLP Cash	0.15	0.07	n/a	0.22	2.20	0.00	0.00
JLP Cautious Diversified Growth	0.15	0.30	0.03	0.45	4.50	0.26	2.60
JLP Ethical Equity	0.15	0.25	n/a	0.40	4.00	0.03	0.30
JLP Shariah Equity	0.15	0.33	0.03	0.48	4.80	0.00	0.00
JLP Annuity Protection	0.15	0.12	n/a	0.27	2.70	0.00	0.00

Prudential With-Profits**	0.47	0.31**	n/a	0.78***	7.80***	0.00	0.00

Source: L&G and Prudential

AMC: for L&G funds, the Annual Management Charge is a product charge visible to members when accessing Manage Your Account (via L&G's website). If a member holds assets in more than one fund with L&G, the AMC is calculated at a rate of 0.15% of the total fund value.

FMC: Fund Management Charges relate to the specific investment fund and are deducted from the fund value to cover costs such as research, investment selection and the custodian for the fund vehicle. The charges have been rounded to 2dp for disclosure purposes.

TER: Total Expense Ratio is the combination of the AMC and FMC.

Hosting fee: for the 'JLP' series of funds, an additional hosting fee is applicable where the underlying funds include non-L&G fund managers. Where relevant, the hosting fee forms part of the stated FMC.

*The FMC for the JLP Diversified Growth Fund rose by 0.01% in January 2024. Prior to this the FMC was 0.32% within the Scheme Year.

**The FMC for the Prudential With-Profits increase by 0.07% in August 2023. Prior to this the FMC was 0.24% within the Scheme Year

**The term TER does not apply to With-Profits Funds, this value represents the implicit scheme charge which is made through the declared bonus (the AMC noted) and additional charges and expenses (the FMC noted).

Appendix 3 – Illustrations

Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by three typical members (Member A, Member B and Member C who are defined below) on projected values at retirement in today's money at several times up to retirement for a selection of funds and a range of contribution levels. The member demographics are set out in the " Assumptions" section at the end of this Appendix.

The illustrations in Appendix 3 have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

3a For the default investment strategy - JLP Lifecycle

Member A - New joiner

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£160,711	£148,693	£12,018
3	£157,278	£146,022	£11,256
5	£151,357	£141,209	£10,148
10	£130,402	£123,659	£6,743
15	£106,282	£101,957	£4,325
20	£82,298	£79,559	£2,739
25	£61,036	£59,446	£1,590
30	£42,188	£41,386	£802
35	£25,479	£25,168	£311
40	£10,667	£10,604	£63
45	£0	£0	£0

Source: Hymans Robertson

Member B - Median active member

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£109,760	£104,898	£4,862
3	£103,269	£98,970	£4,299
5	£95,134	£91,553	£3,581
10	£71,288	£69,626	£1,662
15	£46,676	£46,093	£583
20	£23,512	£23,411	£101
22	£15,000	£15,000	£0

Source: Hymans Robertson

Member C - Median deferred member

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£10,320	£9,524	£796
3	£10,426	£9,680	£746
5	£10,367	£9,696	£671
10	£9,772	£9,343	£429
15	£8,864	£8,616	£248
20	£7,858	£7,737	£121
25	£6,966	£6,948	£18
26	£6,800	£6,800	£0

Source: Hymans Robertson

3b For the fund with the highest charge – JLP Shariah Equity

Member A - New joiner

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£191,064	£169,701	£21,363
3	£177,133	£158,303	£18,830
5	£163,858	£147,337	£16,521
10	£133,338	£121,707	£11,631
15	£106,282	£98,437	£7,845
20	£82,298	£77,311	£4,987
25	£61,036	£58,130	£2,906
30	£42,188	£40,715	£1,473
35	£25,479	£24,905	£574
40	£10,667	£10,550	£117
45	£0	£0	£0

Source: Hymans Robertson

Member B - Median active member

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£128,560	£120,745	£7,815
3	£115,105	£108,727	£6,378
5	£102,283	£97,164	£5,119
10	£72,807	£70,138	£2,669
15	£46,676	£45,602	£1,074
20	£23,512	£23,325	£187
22	£15,000	£15,000	£0

Source: Hymans Robertson

Member C - Median deferred member

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£12,421	£11,024	£1,397
3	£11,836	£10,606	£1,230
5	£11,279	£10,204	£1,075
10	£9,999	£9,264	£735
15	£8,864	£8,411	£453
20	£7,858	£7,636	£222
25	£6,966	£6,933	£33
26	£6,800	£6,800	£0

Source: Hymans Robertson

3c For the fund with the lowest charge - JLP Cash

Member A - New joiner

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£80,557	£77,273	£3,284
3	£77,831	£74,785	£3,046
5	£75,023	£72,212	£2,811
10	£67,632	£65,384	£2,248
15	£59,674	£57,954	£1,720
20	£51,109	£49,868	£1,241
25	£41,888	£41,068	£820
30	£31,961	£31,491	£470
35	£21,275	£21,068	£207
40	£9,772	£9,725	£47
45	£0	£0	£0

Source: Hymans Robertson

Member B - Median active member

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£79,506	£77,548	£1,958
3	£74,187	£72,502	£1,685
5	£68,708	£67,282	£1,426
10	£54,283	£53,433	£850
15	£38,755	£38,362	£393
20	£22,039	£21,960	£79
22	£15,000	£15,000	£0

Source: Hymans Robertson

Member C - Median deferred member

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£4,704	£4,454	£250
3	£4,845	£4,608	£237
5	£4,989	£4,766	£223
10	£5,371	£5,187	£184
15	£5,782	£5,645	£137
20	£6,224	£6,143	£81
25	£6,700	£6,686	£14
26	£6,800	£6,800	£0

Source: Hymans Robertson

Assumptions

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The data used in these illustrations is broadly reflective of the membership of the Scheme and the illustration assumptions are in line with the DWP Illustration guidance and DWP guidance on ‘Reporting of costs, charges and other information’. The assumptions are explained below:

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.
- The “after costs” figures represent the savings projection using the same assumed investment return but after deducting, the forward-looking member borne fees (including performance fees) and an allowance for transaction costs that members are expected to occur. The member borne charges and transaction costs assumed with the illustrations are those set out in the ‘Table of funds and charges’ section of this Statement (Appendix 2).
- The member demographics used have been determined by member data as at 31 March 2024 (this is the most recent membership data provided):

	Member A (New Joiner)	**Member B (Median Active)**	**Member C (Median Deferred)**
Age	23	46	42
Opening DC Pot (£)	£0.00	£15,000	£7,000
Salary (£)	£17,000	£24,000	£0
Contribution Rate (%)	10%*	16%	0%

*This increases to 14% after three years of service, as per the Scheme’s waiting period rules.

- The member’s planned retirement age is 68
- The starting total monthly contribution includes all member and Partnership contributions, and remains fixed at a total percentage of salary, although the monetary amount will increase over time as salary increases
- That contributions would continue to be paid every month until retirement.

- Inflation remains fixed at 2.5% each year.
- Annual returns on investments vary over time as the proportions of investments held in the component funds of the default investment strategy change as members progress towards retirement. The investment return, consistent with the Statutory Money Purchase Illustrations as provided by the Scheme's investment advisers allowing for inflation for each fund above was:

Fund	**Return % p.a.**
JLP Global Equity	5.00
JLP Diversified Growth	3.00
JLP Cash	1.00
JLP Shariah Equity	5.00

- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that:

- These illustrations take account of both the Total Expense Ratios and transaction costs (based on an average of the previous five years' transactions costs) of the funds. The transaction cost figures used in the illustration are those provided by the managers over the Scheme year.
- Where transaction costs are less than 0.00%, we have used 0.00% for prudence.

Please also note that these illustrated values:

- Are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default investment strategy are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100 v2: Principles for Technical Actuarial Work.