BARNETT WADDINGHAM
beyond the expected

Mitchells & Butlers Pensions Limited

Chair's annual statement regarding defined contribution benefits held in the Mitchells & Butlers Pension Plan ("the Plan")

1. Introduction

1.1. This statement has been prepared by Mitchells & Butlers Pensions Limited ("the Trustee") and reports on how the Trustee complies with the defined contribution (DC) governance standards. These standards were introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) Regulations 2018 ("the Regulations").

1.2. The reporting period covered by this statement is 1 April 2018 to 31 March 2019 ("the reporting period").

1.3. As required by the Regulations, the Trustee will publish this Statement on a publicly accessible website. The web address for the website will be: www.mbplcpensions.com/costs-and-charges

2. The Plan's DC arrangements

2.1. Over the reporting period, the Plan's DC arrangements comprised the following:

2.1.1. A Defined Contribution Section ("the DC Section") which is open to future contributions and is used as a qualifying workplace pension scheme for auto-enrolment purposes. On 1 February 2018, the bundled service provider to the DC Section was changed from BlackRock to Legal & General and over the reporting period a project was completed to transfer all accumulated DC Section assets to Legal & General. Further details relating to this transfer are provided in Sections 4.15 to 4.17 of this Statement.

2.1.2. Additional Voluntary Contribution (AVC) benefits for members of the Plan's Defined Benefit Section ("the DB Section") which are administered and invested in line with the DC Section benefits.

2.1.3. A series of separate AVC arrangements provided by Prudential, Equitable Life and Standard Life which hold benefits for DB Section members. These are all closed to future contributions and members.

3. The DC Section's default investment arrangement

3.1. Over the reporting period, the DC Section had one default investment arrangement for the purposes of the regulations, the Default Pathway Fund. This was implemented on 1 February 2018 and followed advice from the Trustee's investment adviser, Barnett Waddingham LLP. Its design took account of the potential needs of DC Section members, as well as the Trustee's own investment beliefs.

Default investment arrangement design and objectives

3.2. The key features of the Default Pathway Fund are as follows:

3.2.1. It is structured as a target date investment strategy which consists of a series of separate funds that are designed to target the date (across five year windows) most closely aligned to the age that each member is expected to take their pension savings. For example, a member that is due to take their pension savings in 2047 would be invested in the 'Default Pathway Fund 2045 – 2050'. The Normal

Retirement Date (NRD) of the DC Section is set at age 65, however, members can amend this should they wish.

3.2.2. It invests in a broad mix of assets which are automatically rebalanced at different stages of membership depending on each member's target date. When a member is a long way from accessing their retirement savings, emphasis is placed on medium to higher risk funds (i.e. investing predominantly in growth assets) in search of long-term returns that exceed inflation. As each member approaches their target retirement date, their retirement savings are progressively switched to lower risk funds so as to protect the value of the retirement savings relative to the way in which they are expected to be accessed.

3.2.3. The target investment profile of the Default Pathway Fund has been designed with the assumption that members are likely to access their pension savings through drawdown. This means that the Default Pathway will hold a proportion of assets that offer the prospect of future growth in the lead up to and through retirement.

3.2.4. Legal & General, as the provider of the Default Pathway Fund, will on an ongoing basis, adjust the investment profile, strategy and asset allocation of the Default Pathway Fund in order to take account of changes in market conditions.

Alternative investment options

3.3. Alongside the Default Pathway Fund, the Trustee has made available two additional investment strategies (called the Annuity Target Pathway Fund and the Cash Target Pathway Fund). Both strategies use the same target date structure as the Default Pathway Fund and follow the same investment profile in the early years of investment. As members approach their NRD, the investment profile of the Annuity Target Pathway Fund and the Cash Target Pathway Fund will begin to change to match each member's chosen benefit option.

Review of the default investment arrangement

3.4. The Trustee, together with its professional advisers, monitors the investment options accessed through the DC Section on a quarterly basis. This monitoring looks at both the performance of the funds, to ensure that they are consistent with the stated aims and objectives, as well as any developments or changes with the fund manager. The Trustee is happy that the Default Pathway Fund has performed in line with its stated aims and objectives over the reporting period.

3.5. The last strategic review of the DC Section's default investment arrangement, as well as the range of alternative investment options, was completed in June 2017. As part of this review, the Trustee considered the membership profile of the DC Section and used projected pot value analysis to ascertain the potential needs of members at retirement. The results of this review were implemented alongside the change to the bundled provider of the DC Section from BlackRock to Legal & General and included the following:

3.5.1. The implementation of a new default investment strategy (the Default Pathway Fund), which uses a target date structure aligned with members taking benefits from the DC Section using drawdown. Based on its analysis of DC Section members, the Trustee expects drawdown to be the most popular benefit option.

3.5.2. The implementation of a range of alternative investment strategies which are aligned with members taking benefits through annuity purchase or through a full cash withdrawal. This recognises that a number of members may still wish to use their DC Section benefits to purchase a secure income for life (annuity) or take their benefits in full as cash.

3.5.3. The removal of the range of individual investment funds which were only used by a small proportion of DC Section members.

3.6. The next strategic review of the DC Section's default investment arrangement, as well as the wider range of investment options offered to members, will be completed in 2020.

Further information on investments

3.7. Following the changes to the range of investment options provided through the DC Section, the Plan's Statement of Investment Principles (SIP) was reviewed and updated in March 2018. A further update to the SIP was completed in July 2019 to take account of the Trustee's view on the financial materiality of Environmental, Social and Governance (ESG) factors. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP sets out further details around the Trustee's investment objectives, as well as the default investment strategy. A copy of the latest SIP is appended to this Statement.

4. Core financial transactions

4.1. The Regulations require the Trustee to ensure that core financial transactions are processed promptly and accurately. Core financial transactions comprise:

4.1.1. The investment of contributions.

4.1.2. Transfers into and out of the DC Section.

4.1.3. Investment switches.

4.1.4. Payments out of the DC Section in respect of members.

DC Section administration

4.2. Over the reporting period, the administration functions of the DC Section were outsourced to, and completed by, Legal & General. The scope of these administration functions are recorded in detail in the DC Section's Administration guide.

4.3. To ensure the accuracy and timeliness of all DC Section core financial transactions, the Trustee has established robust reporting and monitoring processes.

4.4. The day-to-day monitoring of administration standards is undertaken by Mitchells & Butlers' "in-house" pensions team who scrutinise the performance of all service providers to the DC Section. The Head of Pensions reports back to the Trustee on anecdotal experience as part of the quarterly Trustee meetings and any immediate concerns are escalated to the Trustee ad-hoc.

4.5. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Legal & General. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Legal & General in respect of the DC Section. Legal & General aims to ensure that 95% of all tasks are completed within the defined SLAs. The agreed SLAs for the core financial transactions identified in 4.1 above are as follows:

Core financial transaction	SLA
Investment of contributions	24 hours from date of receipt
Transfer into and out of the Plan	5 working days from receipt of the completed paperwork
Investment switches	24 hours from receipt of switch request
Payments out of the Plan	5 working days from receipt of the completed paperwork for all payments out of the DC Section (10 working days in respect of drawdown payments)

4.6. Legal & General also has SLAs in place for other services it provides including; assisting with member enquiries, amending member records and issuing information.

4.7. Legal & General provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. Barnett Waddingham, the Trustee's professional advisers, also report on these SLAs as part of the quarterly governance reports provided to the Trustee. The Trustee considers these reports in detail as a regular item at its quarterly meetings.

4.8. Over the reporting period, Legal & General's performance against the agreed SLAs for the core financial transactions are set out in the table below:

Core financial transaction	SLA achieved over the reporting period
Investment of contributions	100%
Transfer into and out of the Plan	98%
Investment switches	100%
Payments out of the Plan	92%

4.9. As part of its ongoing consideration of service standards, the Trustee noted that the SLA achieved for payments out of the DC Section fell short of the 95% target set by Legal & General over the reporting period. The Trustee raised this with Legal & General and it was noted that this related to two lump sum payments to DC Section members in Q1 (of which there were a total of 6) that were paid one day outside of the SLA. The Trustee is satisfied that this did not result in any financial determinant to the affected DC Section members.

4.10. Administration is captured as part of the Plan's risk register and any DC Section specific risks are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions.

4.11. Monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data. In addition, the administrators' processes are subject to internal controls procedures.

4.12. There were no issues reported to or identified by the Trustee in connection to either the promptness or accuracy of core financial transactions processed during the period covered by this statement.

AVC administration

4.13. As the administrator of the Defined Benefit Section ("the DB Section") of the Plan, the Trustee has delegated the administrative oversight of the separate AVC arrangements held with Prudential, Equitable Life and

Standard Life to Mercer. The AVC benefits invested with Legal & General are subject to the same controls outlined for the DC Section above.

4.14. Mercer report back to the Trustee as part of the quarterly Trustee meetings with any specific issues relating to the administration of the separate AVC policies. There were no issues reported to or identified by the Trustee in connection with the promptness or accuracy of the processing of core financial transactions for the AVC policies.

Investment transition costs over the reporting period

4.15. In May 2019 following the change to the bundled provider to the DC Section, the Trustee undertook an exercise to transfer the accumulated assets for all DC Section members from BlackRock to Legal & General. When moving assets between different investment managers and/or funds, this will often give rise to implicit costs which are commonly referred to as "Transition Costs". These Transition Costs arise where assets are sold and purchased and will vary depending on the type of asset involved, the movement of markets and the inflows and outflows of money on any given day.

4.16. The transfer of accumulated DC Section assets between BlackRock and Legal & General gave rise to such Transition Costs. Mitchells & Butlers, as the sponsoring employer to the DC Section, agreed to cover these costs and made funds available for this purpose. Legal & General calculated the Transition Costs to be in the order of £84,700 and reimbursed members using the funds provided by Mitchells & Butlers through an increase in the value of each members unit holding.

4.17. Further "out of market" costs can arise where trades between funds cannot be made instantaneously. As a result of this, in rising markets members may miss out on investment returns they would have received had their funds been invested. It should be noted that opposite movements would be beneficial for members. To mitigate such costs during the transfer process, the Trustee used a combination of methods known as "unit-transfer" and "pre-funding".

4.18. On completion of the transfer of DC Section assets, the Trustee asked Barnett Waddingham to undertake a review of the methodology employed and the Transition Costs incurred. Barnett Waddingham's review concluded that the methodology was appropriate, the Transition Costs were reasonable and that the Trustee should be comfortable with the accuracy of the transactions made.

Trustee view of core financial transactions

4.19. Taking the above into consideration, the Trustee is confident that all core financial transactions over the reporting period have been processed promptly and correctly. The Trustee notes that there were no issues relating to core financial transactions over the reporting period.

5. Charges and transaction costs

5.1. Charges for the administration, communication and investment services provided to the Plan's DC arrangements are structured on a bundled basis and consist of both explicit and implicit costs:

5.1.1. Explicit costs: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. These are referred to as a Total Expense Ratio (TER) and include the explicit Annual Management Charge (AMC) and the Fund Management Charge (FMC) incurred over the period.

5.1.2. Implicit costs: these relate to the charges and transaction costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges. These implicit charges impact on the investment returns achieved by the investment fund and vary day-to-day according to each fund's investment approach and prevailing market conditions. We refer to these as Transaction Costs.

DC Section charges and transaction costs

5.2. The charges applied through the DC Section vary between Active members and Deferred members as follows:

5.2.1. For Active members the Trustee pays the TER levied by Legal & General and these costs are passed onto Mitchells & Butlers. Therefore, for Active members, the only costs that apply are the Transaction Costs.

5.2.2. For Deferred members the Trustee does not pays the TER levied by Legal & General. As such, Deferred members will be responsible for meeting the cost of both the explicit (TER) and implicit (Transaction Costs) costs through the DC Section.

5.3. The following tables provide details of the charges and transaction costs applied through the DC Section over the reporting period. We have limited the information in this table to the Default Pathway Fund as this was the sole investment option selected by all DC Section members over the reporting period. Details of the TERs and Transaction Costs applied to the Annuity Target Pathway Fund and the Cash Target Pathway Fund are provided at the end of this Statement.

Active DC Section members

As noted in Section 5.2.1, the Trustee pays the TER for Active members and this is reflected in the figures provided in the table below.

Default Pathway – target date	AMC (p.a.)	FMC (p.a.)	TER (p.a.)	Transaction costs
Default Pathway 2015 – 2020 Fund 3B	0.00%	0.00%	0.00%	-0.02%
Default Pathway 2020 – 2025 Fund 3B	0.00%	0.00%	0.00%	-0.01%
Default Pathway 2025 – 2030 Fund 3B	0.00%	0.00%	0.00%	0.01%
Default Pathway 2030 – 2035 Fund 3B	0.00%	0.00%	0.00%	0.01%
Default Pathway 2035 – 2040 Fund 3B	0.00%	0.00%	0.00%	0.01%
Default Pathway 2040 – 2045 Fund 3B	0.00%	0.00%	0.00%	0.01%
Default Pathway 2045 – 2050 Fund 3B	0.00%	0.00%	0.00%	0.01%
Default Pathway 2050 – 2055 Fund 3B	0.00%	0.00%	0.00%	0.02%
Default Pathway 2055 – 2060 Fund 3B	0.00%	0.00%	0.00%	0.03%
Default Pathway 2060 – 2065 Fund 3B	0.00%	0.00%	0.00%	0.02%
Default Pathway 2065 – 2070 Fund 3B	0.00%	0.00%	0.00%	0.02%

Deferred DC Section members

Default Pathway – target date	AMC (p.a.)	AE (p.a.)	TER (p.a.)	Transaction costs
Default Pathway 2015 – 2020 Fund 3	0.10%	0.19%	0.29%	-0.02%
Default Pathway 2020 – 2025 Fund 3	0.10%	0.19%	0.29%	-0.01%
Default Pathway 2025 – 2030 Fund 3	0.10%	0.19%	0.29%	0.01%
Default Pathway 2030 – 2035 Fund 3	0.10%	0.19%	0.29%	0.01%
Default Pathway 2035 – 2040 Fund 3	0.10%	0.19%	0.29%	0.01%
Default Pathway 2040 – 2045 Fund 3	0.10%	0.19%	0.29%	0.01%
Default Pathway 2045 – 2050 Fund 3	0.10%	0.19%	0.29%	0.01%
Default Pathway 2050 – 2055 Fund 3	0.10%	0.19%	0.29%	0.02%
Default Pathway 2055 – 2060 Fund 3	0.10%	0.19%	0.29%	0.03%
Default Pathway 2060 – 2065 Fund 3	0.10%	0.19%	0.29%	0.02%
Default Pathway 2065 – 2070 Fund 3	0.10%	0.19%	0.29%	0.02%

AVC arrangements costs and charges – Legal & General

5.4. Plan members that hold AVC benefits with Legal & General have access to the same range of target date funds that is made available to DC Section members. Over the reporting period, all members of this AVC arrangement were invested in the Default Pathway Fund described in Section 3 above.

5.5. As all members of this AVC arrangement are classified as Deferred, the charges and transaction costs applied by Legal & General over the reporting period were the same as those outlined for Deferred DC Section members in 5.3 above.

AVC arrangements costs and charges – Prudential

5.6. Plan members that hold AVC benefits with Prudential are invested in one, or a combination, of the Prudential With Profits Fund and the Prudential Deposit Fund. Details of the charges and transaction costs quoted by Prudential for each of these funds are provided in the table below:

Fund name	TER	Transaction costs	Effective date [1]
Prudential With Profits Fund	Prudential does not state an explicit TER for its With Profits Fund as charges are deducted before bonuses are applied to members' benefits, however, they are estimated to be in the region of 1%.	0.05%	30/06/2018
Prudential Deposit Fund	The charges quoted for the Prudential Deposit Fund are nil as they are taken into account in the interest payable to members.	0.00%	31/12/2018

[1] The Trustee and its advisers requested transaction cost information from Prudential for the reporting period covered by this Statement, however, Prudential was not able to provide this information in time for inclusion in this Statement. Prudential has stated that this is because it does not have all the necessary information for the underlying fund(s) or that this information was received after our cut-off. Prudential also states that the fund management industry is having to develop and introduce new systems and processes to report transaction costs using the 'slippage' methodology and this is taking them longer than expected.

Prudential is aiming to be able to refresh its transaction cost data at the start of each quarter and expects to be able to provide data for the year to 31 March 2019 by the end of October 2019. Once received, the Trustee will review this information to understand whether it has a material impact upon the figures quoted above. The Trustee is working with its advisers and will continue to exert pressure on Prudential to ensure this information can be included in future years.

AVC arrangements costs and charges – Standard Life

5.7. Plan members that hold AVC benefits with Standard Life are invested in one or more of the Standard Life Managed Fund, the Standard Life Millennium With Profits Fund and the Standard Life With Profits Fund. Details of the charges and transaction costs quoted by Standard Life for each of these funds are provided in the table below:

Fund name	TER	Transaction costs	Effective date
Standard Life With Profits Fund	Standard Life does not quote an explicit TER for the With Profits Fund as charges are taken into account prior to the addition of bonuses	0.021%	31/03/2019
Standard Life Millennium With Profits Fund	Standard Life do not quote an explicit TER for the Millennium With Profits Fund as charges are taken into account prior to the addition of bonuses	0.082%	31/03/2019
Standard Life Managed Fund	1.00%[1]	0.121%	31/03/2019

[1] Standard Life applies a member specific discount to the quoted TER and as such the TER will vary between investors in this AVC arrangement.

AVC arrangements costs and charges – Equitable Life

5.8. Plan members that hold AVC benefits with Equitable Life are invested wholly in the Equitable Life With Profits Fund. Details of the charges and transaction costs quoted by Equitable Life for the With Profits Fund are provided in the table below:

Fund name	TER	Transaction costs	Effective date
Equitable Life With Profits Fund	1.00%	0.036%	31/03/2019

6. Demonstrating the impact of costs and charges

6.1. To demonstrate the impact of the costs and charges applied through the DC Section, in this year's Chair's Statement the Trustee has produced illustrations in line with statutory guidance and the September 2018 guidance from the Department for Work & Pensions entitled "Cost and charge reporting: guidance for trustees and managers of occupational schemes". These illustrations are set out below and are designed to cater for representative cross-sections of the membership of the DC Section.

6.2. To determine the parameters used in these illustrations, the Trustee has analysed the members invested in the DC Section over the reporting period and has taken into consideration the range of investment options offered to members. As a result of this analysis the Trustee has elected to base these illustrations on the following variables:

6.2.1. Pot size: pot sizes of £7,000, £22,500 and £47,000 have been used as these represent the 25th percentile, the median and 75th percentile of pot values (rounded to the nearest £500) of DC Section members at the end of the reporting period. The Trustee considers these to be broadly representative of the pot sizes of DC Section members.

6.2.2. Active vs Deferred: in the region of 90% of members are actively contributing to the DC Section and therefore all illustrations are based upon Active members. As such, the only costs and charges deducted relate to Transaction Costs.

6.2.3. Investment funds: all DC Section members are invested in the Default Pathway Fund and therefore the illustrations assume benefits remain invested in this investment option for the duration.

6.2.4. Timeframe: three separate target date funds have been selected to demonstrate the impact of starting saving at different ages. This includes the target date fund that is used by the youngest DC Section member.

6.2.5. Salary and contributions: a representative starting salary of £35,000 has been used as this represents the median salary (rounded to the nearest £1,000) of DC Section members. A total contribution level of 12.5% has also been assumed as this is the most common total contribution level for DC Section members.

6.3. For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund. The level of costs and charges applied is in line with the table set out earlier in this Statement and therefore for Active members, relates solely to any

Transaction Costs incurred. Where the quoted Transaction Costs are negative, the costs and charges are assumed to be nil for purposes of the illustrations.

Guidance to the illustrations

The following notes on the illustrations should also be read;

1. Projected pot sizes are shown in today's terms and do not need to be reduced further for the effects of future inflation.
2. Pensionable salary is assumed to grow at 2.5% per year for the duration of the illustrations.
3. The timeframe used for each illustration is variable and dependent upon the age of starting saving in the DC Section.
4. Values shown are estimates and not guaranteed.
5. Each of the illustrations allows for the future impact of inflation which is assumed to be 2.5%.
6. The starting date for the illustrations is 31 March 2019.
7. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2019 Statutory Money Purchase Illustrations (SMPI). We provide details for each investment option used to produce the illustrations in the table below:

Investment option	Assumed return above inflation
Default Pathway 2065 – 2070 Fund	4.70% to 1.20%
Default Pathway 2035 – 2040 Fund	4.70% to 2.20%
Default Pathway 2020 – 2025 Fund	3.50% to 2.50%

Default Pathway 2065 – 2070 Fund

An illustration has been included for this fund as it shows the impact of costs and charges for the youngest member of the DC Section. It covers a 45 year timeframe and benefits are taken at the DC Section's NRD of 65.

Illustration basis	Years of membership	Starting pot size £7,000		Starting pot size £22,500		Starting pot size £47,000	
		Before charges	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
Active member Starting pensionable Salary: £35,000 Contribution level: 12.5%	0	£7,000	£7,000	£22,500	£22,500	£47,000	£47,000
	1	£11,740	£11,738	£27,951	£27,946	£53,574	£53,565
	5	£32,977	£32,957	£52,372	£52,334	£83,028	£82,962
	10	£65,481	£65,406	£89,750	£89,629	£128,109	£127,917
	15	£106,153	£105,971	£136,520	£136,253	£184,518	£184,118
	20	£157,045	£156,682	£195,042	£194,538	£255,102	£254,374
	25	£220,725	£220,077	£268,270	£267,401	£343,422	£342,203
	30	£300,407	£299,327	£359,899	£358,487	£453,935	£451,998
	35	£397,525	£395,823	£471,481	£469,298	£588,379	£585,435
	40	£481,792	£479,384	£567,136	£564,092	£702,034	£697,985
	45	£536,887	£533,812	£628,044	£624,202	£772,131	£767,078

Note on how to read this table: If an Active member had £7,000 invested in this strategy on 31 March 2019, after 10 years membership their fund could grow to £65,481 if no charges are applied and to £65,406 with charges applied.

Default Pathway 2035 – 2040 Fund

An illustration has been included for this fund as it shows the impact of a member joining the DC Section at the midpoint of their working life. It is also the target date fund that holds the most significant level of investment through the DC Section. The timeframe covered is 20 years and assumes that benefits are taken at the DC Section's NRD of 65.

Illustration basis	Years of membership	Starting pot size £7,000		Starting pot size £22,500		Starting pot size £47,000	
		Before charges	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
Active member	0	£7,000	£7,000	£22,500	£22,500	£47,000	£47,000
Starting pensionable	1	£11,740	£11,739	£27,951	£27,949	£53,574	£53,570
Salary: £35,000	5	£32,977	£32,967	£52,372	£52,353	£83,028	£82,995
	10	£65,077	£65,040	£89,187	£89,127	£127,297	£127,201
Contribution	15	£100,301	£100,215	£128,790	£128,664	£173,822	£173,633
level: 12.5%	20	£135,573	£135,417	£167,588	£167,372	£218,193	£217,881

Note on how to read this table: If an Active member had £7,000 invested in this strategy on 31 March 2019, after 10 years membership their fund could grow to £65,077 if no charges are applied and to £65,040 with charges applied.

Default Pathway 2020 – 2025 Fund

An illustration has been included for this fund as it shows the impact of a member joining the DC Section when they are close to the age at which they may elect to take benefits. The timeframe covered is 5 years and it assumes that benefits are taken at the DC Section's NRD of 65.

Illustration basis	Years of membership	Starting pot size £7,000		Starting pot size £22,500		Starting pot size £47,000	
		Before charges	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
Active member	0	£7,000	£7,000	£22,500	£22,500	£47,000	£47,000
Starting	1	£11,544	£11,545	£27,422	£27,425	£51,895	£51,900
pensionable	2	£16,160	£16,162	£32,379	£32,384	£56,753	£56,763
Salary: £35,000	3	£20,785	£20,789	£37,273	£37,281	£61,428	£61,444
Contribution	4	£25,442	£25,448	£42,171	£42,184	£66,058	£66,081
level: 12.5%	5	£30,086	£30,095	£47,011	£47,028	£70,557	£70,587

Note on how to read this table: If an active member had £7,000 invested in this strategy on 31 March 2019, after 3 years membership their fund could grow to £20,785. No charges are currently applied to this fund, so there is no change to the value.

7. Value for members

7.1. The Regulations require the Trustee to assess the extent to which the charges and transaction costs borne by members represent good value. These member borne deductions cover the cost of providing the investment management services, administration services and communications. As noted in 5.2 above, the Trustee meets the costs of these services for Active DC Section members and these costs are then passed onto Mitchells & Butlers. The same arrangement does not exist for Deferred DC Section members who are responsible for meeting all costs.

7.2. The annual value for members' assessment relating to the reporting of this Statement was undertaken by the Trustees' professional advisers, Barnett Waddingham LLP, as at 31 March 2019.

7.3. The assessment recognised that low cost does not necessarily mean better value, so considered a range of different factors, including:

7.3.1. in relation to investment services:

7.3.1.1. the range of investment options available and the design and suitability of the default investment arrangement

7.3.1.2. the arrangements for monitoring the performance of the investment funds

7.3.1.3. the investment governance arrangements in place

7.3.2. in relation to administration services:

7.3.2.1. the arrangements for monitoring the service standards of the administrator

7.3.2.2. the administration procedures and process

7.3.2.3. data and record keeping practices

7.3.3. in relation to communication services:

7.3.3.1. the design of the communications strategy

7.3.3.2. the quality of communications issued to members

7.3.3.3. the degree of support provided to members

7.3.4. other options available in the market.

7.4. The assessment considered various factors under each element and looked at these in 'Absolute' and 'Relative' terms. Absolute being the DC Section on its own merits and Relative comparing to alternative options.

7.5. The assessment concluded that the DC Section continues to provide **excellent value** for members and that there are no areas in which the DC Section's arrangements detract value. Key to this assessment are that Active members only pay the Transaction Costs of the funds in which they are invested. In addition, the costs borne by Deferred members as well as those AVC members invested with Legal & General are competitive when compared with other schemes of this nature.

7.6. The assessment also noted the progress made during 2018/2019 to gain greater clarity on the additional transaction costs charged to member funds and the Trustee is pleased to be able to report those costs in this statement (Section 5.3).

AVC benefits

7.7. As part of its independent assessment, Barnett Waddingham also reviewed the degree to which the AVC benefits invested with Prudential, Equitable Life and Standard Life represent value for members. This assessment highlighted that the arrangements operate via legacy platforms and that there is limited scope for making significant improvements given their size. However, the assessment concluded that the AVC arrangement provides **reasonable value** to members for the following reasons:

7.7.1. Members investing in the arrangement can use their benefits to fund their tax free cash entitlements through the defined benefit (DB) section of the Scheme.

7.7.2. The charges are broadly aligned with similar types of arrangements offered elsewhere.

7.7.3. Members benefit from the administration services provided by Mercer in the ongoing management of these benefits.

8. Trustee knowledge and understanding

8.1. Mitchells & Butlers Pensions Limited, the Trustee, is a trustee company which comprised 9 Trustee Directors at the end of the reporting period. Mike Bramley, an independent Trustee Director, acted as Chair of the Trustee at the beginning of the reporting period, however, following his retirement on 30 April 2018 a new Chair of the Trustee, Jonathan Duck, was appointed as Chair on 1 May 2018.

8.2. On 1 January 2019, the Trustee took the decision to delegate the oversight, governance and management of the DC Section to a formal DC Sub-Committee. This allows for much greater focus to be given to DC specific matters and a DC Committee 'Terms of Reference' has been established which formalises the policies, practices and powers of the DC Sub-Committee.

8.3. The DC Sub-Committee is chaired by an independent Trustee Director, Martin Thomas, and includes a number of Trustee Directors and representatives of Mitchells & Butlers. The DC Committee are supported in their duties by the Trustee's professional advisers.

8.4. The DC Sub-Committee has prepared a DC specific Business Plan which sets out items for discussion and actions throughout the year. It also details the objectives of the DC Sub-Committee and Trustee which allows for a meaningful assessment of effectiveness and impact of the Trustee Board.

Knowledge and expertise of the Trustee

8.5. The Plan's Trustee Directors incorporate a range of independent professional trustees. As professional trustees, they bring a high degree of pension experience, knowledge and expertise to the Board and have the requisite knowledge and skills to undertake a trustee role effectively.

8.6. All Trustee Directors are required to complete a formal training programme both following appointment and on an ongoing basis to ensure they have the necessary skills and knowledge required to effectively discharge their duties. Trustee training is a standing item on each meeting agenda and the Trustee Directors are asked to provide feedback and suggest topics for future training sessions. This allows all Trustee Directors to identify and address any gaps in knowledge. External training is also sought on topics relevant to the Trustee Directors' duties.

8.7. Over the reporting period, the Trustee has undertaken training and attended seminars which include, but are not limited to:

8.7.1. The new costs and charges disclosure duties

8.7.2. Asset transition and deployment of techniques to mitigate risks

8.7.3. DC governance and future regulatory change

8.7.4. DC bundled provider – future propositional developments

8.7.5. The impact of the General Data Protection Regulations

8.7.6. Pensions Legal update

8.7.7. Environmental, Social and Governance (ESG) factors

8.7.8. Various external seminars and conferences

8.8. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the DC Section and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.

Access to professional advice

8.9. The Trustee consults externally with its professional advisers as and when required, for example, on investments, governance and legal matters. Its professional advisers alert the Trustee on relevant changes to pensions legislation.

8.10. The Trustee is conversant with the DC Section's trust deed and rules as well as all other relevant Plan documentation, both through their overall experience in managing the DC Section as well as its review of such documentation over the reporting period. In particular, over the reporting period:

8.10.1. The Trustee worked with Gowling WLG to draft the terms of reference for the newly formed DC Committee, which involved consideration of the relevant powers set out in the Trust Deed and Rules. This is an example of the Trustee's compliance with its ongoing duty to be conversant with the Plan's governing documentation.

8.10.2. An annual process is in place to secure the benefits for Deferred members in a Master Trust. This process requires consideration of the Trust Deed & Rules and advice on the suitability of the transfer.

8.10.3. The Trustees, alongside their professional advisers, reviewed the DC Section's Statement of Investment Principles (SIP) to take account of investment changes implemented in March 2018. Whilst outside of the reporting period, a further review of the SIP was undertaken in July 2019 to take account of ESG factors.

8.10.4. The risk register is reviewed at least every 6 months (the last review was completed in December 2018) to ensure that all relevant risks have been identified.

8.10.5. The member booklet is updated each tax year and reviewed as part of the Trustee meetings.

Assessment

8.11. The Trustee considers that the combined knowledge of the Trustee Board, skills and understanding together with the advice which is available to the Trustee from its professional advisers, enables the Trustee to properly exercise its Trustee functions.

BARNETT WADDINGHAM
beyond the expected

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Jonathan Duck, for and on behalf of the Trustee of the Mitchells & Butlers Pension Plan
Chair of the Trustee

……………………………………………………….
Date

BARNETT WADDINGHAM
beyond the expected

Annuity Target and Cash Target Pathway Fund charges

Active DC Section members

Annuity Target Pathway – target date	AMC (p.a.)	FMC (p.a.)	TER (p.a.)	Transaction costs
Annuity Target Pathway Fund 2015 - 2020 3B	0.00%	0.00%	0.00%	0.01%
Annuity Target Pathway Fund 2020 - 2025 3B	0.00%	0.00%	0.00%	-0.02%
Annuity Target Pathway Fund 2025 - 2030 3B	0.00%	0.00%	0.00%	0.00%
Annuity Target Pathway Fund 2030 - 2035 3B	0.00%	0.00%	0.00%	0.00%
Annuity Target Pathway Fund 2035 - 2040 3B	0.00%	0.00%	0.00%	0.00%
Annuity Target Pathway Fund 2040 - 2045 3B	0.00%	0.00%	0.00%	0.01%
Annuity Target Pathway Fund 2045 - 2050 3B	0.00%	0.00%	0.00%	0.01%
Annuity Target Pathway Fund 2050 - 2055 3B	0.00%	0.00%	0.00%	0.02%
Annuity Target Pathway Fund 2055 - 2060 3B	0.00%	0.00%	0.00%	0.03%
Annuity Target Pathway Fund 2060 - 2065 3B	0.00%	0.00%	0.00%	0.02%
Annuity Target Pathway Fund 2065 - 2070 3B	0.00%	0.00%	0.00%	0.03%

Cash Target Pathway – target date	AMC (p.a.)	FMC (p.a.)	TER (p.a.)	Transaction costs
Cash Target Pathway Fund 2015 - 2020 3B	0.00%	0.00%	0.00%	-0.05%
Cash Target Pathway Fund 2020 - 2025 3B	0.00%	0.00%	0.00%	-0.04%
Cash Target Pathway Fund 2025 - 2030 3B	0.00%	0.00%	0.00%	0.00%

Deferred DC Section members

Annuity Target Pathway – target date	AMC (p.a.)	FMC (p.a.)	TER (p.a.)	Transaction costs
Annuity Target Pathway Fund 2015 - 2020 3	0.10%	0.19%	0.29%	0.01%
Annuity Target Pathway Fund 2020 - 2025 3	0.10%	0.19%	0.29%	-0.02%
Annuity Target Pathway Fund 2025 - 2030 3	0.10%	0.19%	0.29%	0.00%
Annuity Target Pathway Fund 2030 - 2035 3	0.10%	0.19%	0.29%	0.00%
Annuity Target Pathway Fund 2035 - 2040 3	0.10%	0.19%	0.29%	0.00%
Annuity Target Pathway Fund 2040 - 2045 3	0.10%	0.19%	0.29%	0.01%
Annuity Target Pathway Fund 2045 - 2050 3	0.10%	0.19%	0.29%	0.01%
Annuity Target Pathway Fund 2050 - 2055 3	0.10%	0.19%	0.29%	0.02%
Annuity Target Pathway Fund 2055 - 2060 3	0.10%	0.19%	0.29%	0.03%
Annuity Target Pathway Fund 2060 - 2065 3	0.10%	0.19%	0.29%	0.02%
Annuity Target Pathway Fund 2065 - 2070 3	0.10%	0.19%	0.29%	0.03%

Cash Target Pathway – target date	AMC (p.a.)	FMC (p.a.)	TER (p.a.)	Transaction costs
Cash Target Pathway Fund 2015 - 2020 3	0.10%	0.19%	0.29%	-0.05%
Cash Target Pathway Fund 2020 - 2025 3	0.10%	0.19%	0.29%	-0.04%
Cash Target Pathway Fund 2025 - 2030 3	0.10%	0.19%	0.29%	-0.01%

DC Section Statement of Investment Principles