

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) For the Year Ended 5 April 2022

This statement is produced pursuant to the new governance rules contained in The Occupational Pension Schemes (Charges and Governance) Regulations 2015 apply to defined contribution pension arrangements from 6 April 2015. These rules include the requirement for trustees to prepare an annual statement of governance. This statement explains how the General Dynamics United Kingdom Retirement and Death Benefit Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC). The Statement details the following:

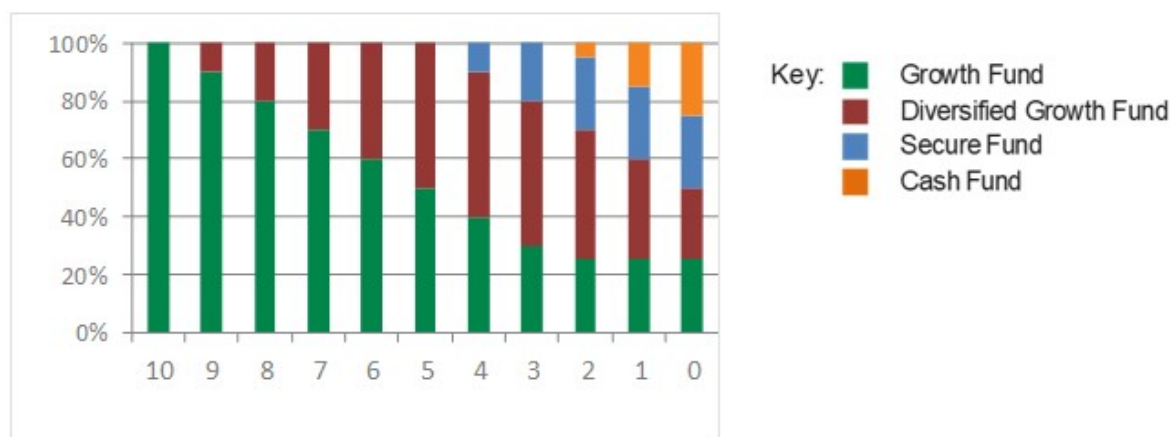
- the current default investment strategy;
- how the Trustees have ensured that core financial transactions have been processed promptly and accurately;
- the report on the charges and transaction costs for the investments used in the default and self-select arrangements and the extent to which the charges and costs represent good value for members;
- return on investments; and
- how the combined knowledge and understanding of the Trustees and their advisers enables the Trustees to properly run the Scheme.

#### Default Arrangement

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

The current default strategy is a lifestyle strategy, whereby members' savings are gradually moved into lower risk investments as retirement approaches. This strategy is known as the 'Flexible Glide Path – 10 years', though an alternative lifestyle called the 'Flexible Glide Path – 5 years' is available, which is the same as the default but de-risks over a 5 year period, rather than 10 years. In addition, two other lifestyle strategies named the 'Annuity Glide Path – 10 years' and 'Annuity Glide Path – 5 years' remain available to members – these lifestyle strategies target annuity purchase.

In the default lifestyle strategy, Scheme members are fully invested in the LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund ("Growth Fund") until they are 10 years away from their target retirement age. This fund aims to expose members' savings to a relatively high level of potential growth at a time when they can afford to take on more risk. Once members are 10 years from retirement, their assets start to gradually move out of the Growth Fund and into the Columbia Threadneedle Multi-Asset Fund ("Diversified Growth Fund") so that members are equally invested in both funds 5 years away from retirement. The strategy then de-risks further by moving assets into the LGIM Over 15 Year Gilt Index Fund ("Secure Fund") and the LGIM Cash Fund ("Cash Fund"), so that at retirement the investment allocation is equally split between these four funds. This strategy aims to provide a flexible retirement outcome for members. A summary of the default lifestyle strategy investment allocation is shown as follows:



## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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The last full investment strategy review was carried out on 16 April 2020 and concluded that the Scheme's default strategy (as outlined above) remained fit for purpose and appropriate for the membership. During the period covered by this Statement, the Trustees also reviewed the Scheme's growth stage of the default arrangement on 21 April 2021. It was, however, agreed that no major investment changes should be made to the DC arrangements. An investment strategy review of both the default fund and self-select range will be carried out before April 2023.

The Trustees review the performance of the default lifestyle strategy (as well as the alternative lifestyle strategies and self-select options) on a quarterly basis and are happy with the performance over the year and have no concerns about the investment funds failing to meet their objectives.

The default lifestyle strategy is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last reviewed by the Trustees on 16 September 2020 and a copy of which is submitted alongside this governance statement. As outlined in the SIP, the Trustees' main objective is to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement. To this extent, the Trustees feel they have aligned their objectives in line with the SIP over the reporting period. The SIP will be reviewed a minimum of every three years (i.e. by 16 September 2023) or as soon as any significant developments in investment policy or member demographics take place.

In addition, the Trustees have identified that the LGIM Cash Fund is a technical default arrangement due to monies being transferred here without member consent in 2020 while the LGIM Managed Property Fund was suspended.

The Trustees have set up processes to publish relevant information on the default arrangement online at the following URL: <https://generaldynamics.uk.com/about/pensionscheme/> and will notify members about this in their annual benefit statements.

#### **Processing Scheme transactions**

The Trustees have a specific duty to ensure that core financial transactions relating to DC benefits are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Scheme administrator, Mercer Limited, and its investment manager Legal & General. The Trustees review the processes and controls implemented by those organisations every quarter, and consider them to be suitably designed to achieve these objectives. The Trustees have a service level agreement (SLA) in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receive quarterly reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the administration team, daily monitoring of bank accounts, a dedicated contribution processing team, and 'four eyes' checking of investment and banking transactions.

During the period covered by this statement, 84% of core financial transactions were completed within the agreed service levels. There was no systemic issue with processing financial transactions, but the Administrator experienced some delays in core financial transactions as demonstrated by its SLA performance in the first two quarters of the reporting period. However, there has been marked improvements and the SLA for the final two quarters were comfortably above the 95% threshold across all core financial transactions. There were no late investment of contributions reported. The fortnightly calls between the administration team and representatives of General Dynamics and the Trustees to discuss any specific member cases continue, and these are seen as essential to maintain the good level of administration of the Scheme. Member complaints did feature during the reporting period and the majority are in relation to timings of payments. However, the Net Promoter Score has improved as the scheme year progressed from Q2 2021 to end of Q1 2022.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

Below are the service standards for the common tasks the administrator completes on behalf of the Trustees:

Work Type	Service Standard
Benefit Quotation	5 Working Days
Benefit Payments	5 Working Days
Death Benefit Quotation	5 Working Day
General Member Correspondence	10 Working Days
Invoice Payment	20 Working Days
Investment / Disinvestment Request	5 Working Days
Member Updates	5 Working Days
NICO Enquires	20 Working Days
Scheme Event Work	As agreed with the Trustees

The Trustees monitor performance against the SLAs on a quarterly basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer. The Trustees also perform - regular assessments of methods and efficiency of the Scheme's administrators and will challenge them in terms of efficiency where necessary.

During the period covered by this report, the Scheme's administrator, Mercer, made the Trustees aware of an issue in respect of the historic contribution and lifestyling processes in operation for the Scheme. Mercer have arranged for a third party to undertake calculations to assess the impact on any affected members. In order to ensure that no member has been financially disadvantaged because of this issue, a payment will be made to affected members who have suffered a loss, subject to a materiality threshold in relation to those members who have withdrawn their benefits from the Scheme.

As the issue above relates to a prior period and that steps are being taken to ensure that members have not lost out as a result (unless where a materiality threshold has been applied for practical administrative purposes), the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

#### Charges and transaction costs – default arrangement and additional funds

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

In this context, "charges" means (subject to some specific exemptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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

A change was introduced to the Scheme from 1 April 2019, in that all post 1 April 2019 members are required to pay their own investment charges, pre 1 April 2019 members continue to have their investment charges paid by the Company. All members will incur transaction costs within the units of the Funds invested in.

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

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
Growth Fund (LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund)	0.14	0.026
Diversified Growth Fund (Columbia Threadneedle Multi-Asset Fund)	0.55	0.163
Secure Fund (LGIM Over 15 Year Gilt Index Fund)	0.06	0.054
Cash Fund (LGIM Cash Fund)	0.10	0.020

Source: LGIM. TERs and Transaction costs shown are for the year to 31 March 2022. These are the Fees paid by members who joined the Scheme post 1st April 2019

The TERs for all funds used in the default lifestyle strategy are lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement or alternative lifestyle arrangement (both of which use funds within this range as composites of that strategy). These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund	0.14	0.026
Columbia Threadneedle Multi-Asset Fund	0.55	0.163
LGIM Over 15 Year Gilt Index Fund	0.06	0.054
LGIM Cash Fund	0.10	0.020
LGIM UK Equity Index	0.15	0.022
LGIM UK Smaller Companies Index	0.45	0.148
LGIM Asia Pacific ex Japan Equity Index	0.13	0.011
LGIM Global Emerging Markets Equity Index	0.33	0.007
LGIM World (ex UK) Equity Index	0.11	-0.004
LGIM Over 5 Year Index-Linked Gilts	0.06	0.008
LGIM Managed Property	0.70	-0.097

Source: LGIM. TERs and Transaction costs shown are for the year to 31 March 2022. These are the Fees paid by members who joined the Scheme post 1st April 2019. Please note, the 0.75% fee cap only applies to the default arrangement.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. The Trustees' assessment of value for members is discussed later on in this statement.

#### Additional Voluntary Contributions (AVCs)

The Trustees also hold assets invested separately from the main DC section in the form of individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay AVCs. The facility was provided via Equitable Life, who have since been bought by Utmost, and below are the available funds together with associated fees for the 1 year period to 31 March 2022:

Fund	TER (%)	Transaction Cost (%)
Utmost Managed Fund	0.75	0.02
Utmost Multi-Asset Moderate Pension Fund	0.75	0.00
Utmost Multi-Asset Cautious Pension Fund	0.75	0.00

Source: Utmost. Data as at 31 March 2022

Note that this arrangement is closed to new members and so if members wish, they could pay AVCs into funds available via the main DC section itself.

#### Cumulative effect of charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of significant funds within the Scheme. The funds we are required to illustrate to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The fund or strategy with the most members invested (Default Strategy)
- The most expensive fund (Utmost Managed Pension Fund)
- The least expensive fund (LGIM Over 5 Year Index Linked Gilts Fund)

To illustrate the impact of charges on a typical active member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Average Active Member (post 1st April 2019 membership):

	Default lifestyle		Most expensive fund: Utmost Managed Pension		Least expensive fund: Over 5 Year Index-Linked Gilts	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£107,640	£107,439	£107,107	£106,282	£103,257	£103,187
3	£123,507	£122,846	£121,754	£119,081	£109,603	£109,390
5	£140,190	£138,985	£137,000	£132,197	£115,730	£115,370
10	£185,753	£182,772	£177,891	£166,432	£130,136	£129,400
15	£236,162	£228,975	£223,084	£202,834	£143,331	£142,205
20	£275,322	£262,835	£273,030	£241,540	£155,415	£153,894

	Technical Default: Cash Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£103,312	£103,144
3	£109,768	£109,257
5	£116,008	£115,147
10	£130,709	£128,945
15	£144,210	£141,513
20	£156,608	£152,962

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Youngest Active Member (post 1st April 2019 membership):

	Default lifestyle		Most expensive fund: Utmost Managed Pension		Least expensive fund: Over 5 Year Index-Linked Gilts	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£13,344	£13,319	£13,283	£13,181	£12,849	£12,840
3	£19,665	£19,571	£19,432	£19,051	£17,813	£17,782
5	£26,312	£26,120	£25,832	£25,066	£22,606	£22,548
10	£44,464	£43,889	£42,999	£40,767	£33,877	£33,727
15	£65,043	£63,846	£61,971	£57,462	£44,200	£43,931
20	£88,373	£86,261	£82,938	£75,213	£53,655	£53,245
25	£114,821	£111,436	£106,111	£94,088	£62,314	£61,747
30	£144,806	£139,713	£131,721	£114,158	£70,245	£69,507
35	£178,800	£171,471	£160,026	£135,498	£77,508	£76,590
40	£216,560	£205,332	£191,307	£158,188	£84,161	£83,055
45	£247,682	£230,845	£225,879	£182,315	£90,254	£88,956
46	£251,254	£233,674	£233,218	£187,321	£91,409	£90,073

	Technical Default: Cash Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£12,855	£12,834
3	£17,835	£17,762
5	£22,649	£22,509
10	£33,990	£33,630
15	£44,404	£43,760
20	£53,968	£52,987
25	£62,752	£61,393
30	£70,818	£69,049
35	£78,225	£76,023
40	£85,028	£82,376
45	£91,275	£88,163
46	£92,462	£89,257

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

<b>Assumptions</b>	
<p>The above illustrations have been produced for an “average” member and a “young” member of the Scheme based on the Scheme’s membership data. The “Default Strategy” illustration assumes the member’s asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member’s assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.</p> <p>The fees used in the above are representative of members who have joined the Scheme after 1st April 2019, however other membership data is representative of the entire Scheme population. Alternative illustrations for the pre-1st April 2019 membership is shown in the appendix.</p>	
Age	
•“Average” member	45 ( <i>the average age of the Scheme’s membership</i> )
•“Young” member	25 ( <i>the average age of the youngest 10% of members</i> )
<b>Scheme Retirement Age</b>	65
Starting Pot Size	
•“Average” member	£100,000 ( <i>the median pot size of the Scheme’s membership</i> )
•“Young” member	£10,308 ( <i>the median pot size for the youngest 10% of members</i> )
Starting Salary	
•“Average” member	£38,915 ( <i>the median salary of the Scheme’s membership</i> )
•“Young” member	£22,665 ( <i>the median salary for the youngest 10% of members</i> )
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions	
•“Average” member	7.0% p.a.
•“Young” member	5.0% p.a.
Employee annual contributions	
•“Average” member	7.0% p.a.
•“Young” member	3.0% p.a.

<b>Fund</b>	<b>Expected future nominal returns on investment:</b>	<b>Transaction Cost Assumption*</b>
LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged	2.50% above inflation	0.040%
Columbia Threadneedle Multi-Asset Fund	1.25% above inflation	0.163%
LGIM Over 15 Year Gilt Index Fund	1.75% below inflation	0.053%
LGIM Cash Fund	1.75% below inflation	0.062%
LGIM Over 5 Year Index-Linked Gilts	1.75% below inflation	0.008%
Utmost Managed Pension	2.00% above inflation	0.020%

\*based on average transaction costs over the last 5 years where available

For illustrations detailing the impact of the costs and charges typically paid by a member who joined the scheme prior to 1st April 2019, please refer to the appendix.



## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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#### **Value for members**

The Trustees monitor value for members on an ongoing basis and have a good understanding of the membership demographics of the Scheme and what good member outcomes should look like for the Scheme's members in aggregate.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, the Trustees consider that charges and transaction costs may be viewed as representing "good value" for members where the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

We understand that value for members does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for member we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the investment options.

All of the investment options used by the Scheme are approved by our investment advisors as having good prospects of achieving their objectives, and the performance of funds is reviewed and discussed at least quarterly. The Trustees also take into account forward looking considerations such as market outlook and the advisor's expectations of manager performance. With this in mind, the Trustees have assessed the fees disclosed above and are satisfied that they have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for members in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

The Trustees carried out a formal value for members' assessment, on 22 August 2022, for the 12-month period covered by this statement. The assessment considered three key areas: Price, Performance and Productivity, covering factors such as investment fees, investment performance and non-investment items such as administration, governance and communications with members. Overall the Scheme was deemed to offer good value for members. Investment charges are competitive, generally the funds have performed in line with objectives and they remain highly rated by the Trustees' investment advisor, Mercer. We believe wider factors supplement this assessment such as Scheme management and governance, the costs of which are met by the Company, along with investment fees for pre-April 2019 joiners.

Member outcomes were at the heart of the discussions that were held over the year, and the Trustees will formally assess value for members again next year.

The Trustees have set up processes to publish relevant information on the costs and charges of the default arrangement, alternate lifestyle strategies and self-select funds online and will notify members about this in their annual benefit statements.

#### **Net returns on investments**

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default lifestyle strategy, alternate lifestyle strategies and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Lifestyle Investment Strategies

Default strategy: Flexible Glide path: 10yr		Annualized returns to 31.03.22(%) Post-1 <sup>st</sup> April 2019 Members		
Age of member at start of period	1 year	5 years	10 years	
25	10.93	*	*	
45	10.93	*	*	
55	10.80	*	*	

Alternative Strategy: Annuity Glide path: 10yr		Annualized returns to 31.03.22(%) Post-1 <sup>st</sup> April 2019 Members		
Age of member at start of period	1 year	5 years	10 years	
25	10.93	*	*	
45	10.93	*	*	
55	9.90	*	*	

Alternative Strategy: Flexible Glide path: 5yr & Alternative Strategy: Annuity Glide path: 5yr		Annualized returns to 31.03.22(%) Post-1 <sup>st</sup> April 2019 Members		
Age of member at start of period	1 year	5 years	10 years	
25	10.93	*	*	
45	10.93	*	*	
55	10.93	*	*	

Default strategy: Flexible Glide path: 10yr		Annualized returns to 31.03.22(%) Pre-1 <sup>st</sup> April 2019 Members		
Age of member at start of period	1 year	5 years	10 years	
25	11.04	7.71	*	
45	11.04	7.71	*	
55	11.00	*	*	

Alternative Strategy: Annuity Glide path: 10yr		Annualized returns to 31.03.22(%) Pre-1 <sup>st</sup> April 2019 Members		
Age of member at start of period	1 year	5 years	10 years	
25	11.04	7.71	*	
45	11.04	7.71	*	
55	10.00	*	*	

Alternative Strategy: Flexible Glide path: 5yr & Alternative Strategy: Annuity Glide path: 5yr		Annualized returns to 31.03.22(%) Pre-1 <sup>st</sup> April 2019 Members		
Age of member at start of period	1 year	5 years	10 years	
25	11.04	7.71	*	
45	11.04	7.71	*	
55	11.04	7.71	*	

\* Information not available for this fund in the Scheme. Growth phase invests in LGIM Global Equity Fixed Weight 50/50 Fund which was introduced as a component to the default strategy of the Scheme in June 2019.

\*\* As the growth phase is equal between lifestyles, the expected returns are assumed to be equal as well.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Self-Select Funds (post 1st April 2019 membership):

Self-select funds	Annualised returns to 31 March 2022 (%)	
	1 year	5 year
LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund	10.93	*
Columbia Threadneedle Multi-Asset Fund	7.08	*
LGIM Over 15 Year Gilt Index Fund	-7.90	*
LGIM Cash Fund	0.02	*
LGIM UK Equity Index	13.15	*
LGIM UK Smaller Companies Index	*	*
LGIM Asia Pacific ex Japan Equity Index	4.81	*
LGIM Global Emerging Markets Equity Index	-4.82	*
LGIM World (ex UK) Equity Index	16.43	*
Utmost Managed Fund	-0.40	*
Utmost Multi-Asset Moderate Pension Fund	-5.59	*
Utmost Multi-Asset Cautious Pension Fund	-8.20	*

Source: LGIM and Utmost. \*Due to the inception dates of these funds, longer term performance is not available.

#### Self-Select Funds (pre 1st April 2019 membership):

Self-select funds	Annualised returns to 31 March 2022 (%)	
	1 year	5 year
LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund	11.04	7.71
Columbia Threadneedle Multi-Asset Fund	7.66	*
LGIM Over 15 Year Gilt Index Fund	-7.85	0.85
LGIM Cash Fund	0.12	0.36
LGIM UK Equity Index	13.20	4.92
LGIM UK Smaller Companies Index	5.02	8.34
LGIM Asia Pacific ex Japan Equity Index	4.92	8.2
LGIM Global Emerging Markets Equity Index	-4.55	5.28
LGIM World (ex UK) Equity Index	16.56	12.11
LGIM AAA-AA-A Corporate Bond Over 15 Year Index	-9.55	1.47
LGIM Over 5 Year Index-Linked Gilts	4.01	2.98
LGIM Managed Property	22.91	7.38
Utmost Managed Fund	-0.40	3.40
Utmost Multi-Asset Moderate Pension Fund	-5.59	*
Utmost Multi-Asset Cautious Pension Fund	-8.20	*

Source: LGIM and Utmost. \*Due to the inception dates of these funds, longer term performance is not available.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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

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

The Trustees receive professional advice from Mercer and other professional advisors, to support them in reviewing the performance of the Scheme and governing the Scheme in line with the Trust Deed and Rule. The relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustees reviewed their own performance and that of their advisors on 8 December 2021. The combined knowledge and experience ensures that the Trustees remain conversant with and hold a working knowledge of the Trust Deed and Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Trustees' legal advisor, Hogan Lovells.

The Trustees have put in place arrangements for ensuring that each Trustee takes personal responsibility for keeping up-to-date with relevant developments, including the monitoring of CPD points., and the Trustee board carries out a self-assessment of training needs on an ongoing basis, following each Trustee meeting. There were no new Trustees appointed during the year, but when a new trustee is appointed they are informed of the training available, and the ownership they are expected to take.

Over the last year, the Trustees have collectively received training on Cyber Security (08/03/2022) and Master Trusts (10 May 2022), but have also carried out independent training and reading which is reported in their individual CPD logs. The Trustees also include legislative updates and Trustee Knowledge and Understanding on the agenda for each of our meetings (four times a year).

The Trustees are encouraged to complete the Pension Regulator's Trustee Toolkit, updated to include a Scams section, which all of them have completed. All the Trustees are also required to familiarise themselves with the Scheme's Trust Deed and Rules and Statement of Investment Principles as a key function of their role, as well as other policy documents relating to the administration of the Scheme.

The SIP, which was updated by the Trustees on 16 September 2020, has been referred to on a number of occasions, with consideration being given to having a different default lifestyle table for those members who are subject to paying the investment fees. The Trustees are comfortable with the current fund range from an Environmental, Social and Governance perspective, and reviewed whether any investment changes would be appropriate within the growth phase of the default strategy during the year.

Throughout the year, the Trustees have demonstrated a working knowledge of the trust deed and rules on a number of occasions. The Trustee board also includes one professional independent trustee and a number of the Trustees have been involved with the Scheme for a relatively long time, with extensive knowledge and experience

The Trustees have a Business Plan and Risk Register which are kept up to date and discussed at quarterly meetings or when required. The Trustees also reviewed their Internal Disputes Resolution Procedure on 21 June 2022 and an updated document is in the process of being finalised.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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In addition, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour, otherwise trustees cannot be certain that a scheme remains fit for purpose. The Trustees looked at member demographics in order to work with the Employer to prepare better targeted member communications. Finally, the Trustees have demonstrated that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes through their work considering the outcome of the work on the strategy in 2021, particularly relating to the growth phase of the default. They have also continued to consider the performance of the investment strategy throughout the year at Trustee meetings.

Given the extent of the training above, the Trustees believe that they have demonstrated sufficient knowledge of the law relating to pension schemes and trusts, the principles relating to the funding and investment of pension schemes, a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustees' current policies. Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that they are enabled properly to exercise their functions as Trustees of the Scheme.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge

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

Stella Girvin  
Chair of the Trustees  
Date:

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Appendix

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of significant funds within the Scheme. The funds we are required to illustrate to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The fund or strategy with the most members invested (Default Strategy)
- The most expensive fund (Utmost Managed Pension Fund)
- The least expensive fund (LGIM Asia Pacific ex Japan Equity Index Fund))

To illustrate the impact of charges on a typical active member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

#### Average Active Member (Pre 1<sup>st</sup> April 2019 membership):

	Default lifestyle		Most expensive fund: Utmost Managed Pension		Least expensive fund: Asia Pacific ex Japan Equity Index	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£107,640	£107,596	£107,107	£106,282	£107,597	£107,597
3	£123,507	£123,364	£121,754	£119,081	£123,367	£123,367
5	£140,190	£139,929	£137,000	£132,197	£139,935	£139,935
10	£185,753	£185,105	£177,891	£166,432	£185,118	£185,118
15	£233,680	£232,095	£223,084	£202,834	£236,238	£236,238
20	£268,795	£265,927	£273,030	£241,540	£294,075	£294,075

	Technical Default: Cash Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£103,312	£103,248
3	£109,768	£109,574
5	£116,008	£115,680
10	£130,709	£130,036
15	£144,210	£143,178
20	£156,608	£155,211

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Youngest Active Member (Pre 1st April 2019 membership):

	Default lifestyle		Most expensive fund: Utmost Managed Pension		Least expensive fund: Asia Pacific ex Japan Equity Index	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£13,358	£13,336	£13,283	£13,181	£13,339	£13,339
3	£19,721	£19,639	£19,432	£19,051	£19,646	£19,646
5	£26,429	£26,260	£25,832	£25,066	£26,273	£26,273
10	£44,826	£44,318	£42,999	£40,767	£44,346	£44,346
15	£65,812	£64,749	£61,971	£57,462	£64,793	£64,793
20	£89,750	£87,864	£82,938	£75,213	£87,927	£87,927
25	£117,055	£114,017	£106,111	£94,088	£114,101	£114,101
30	£148,202	£143,607	£131,721	£114,158	£143,715	£143,715
35	£183,730	£177,085	£160,026	£135,498	£177,220	£177,220
40	£223,185	£213,937	£191,307	£158,188	£215,128	£215,128
45	£255,346	£243,665	£225,879	£182,315	£258,017	£258,017
46	£259,024	£247,029	£233,218	£187,321	£267,249	£267,249

	Technical Default: Cash Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£12,855	£12,847
3	£17,835	£17,807
5	£22,649	£22,596
10	£33,990	£33,852
15	£44,404	£44,158
20	£53,968	£53,593
25	£62,752	£62,231
30	£70,818	£70,139
35	£78,225	£77,378
40	£85,028	£84,006
45	£91,275	£90,075
46	£92,462	£91,225

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

<b>Assumptions</b>	
<p>The above illustrations have been produced for an “average” member and a “young” member of the Scheme based on the Scheme’s membership data. The “Default Strategy” illustration assumes the member’s asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member’s assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.</p> <p>The fees used in the above are representative of members who have joined the Scheme after 1st April 2019, however other membership data is representative of the entire Scheme population. Alternative illustrations for the pre-1st April 2019 membership is shown in the appendix.</p>	
Age	
•“Average” member	45 <i>(the average age of the Scheme’s membership)</i>
•“Young” member	25 <i>(the average age of the youngest 10% of members)</i>
<b>Scheme Retirement Age</b>	65
Starting Pot Size	
•“Average” member	£100,000 <i>(the median pot size of the Scheme’s membership)</i>
•“Young” member	£10,308 <i>(the median pot size for the youngest 10% of members)</i>
Starting Salary	
•“Average” member	£38,915 <i>(the median salary of the Scheme’s membership)</i>
•“Young” member	£22,665 <i>(the median salary for the youngest 10% of members)</i>
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions	
•“Average” member	7.0% p.a.
•“Young” member	5.0% p.a.
Employee annual contributions	
•“Average” member	7.0% p.a.
•“Young” member	3.0% p.a.
<p>TERs for Pre 1st April 2019 membership assumed to be 0.00% as company pays these fees for all funds except the AVCs, where TERs are paid as shown above.</p>	

<b>Fund</b>	<b>Expected future nominal returns on investment:</b>	<b>Transaction Cost Assumption*</b>
LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged	2.50% above inflation	0.040%
Columbia Threadneedle Multi-Asset Fund	1.25% above inflation	0.163%
LGIM Over 15 Year Gilt Index Fund	1.75% below inflation	0.053%
LGIM Cash Fund	1.75% below inflation	0.062%
LGIM Asia Pacific ex Japan Equity Index	2.50% above inflation	0.000%
Utmost Managed Pension	2.00% above inflation	0.020%

\*based on average transaction costs over the last 5 years where available



## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### Statement of Investment Principles – September 2020

##### Revision History

Issue/Draft	Date	Comments/Reason for Change
Issue 1	April 2012	Initial Issue
Issue 2	June 2014	Changes to control ranges
Issue 3	August 2017	Introduction of Liability driven investments to DB Scheme
Issue 4	November 2017	New format
Issue 5	August 2018	New Glide path Strategy added and Platform investment
Issue 6	August 2019	Environmental, Social and Governance (ESG) requirements, removal of the Myner's Investment Principles and inclusion of the Pensions Regulators (TPR) code of best practice
Issue 7	September 2020	Updated to reflect Buy in/out of DB section of the Scheme, amended investment strategy and name change. Additional regulatory updates relating to arrangements with the Investment Manager (including remuneration, incentives and long-term objectives). A note of portfolio turnover costs has also been included.

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## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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## 1.Introduction

Under Section 35 of The Pensions Act 1995, Trustees are required to prepare and review regularly a Statement of Investment Principles, dealing with certain specific matters.

This statement sets out the principles governing decisions about the investment of the assets of the General Dynamics UK Retirement and Death Benefit Scheme ("the Scheme"). Before preparing it, the Trustees have obtained and considered written professional advice from Mercer as their investment consultants. Prior to finalising the document, they have also consulted with the employer.

This statement supersedes the one prepared by the Trustees in August 2019

The Scheme's assets are held in trust for the Scheme by the Trustees, whose powers of investment are set out in the Trust Deed and Rules.

The Trustees regularly review this Statement on an ongoing basis, and will also do so in response to any material changes to any aspects of the investment arrangements detailed above. Formal reviews will be undertaken no less frequently than every 3 years. Any such review will again be based on written, expert investment advice and will be in consultation with the sponsoring employer.

***This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was adopted by the Trustee on 16<sup>th</sup> September 2020.***

## **2. Investment Responsibilities**

### **Trustees' Duties and Responsibilities**

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body. The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the Investment Manager and Investment Adviser
- The assessment and review of the performance of each underlying investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

### **Investment Adviser's Duties and Responsibilities**

The Trustees have appointed Mercer as the investment adviser to the Plan. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, which it believes the Trustees should be aware. Matters on which the Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives.
- Determining investment strategy and asset allocation.
- Determining an appropriate investment structure.
- Advising on appropriate funds.
- Setting cashflow management policies (see Appendix 2).

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 3 – Investment Decisions); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

Mercer monitors the performance of the Plan's investment managers against their benchmarks.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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Mercer makes a fund based charge. Any additional services provided by Mercer will be remunerated primarily on a time-cost basis, other than performance reporting which is provided for a pre-agreed fee.

In particular, Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice, and as noted below, any discounts negotiated by Mercer with the underlying managers and these discounts are passed on in full to the Plan.

The Trustees are satisfied that this is a reasonable adviser remuneration structure for the Plan.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

### **Arrangement with Investment Managers**

The Trustees are a long term investor and do not look to change the investment arrangements on a frequent basis. For the invested funds, there is no set duration for the manager appointments. The Trustees will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

All the funds are open-ended with no set end date for the arrangement. The 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 general fund range.

The assets of the Plan are invested directly with the investment managers as detailed in Section 5: Investment Strategy.

The investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustees utilises Mercer's forward-looking manager research ratings in decisions around the selection, retention and removal of manager appointments. These ratings are based on Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management.

Mercer's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure that it remains appropriate and consistent with the wider Trustees' investment objectives.

The underlying managers and funds invested in by the Scheme are determined by the Trustees using a written instruction to the individual investment managers.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage. In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers engaged by the Trustees are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan. The Trustees believe that this is a reasonable basis for remunerating managers.

None of the underlying managers in which the Plan's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Plan is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees policies as set out in this SIP.

### **3. Investment Decisions**

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level:

#### **Strategic Investment Decisions**

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their Investment Adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

#### **Tactical investment decisions**

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

#### **Stock Selection Decision**

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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#### Types of Investment to be Held

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.



## **4. Investment Objectives**

### **Defined Benefit Section**

The Trustees' primary investment objective for the Scheme is to ensure the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise

In order for the Trustees to ensure that they can meet their obligations to the beneficiaries both in the short and long term without recourse to the Company the Trustees have entered into a Bulk Purchase Annuity (BPA) with Legal and General Assurance Society (LGAS).

This approach secures the benefits of the Defined Benefit (DB) Scheme and ensures that all benefits will be met whilst removing the risk of any short fall in benefits, which could occur if General Dynamics United Kingdom Ltd ever became insolvent or was no longer able to support the DB Scheme. It also protects the Scheme from potential placement into the Pension Protection Fund (removing the risk of capped benefits). Further, other material risks (e.g. longevity risk) will be reduced.

Currently the BPA is a Buy-In, which means that LGAS have taken responsibility for paying the benefits as they become due. The Trustees are undertaking a data cleansing stage, this ensures the Trustees and LGAS are confident that all liabilities have been correctly addressed (inclusive of Guaranteed Minimum Pension (GMP) equalisation). After the data cleansing process has been completed, the policy will be considered as a Buy-Out policy with LGAS. In this arrangement, in agreement with the Trustees, LGAS will provide each DB member with their own individual pension policy; at this stage, all responsibility for paying the DB pensions is fully transferred to LGAS.

### **Defined Contribution Section (from 20 November 2019 the New Defined Contribution (Sectionalised) Section**

The Trustees' main objective is to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement. The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds. The long term objective of the Trustees is to enable members to provide adequately for themselves in retirement.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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The Trustees have determined their investment policy in such a way as to address the risks set out in Section 8 of this Statement. To help mitigate the most significant of these risks, the Trustees have:

- Made the lifestyle option available, which transitions members' investment from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and were mindful to offer a range of funds with varying levels of expected returns for members to choose from.

When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Section 4: Investment Strategy. The Trustees have determined their investment policy in such a way as to address the risks set out in Section 8: Risk of this Statement.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

## 5. Investment Strategy

### Investment Strategy of the Defined Benefit Section

With regards to the investment objectives as laid out in Section 4: Investment Objectives, the Trustees have entered into a BPA. The remaining invested assets have adopted an investment strategy that seeks to match BPA pricing (as confirmed by LGAS) with Legal & General Investment Management (LGIM) as follows:

Manager	Pooled Fund	Benchmark Index	Benchmark Allocation (%)
Columbia Threadneedle	Multi Asset Fund	BoE Base Rate + 4.0% p.a.	21.0
LGIM	Buy Out Aware Real Long	N/A	12.0
LGIM	Buy Out Aware Real Short	N/A	17.0
LGIM	Buy Out Aware Fixed Long	N/A	29.0
Sterling Liquidity Fund	Sterling Liquidity Fund	7 Day LIBID	21.0
<b>Total</b>			<b>100.0</b>

The Buyout Aware Fund aim to provide a diversified exposure to assets that reflect the investments underlying a typical bulk annuity insurance policy (otherwise known as a buy-in or a buy-out). These Funds reference a liability profile with a combination of long and short durations, and both fixed interest rate and real rate (i.e. inclusive of inflation) sensitivity. This proportion of the portfolio continues to track a small proportion of Scheme liabilities.

The Threadneedle Multi Asset Fund provide a diversified exposure to a variety of asset classes, and targets a return of the Bank of England's Base Rate + 4.0% per annum. Whilst the Sterling Liquidity Fund invests in cash and money market securities, targeting a 7 day LIBID benchmark, and prioritises capital preservation.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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#### Investment Strategy of the Defined Contribution Section

The default lifestyle strategy operates as a default if a member does not wish to make their own investment selection. The default is designed to be appropriate for a typical member of the Scheme and is comprised of three white-labelled funds. The default lifestyle strategy is described in more detail below.

Members can opt out of the default strategy, and invest in an alternative lifestyle or any investment fund made available in the self-select fund range as described below.

#### Default Lifestyle Strategy

The Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified in Section 8. This is achieved by using a lifestyle strategy.

In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from their investment consultants. The Trustees have explicitly considered the trade-off between risk and expected returns. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age as well as their expected retirement date. Further information is set out below:

The Trustees have adjusted the default arrangement ("Glide Path Strategy") in response to the UK Government changes to pension flexibility in April 2015. Traditionally, the default glide path was the glide path now referred to as the 'Annuity Glide Path'. A new 'Flexible Glide Path' strategy designed to allow a portion of members fund to remain in growth assets has been introduced, which has now become the standard default arrangement.

The default strategy is split into two distinct phases, as described below. The Trustees have selected the funds to be used within the default arrangement, and the additional 'Glide path' options.

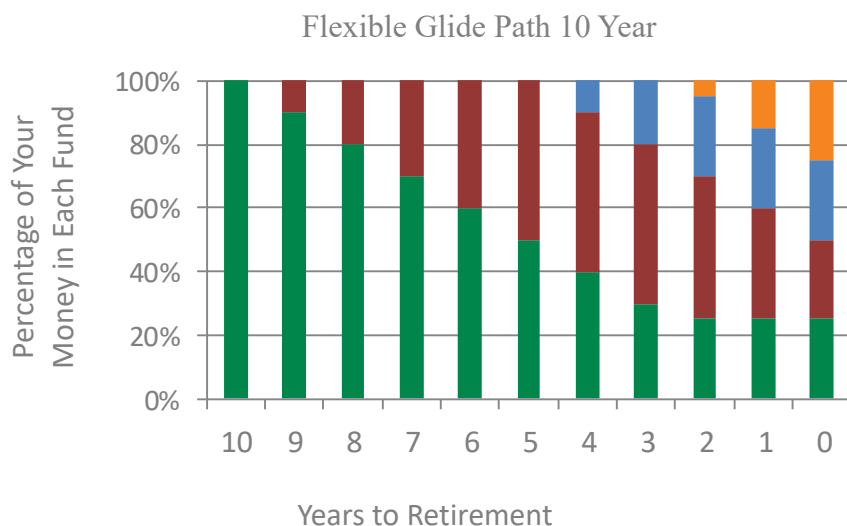
- **The Growth Phase** (more than 10 years from members' chosen retirement age), invests members' retirement savings to a greater level of risk in order to achieve higher returns while members are further away from retirement. During this phase, all savings are invested in the LGIM Global Equity fixed Weights 50:50 – GBP Hedge Fund.
- **The 'Transitional' Phase** (between 10 and 0 years from members' chosen retirement age), aims to gradually switch investments into funds with less risk closer to retirement. During this phase, member savings gradually switch from the LGIM Global Equity Fund Fixed Weights 50:50 – GBP Hedge Fund, into the Threadneedle Multi Asset Fund, into the LGIM Over 15 Year Gilts Index Fund and the LGIM Cash Fund.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### 1: Flexible Glide path: 10 Year (Default)

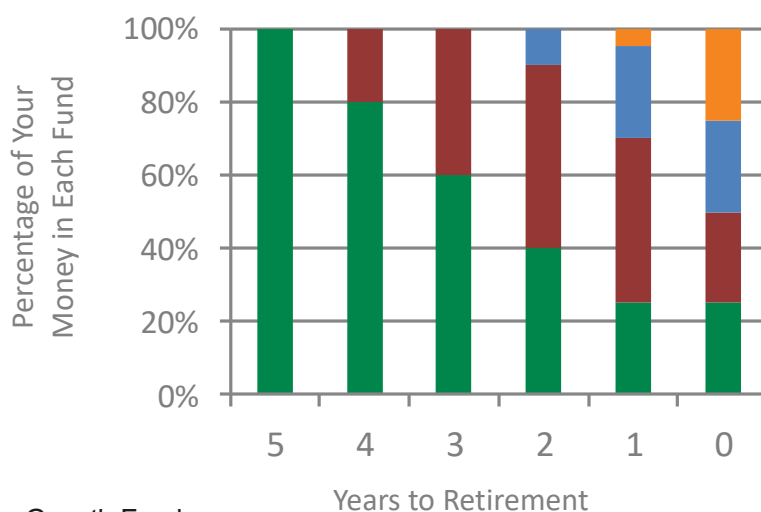
This glide path is for members, who are either unsure of how they will use their pension or who wish to take advantage of flexible drawdown at retirement. The 'Flexible' strategy has phased switching commencing 10 years before target retirement date of 65 (default) - or as per member instructions.



#### Alternative Arrangement Strategies

#### 1: Flexible Glide path: 5year

This glide path is for members, who are either unsure of how they will use their pension or who wish to take advantage of flexible drawdown at retirement. The 'Flexible' strategy has phased switching commencing 5 years before target retirement date of 65 (default) - or as per member instructions.



Key:

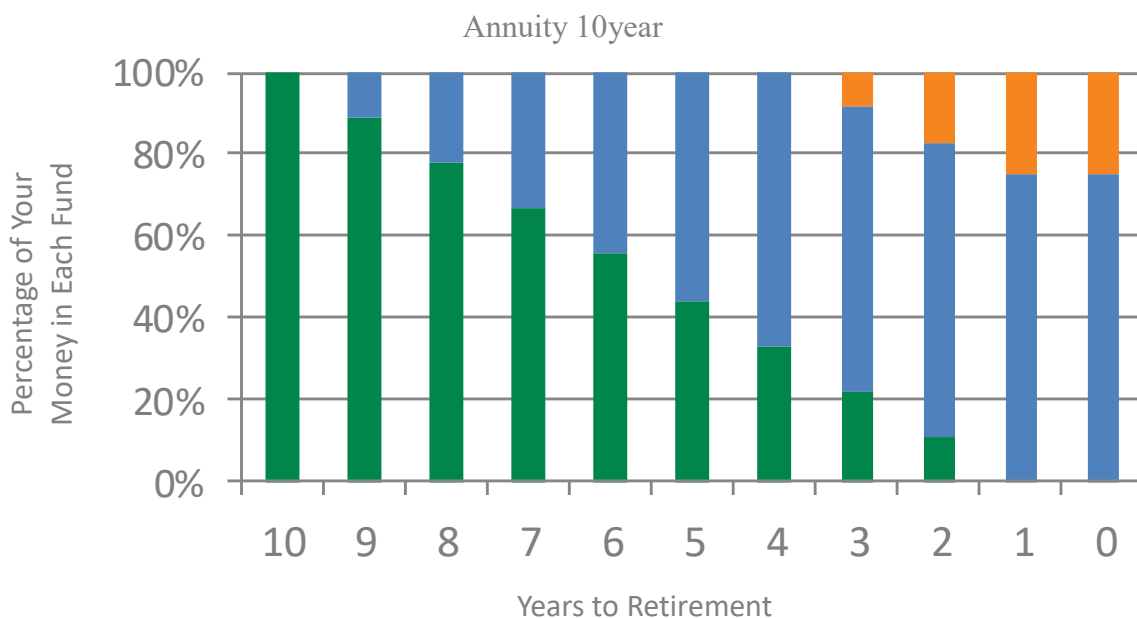
- Growth Fund
- Diversified Growth Fund
- Secure Fund
- Cash Fund

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

#### 2: Annuity Glide paths 10year and 5year (formally called Glide path 10/5)

These Glide paths are for members, targeting an Annuity at NRA. The 'Annuity' strategy has phased switching commencing 10 (or 5) years before normal retirement age (NRA) of 65 as set out below.



Key:

- Growth Fund
- Diversified Growth Fund
- Secure Fund
- Cash Fund

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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#### Core Funds

##### **Growth Fund - Global Equity Fixed Weights (50:50) Index Fund GBP Currency Hedged**

This fund will have on average a UK equity exposure of 50% and 50% to developed overseas equities. This type of fund protects against "investment-return" risk. It aims to track the composite equity benchmark index. A global equity fund offers some diversification, with a portfolio invested in European (ex. UK); North American; Japan; and Asia Pacific equities. This diversification of equities helps spread the risk among different markets and is aimed towards investors who have a long-term investment strategy.

##### **Diversified Growth Fund - Columbia Threadneedle Multi Asset Fund**

The portfolio will include exposure to equities, fixed income, commodities, property and absolute return funds. It aims to achieve total returns equivalent to cash plus 4% per annum, gross of fees, over the economic cycle (expected to be 5-7 years).

##### **Secure Fund Over 15 Year Gilts Index Fund**

This fund invests in UK government bonds which have a maturity date of greater than 15 years. It aims to track the return of the FTSE A Govt (over 15 year) index. This type of fund helps to protect members against annuity-rate risk.

##### **Cash Fund**

This fund invests only in short-term deposits, which are not subject to volatility in capital-value terms. It aims to match the median CAPS return and is measured against the 7 Day LIBID rate. This type of fund helps to protect members against "lump sum" risk.

#### Additional Freestyle Funds

In order to provide members with investment choice from 1 April 2005 a 'freestyle' range of funds are available. The funds passively managed by LGIM are indicated by being labelled as "Index" funds and aim to track the relevant index within reasonable tolerances. Otherwise they are actively managed. The Core Funds above are also available to use as part of Freestyle choices.

##### **UK Equity Index Fund**

The fund invests in UK listed companies and aims to track the return of the FTSE All-Share index. This type of fund protects against "investment-return" risk.

##### **World (ex UK) Equity Index Fund**

This fund invests in listed companies in developed markets globally, excluding the UK market. It aims to track the return of the FTSE World (ex UK) index. This type of fund protects against "investment-return" risk.

##### **Property Fund**

This fund invests in UK freehold and leasehold commercial property. This type of fund protects against "investment-return" risk and gives diversification to other traditional growth assets such as equities and is aimed towards investors who have a long term investment strategy. It aims to exceed the AREF/IPD UK Quarterly All Balanced Property Fund Index (UK PFI) over three and five year periods.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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#### **Over 5 Year Index-linked Gilts Index Fund**

This fund invests in UK government bonds which have a maturity date of greater than 5 years and are linked to RPI inflation. It aims to track the return of the FTSE A Index-linked (over 5 year) index. This type of fund helps to protect members against "annuity-rate" risk, where annuities are linked to inflation.

#### **AAA-AAA Fixed Interest Over 15 year Index Fund**

This fund invests in UK corporate bonds which have a maturity date of greater than 15 years, and where their credit rating is no less than A. It aims to track the iBoxx £ Non-Gilts (ex BBB) over 15 year index. This type of fund helps to protect members against "annuity-rate" risk.

#### **Cash Fund**

This fund invests only in short-term deposits, which are not subject to volatility in capital-value terms. It aims to match the median CAPS return and is measured against the 7 Day LIBID rate. This type of fund helps to protect members against "lump sum" risk.

#### **Asia Pacific (ex Japan) Equity Index Fund**

This type of fund invests in listed companies in developed markets in the Asia Pacific region excluding Japan. The fund aims to track the return of the FTSE AW Developed Asia Pacific (ex Japan) index. This type of fund protects against "investment-return" risk.

#### **Global Emerging Markets Equity Index Fund**

This type of fund invests in listed companies in developing economies and markets worldwide. It aims to track the return of the S&P/ IFC Composite Global Emerging Markets index. This type of fund protects against "investment-return" risk.

#### **UK Smaller Companies Index Fund**

The fund invests in UK listed small cap companies and aims to track the return of the FTSE Small Cap index. This type of fund protects against "investment-return" risk.

### **Additional Voluntary Contributions**

AVCs are available within the Scheme itself. Members can make AVC contributions either through the salary sacrifice process as part of their annual Dynamic Benefit selection or alternately members can make ad hoc AVC payments throughout the year, as a regular saving or through a lump sum payment. Members can set and amend their employee sacrifice percentage via BENPAL.

Historically the Scheme provided a facility with (Utmost Life and Pensions) Equitable Life for members to pay Additional Voluntary Contributions ("AVCs"). This arrangement is now closed to new members.



## **6. Technical Default**

In accordance with Section 4 – Restrictions on Charges of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 No. 879, the Trustees have identified that the LGIM Cash Fund held by the DC section of the Scheme has become a “technical default” arrangement (as defined by these regulations).

During the outbreak of COVID-19 in March 2020, the LGIM Managed Property Fund announced a temporary suspension of trading due to the severe disruption of the property valuation process. As a result, the Trustees decided to divert any contributions intended for the LGIM Managed Property Fund into the LGIM Cash Fund.

These funds have therefore been identified as “technical defaults” as members’ assets have been automatically directed to these funds without members having instructed the Trustees where their assets are to be invested.

Whilst the LGIM Cash Fund does not aim to deliver capital appreciation, unlike the LGIM Managed Property Fund, it is significantly more effective at preserving capital and entails amongst the lowest investment management fees when compared to the other freestyle funds available. As such, it was deemed the most appropriate alternative investment whilst market volatility remained elevated.

## **7. Responsible Investing**

### **Financially Material Considerations**

In setting the DB investment strategy, the Trustees have prioritised assets which provide protection against movements in the Scheme's liability value; more generally, the Trustees seek assets which provide diversification across a wide range of investment markets and considers the financially significant benefits of these factors to be paramount.

However, the Trustees understand that they must aim to consider all factors that have the ability to impact the financial performance of the Scheme's investments over an appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustees believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

However, the Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. In the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment manager.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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#### Non-Financial Considerations

The Trustee's objective is that the financial interests of the Scheme members are its first priority when choosing investments.

It has decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy.

However, the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and, where appropriate, strive to provide a fund range that meets both financial and non-financially relevant member needs.

#### Stewardship: Corporate Governance and Voting Policy

The Scheme is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long-term financial interests of investors.

The Trustee notes that the investment managers' corporate governance policies are available on request and on their respective websites.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship. The Trustees review the investment managers' policies and engagement activities (where applicable) on an annual basis.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership.

The Trustees will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustees have any concerns, they will raise them with the respective managers, verbally or in writing.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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#### **Member Views**

Whilst the Trustees do not explicitly take account of member views when selecting investments for the Scheme, they are always in open discussion with their members. The Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and strive to provide a fund range that meets both financial and non-financially relevant member needs. Furthermore, the Trustees have and will continue to consult with the Sponsoring Employer to ensure that the Scheme's investments are aligned with the overall values and principles of the Employer.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

## 8.Risk

The Trustees are aware, and seek to take account, of a number of risks in relation to the Scheme's investments, including those set out below. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. The Trustees recognise that in a defined contribution money purchase arrangement, members assume the investment risks themselves and members are exposed to different types of risk at different stages of their working lifetimes.

Broadly speaking, the main types of investment risk can be identified are as follows:

Type of Risk	Risk	Description	How is the risk monitored and managed?
<b>Risks affecting the DB and DC sections of the Scheme</b>			
<b>Market Risk</b>	<b>Inflation Risk</b>	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	<p><b>DB:</b> The majority of the market risk is mitigated by the buy-in policy held with LGAS. For the remaining invested assets, the Trustees will ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes and will ensure assets are invested in a diverse portfolio across various markets.</p> <p><b>DC:</b> The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocation, in line with their risk tolerances.</p>
	<b>Interest Rate Risk</b>	<p>This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.</p> <p>Changes to Interest Rates will affect the market price of annuities, which therefore affects the amount of guaranteed pension that members of the DC section will be able to purchase with their savings at retirement.</p>	

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

	<b>Currency Risk</b>	<p>This is the risk that occurs when the price of one currency moves relative to another (reference) currency.</p> <p>The Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling.</p> <p>There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.</p>	
	<b>Credit Risk</b>	<p>This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.</p>	
	<b>Other Price Risk</b>	<p>This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.</p>	

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

<b>Environmental, Social and Governance ("ESG") Risks</b>	<p>This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.</p> <p>These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.</p>	<p>Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.</p> <p>Please see Section 6 for the Trustees' responsible investment statement.</p>
<b>Manager risk</b>	<p>This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.</p>	<p>It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by Mercer. In addition, Mercer monitor and replace any managers (following discussion with the Trustees and written authorisation from the Trustees) where concerns exist over their continued ability to deliver the investment mandate.</p>
<b>Liquidity risk</b>	<p>The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.</p>	<p>As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required.</p> <p>It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.</p>
<b>Legislative Risk</b>	<p>This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.</p>	<p>The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.</p>

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

DB-specific risks		
<b>Sponsor Risk</b>	This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.	<p>This risk is typically managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.</p> <p>However, due to the buy-in policy held with LGAS the DB Scheme is not highly dependent on the Sponsoring Employer.</p>
<b>Solvency Risk</b>	The risk that the Scheme will be unable to meet its liabilities in the long-run.	The risk is mitigated the buy-in policy held with LGAS

DC-Specific Risks		
<b>Pension Conversion Risk</b>	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	Members may target different retirement outcomes by selecting different Glide path and self-select fund options. For example, the Over 15 Years Gilts Index Fund can be used to target annuity-purchase in retirement.



## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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Whilst the Trustees identify and manage a large proportion of the risks faced by the Scheme, it is not possible to completely eradicate a number of the above risks.

#### **Realisation of Investments**

The funds are both weekly dealt (DB Scheme) and daily-dealt (DC Section) pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

## **9. Monitoring of Investment Adviser and Managers**

### **Investment Adviser**

The Trustees continually assess and review the performance of their Investment Adviser in a qualitative way.

### **Investment Managers**

The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from LGIM, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The Trustees, with assistance from Mercer, as Investment Adviser to the Scheme, have the role of replacing the underlying investment managers where appropriate. A long-term view is adopted when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

The Trustees also monitor the stewardship track record of the Scheme's underlying investment managers on an annual basis and will take action if this is found inconsistent with appropriate long-term return generation.

### **Portfolio Turnover Costs**

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

For the Scheme's DB section, the Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs.

For the DC section, the Trustees consider portfolio turnover costs as part of the annual Chairman's Statement.

## **General Dynamics United Kingdom Retirement and Death Benefit Scheme**

### **Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022**

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The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested and will include further information about this when next updating the SIP.

## **10.Code of Best Practice**

### **Define Benefit**

The Trustees note that in September 2019, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees have received training in relation this guidance and are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances. The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

### **Defined Contribution**

The Pensions Regulator has published a code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

## General Dynamics United Kingdom Retirement and Death Benefit Scheme

### Chair's Annual Statement Regarding Governance of the Scheme's the Defined Contribution Sectionalised Section (the DC Section) (continued) For the Year Ended 5 April 2022

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#### Appendix 1: Third Party Arrangements

##### Advisors

The following advisors assist the Trustees:

<b>Scheme Actuary</b>	Adam Bracken Mercer Tower Place West, London EC3R 5BU
<b>Auditor</b>	Gary Purdy RSM LLP Hanover House, 18 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1ED
<b>Investment Consultant</b>	Dorian Whitehead Mercer Tower Place West, London EC3R 5BU
<b>Lawyer</b>	Hogan Lovells Atlantic House, Holborn Viaduct, London, EC1A 2 FG
<b>Pensions Consultant</b>	Kelly Buckland Mercer Tower Place West, London EC3R 5BU

##### Investment Managers

The Trustees have appointed the following investment managers:

###### Legal and General Investment Management

One Coleman Street  
London  
EC2R 5AA

###### Columbia Threadneedle Investments

78 Cannon Street  
London  
EC4N 6AG