

Parker Hannifin Pension & Death Benefit Plan

Report to Defined Contribution (DC) Members 2023



From the Chairman of the Trustee

Introduction

Welcome to the Trustee's annual review of the Parker Hannifin Pension & Death Benefit Plan ('the Plan'). This document reports on the Plan's compliance with governance standards for the year ended 30 June 2023.

1. Members' Summary

- 1.1. This statement has been prepared by Parker Hannifin Pension Trustee Limited ("the Trustee"), the Trustee of the Parker Hannifin Pension & Death Benefit Plan ("the Plan"), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. In this statement we cover six key areas:
 - 1.3.1. The investment strategy in relation to the Plan's default investment arrangements;
 - 1.3.2. The net investment returns for the Plan's investment options;
 - 1.3.3. The processing of core financial transactions;
 - 1.3.4. Charges and transaction costs within the Plan;
 - 1.3.5. Value for money assessment; and
 - 1.3.6. Our compliance with the statutory knowledge and understanding requirements.
- 1.4. This statement covers the Plan year 1 July 2022 to 30 June 2023.
- 1.5. A copy of this statement will be included in the Plan's Annual Report and Accounts and will be published on a publicly available website <https://www.parkerpensionplan.com/#/home>.
- 1.6. This statement does not contain advice in respect of actions that members should take, and it is not intended to be used for that purpose. If members need advice they can get help finding a regulated financial adviser through the MoneyHelper website at www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser.
- 1.7. The key points that we would like members reading this Statement to take away are as follows:
 - 1.7.1. We continue to regularly monitor the investment arrangements and we are satisfied that the default and the other investment options have remained suitable for the membership throughout the Plan year.
 - 1.7.2. We recognise that during the Plan year there has been significant impact on investment markets from the UK Government announcements regarding tax cuts and Bank of England announcements regarding interest rates in the latter half of 2022 and members may have seen the impact of this on their fund value. We continue to take advice from our professional advisers in this regard and we regularly review the investment strategy, but a pension is a long-term savings vehicle, and the default investment strategy is designed for the long-term. There is a lot of information and guidance available through Fidelity with their on-line hub dedicated to the cost of living and market volatility. This is accessible at <https://retirement.fidelity.co.uk/navigating-uncertainty/>.
 - 1.7.3. We continue to monitor the fees which have an impact on the value of your pension savings, and we remain comfortable that these fees are reasonable and represent very good value for the range of services our members receive.

- 1.7.4. We continue to take advice and undertake training as appropriate so that we have sufficient knowledge and understanding to effectively look after the best interests of our members.

2. The Plan's DC arrangements

2.1. The Plan's DC arrangements comprise:

- 2.1.1. The Defined Contribution Section ("the DC Section"), which is administered by Fidelity and is open to future service contributions.
- 2.1.2. The additional voluntary contributions ("AVCs") provided through 'bundled' service arrangements (administration, investment, and communication services) with Aviva, Prudential, Utmost Life and Pensions ("Utmost") and Zurich. These provide additional benefits for members of the Defined Benefit Section ("the DB Section").

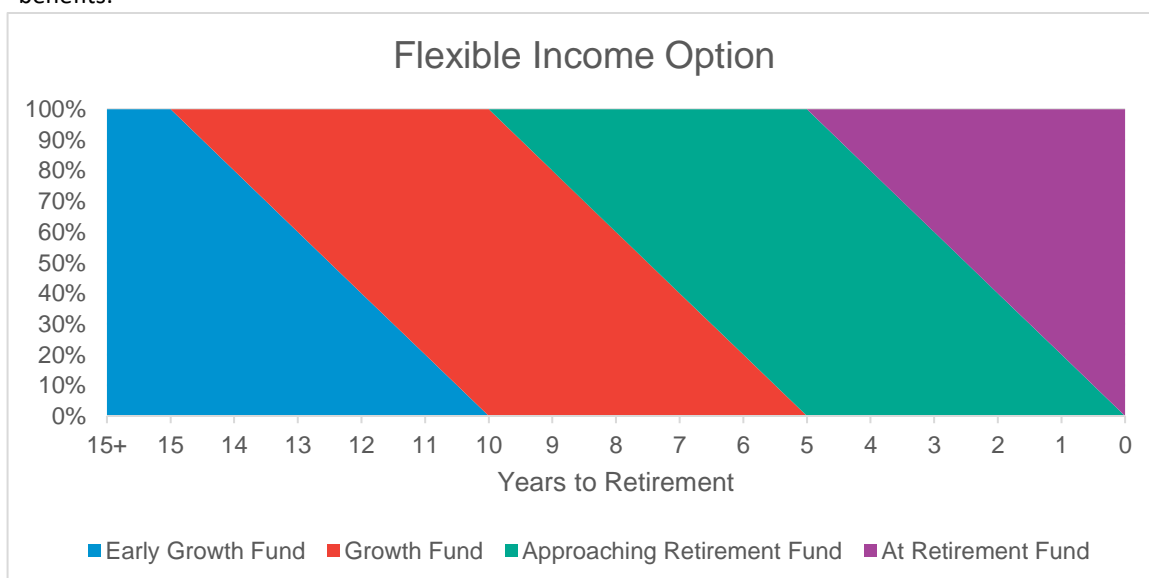
2.2. The Principal Employer, Parker Hannifin Manufacturing Ltd, and its associated companies that participate in the Plan, use the Plan as a 'Qualifying Scheme' to satisfy its auto-enrolment obligations for its employees.

3. Default investment arrangements

3.1. For members who are auto-enrolled into the Plan's DC Section and do not make an alternative selection, contributions are invested in the Flexible Income Option ("the default").

3.2. The key features of the default are:

- 3.2.1. This is a 'lifestyle' strategy which automatically changes the investments used to reduce risk/volatility in the years approaching retirement age, with the aim of the investments at retirement being appropriate for someone looking to take a flexible income through retirement.
- 3.2.2. Up until 15 years before a member's retirement age, the default allocates 100% to the Early Growth Fund, which invests 75% in the BlackRock ACS (30:70) Global Equity Currency Hedged Index Fund and 25% in the Diversified Growth Fund.
- 3.2.3. Over the next 15 years the investments switch to using the Growth Fund, the Approaching Retirement Fund and the At Retirement Fund, as shown below. This increases the Diversified Growth Fund holding and reduces the Global Equity holding, as well as introducing the BCIF iShares Corporate Bond Tracker Fund and the BlackRock Aquila Life Sterling Government Liquidity Fund by the time members look to take benefits.



Aims and objectives of the default strategy

- 3.3. The main investment aims and objectives which apply to the Default strategy, are as follows:
- 3.3.1. to provide a suitable default investment option that is likely to be suitable for a typical member;
 - 3.3.2. to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
 - 3.3.3. to reduce the risk of the assets failing to meet projected retirement income levels;
 - 3.3.4. seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.
- 3.4. The objective of the Default Strategy is to build real retirement income, while managing possible downside risk. In the run up to retirement, it also aims to align the asset allocation with how members are expected to access their benefits during their retirement.
- 3.5. The Default Strategy is designed with the assumption that individuals in this option are likely to hold higher-risk assets such as equities and alternative investments and favour drawdown but may also hold some lower-risk investments in retirement such as cash or bonds (or purchase an annuity).
- 3.6. The full details of our aims and objectives for the default and wider fund range are set out in the Statement of Investment Principles ("SIP") updated in August 2023, which is included in this document.

Review of the default

- 3.7. No formal review of the default was undertaken in the Plan year. The strategy and performance of the default were last formally reviewed as part of the wider provider platform review. This saw the appointment of Fidelity as the new bundled platform provider of the Plan. This change of provider included the review of the default investment strategy and self-select fund range, commencing on 7 May 2020 and concluding on 1 October 2020. The changes were subsequently implemented in March and April 2021 as part of the move to the Fidelity platform.
- 3.8. The next formal review is due in the latter half of 2023. At the time of preparing this Statement work had already commenced in respect of the next formal review of the default strategy. The Trustee had commissioned detailed member analysis and is considering the investment strategy in conjunction with the at retirement service offering for members.
- 3.9. We monitor the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Plan and do not constitute a formal review of the default, which ordinarily follows a three year cycle.

Further information on the default

- 3.10. Details of the default and the wider Plan investments are set out in the attached SIP effective from August 2023. This covers the investment policy in relation to the entire Plan.

4. Core financial transactions

- 4.1. We have a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
- 4.2.1. investment of contributions;
 - 4.2.2. transfers into and out of the Plan;
 - 4.2.3. investment switches within the Plan;
 - 4.2.4. payments out of the Plan.
- 4.3. Core financial transactions for the DC Section are undertaken by Fidelity.

- 4.4. Core financial transactions for the AVC arrangements are undertaken by Aviva, Prudential, Utmost and Zurich, with oversight from the administrators of the DB section, XPS Administration Limited.

Fidelity - Controls in place

- 4.5. We have Service Level Agreements (SLAs) in place with Fidelity for the period covered by this statement which are outlined in the table below. The SLAs set refer to the promptness with which tasks are carried out, rather than the accuracy. We have commented on this latter area later in this section.

Core financial transaction	Service Level Agreement
Contributions - data validation	2 working days
Contribution - investment following validation	Same day
Transfer payments (in or out)	5 working days
Investment switches	Same day
Other payments out of the Plan	5 working days

- 4.6. Fidelity's service standard is to aim to process 100% of the Same Day tasks within SLA, and 95% of all other items within SLA. Over the Plan year, Fidelity completed 99.8% of tasks relating to core financial transactions and 99.6% of all tasks within their SLA targets. We receive reports on performance against the SLAs from Fidelity along with the broader progress in the quarterly Trustee meetings. The following table shows the detail of the performance through the Plan year.

Work Item	Q2 2023		Q1 2023		Q4 2022		Q3 2022		Total	
	Items	Service Levels	Items	Service Levels	Items	Service Levels	Items	Service Levels	Items	Service Levels
Contributions	6	100	3	100	3	100	4	100	16	100
General Enquiries	-	-	-	-	3	100	1	100	4	100
Maintenance	21	100	21	100	23	100	20	100	85	100
New Accounts	-	-	-	-	-	-	-	-	-	-
Non-vested Leavers	2	100	4	100	3	100	2	100	11	100
Retirement & Benefits: Bereavement Withdrawals	-	-	-	-	1	100	-	-	1	100
Retirement & Benefits: Divorce	1	100	2	100	1	100	-	-	4	100
Retirement & Benefits: Other	139	100	163	97.5	164	100	145	100	611	99.3
Retirement & Benefits: Retirement Sales	18	100	20	100	17	100	9	100	64	100
Special Communications	1	100	-	-	2	100	-	-	3	100
Transfers In	25	100	56	98.2	62	100	68	100	211	99.5
Transfers out	45	100	90	100	94	100	64	100	293	100
Vested Leavers	2	100	5	100	-	-	-	-	7	100
Total	260	100	364	98.6	373	100	313	100	1,310	99.6

- 4.7. Fidelity confirms the work undertaken to ensure the prompt completion of any unresolved actions, agreeing this with us, where appropriate. There are no outstanding unresolved issues at the Plan year end.
- 4.8. A Payment Schedule sets out timescales for the participating employers to pay monthly contributions to the Plan, although agreed practice provides for payment of contributions in advance of these timescales. We review the timing of contribution payments, which is reported in the quarterly administration report from Fidelity, at Trustee meetings.
- 4.9. Fidelity has a process for chasing the Employer if the monthly contribution data files are not received in a timely manner and similarly if the contributions are not received once the data has been verified.
- 4.10. Contributions have all been paid in accordance with the Payment Schedule in the Plan year.
- 4.11. The controls in place in relation to the accuracy of core financial transactions are:
- 4.11.1. Member investment records are fully reconciled as and when any transaction takes place;

- 4.11.2. Member records are held which record each transaction for each fund and each contribution type made in respect of each member. These are updated as and when any transaction takes place.
- 4.11.3. The audit of certain transactions as part of the Plan's annual report and accounts.
- 4.11.4. The quality of the Plan's membership data is periodically reviewed, and we decide what action to take following presentation of the report.
- 4.11.5. Fidelity's administration processes are subject to internal audit and to a formal external audit for the annual assurance report on internal controls.
- 4.12. Fidelity attends the quarterly Trustee meetings to present the quarterly report, to answer any queries that we have and, if required, to outline what issues have arisen where the service levels have not been met and to confirm what action was taken to resolve the issues. Fidelity also provides an update at the meetings on developments in the administration platform.
- 4.13. Banking transactions are processed automatically with error returns and a stop on the process where transactions do not match.
- 4.14. We believe that these measures have enabled them to monitor the promptness and accuracy of core financial transactions efficiently and effectively in the Plan year.

Fidelity - Assessment

- 4.15. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the Plan year and the exceptional performance against SLAs, we believe that:
 - 4.15.1. Fidelity was operating appropriate procedures, checks and controls;
 - 4.15.2. There have been no material administration issues in relation to processing core financial transactions; and,
 - 4.15.3. Core financial transactions have been processed promptly and accurately.

Additional Voluntary Contribution (AVC) Arrangements – Controls and Assessment

- 4.16. Aviva, Prudential, Utmost and Zurich are the Plan's AVC providers. Each AVC provider has confirmed the following:

Aviva

- 4.17. Aviva has confirmed that they do not publish performance against target Service Levels on this policy which is held on a heritage administration platform. Their administrative function is limited to providing benefits statements and taking instructions from the Trustee via the administrator.
- 4.18. This AVC policy has no contributions being paid into it and there are very few members holding assets therein. There is no on-line functionality or member support provided by Aviva.

Prudential

- 4.19. Prudential measure their performance against end-to-end targets considering the total time taken to deal with a work item from the time it is received to the closure date for that task. An upper and lower target is set for each type of work based on historical performance, with an aim to complete 95% of cases within the upper and lower target.
- 4.20. This AVC policy has no contributions being paid into it, and there are very few members holding assets therein. There is no on-line functionality or member support provided by Prudential.

Utmost

- 4.21. This information is the latest published, is not plan specific and applies across Utmost's book of business:

Service Level Agreements during 2022 were measured as follows:

- 95% of payments out made within 5 days
- 95% of illustrations completed within 10 days
- 90% of general servicing completed within 10 days

All Service Level Agreements were met during 2022.

- 4.22. Utmost have published details which confirm that

- *We have internal standards which ensure that staff are properly trained, qualified, supervised and monitored. Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate.*
- *Our administration procedure manuals are regularly reviewed and updated. Both automated and manual processes are subject to checking and/or regular quality sampling.*
- *We carry out regular data integrity exercises covering both core and conditional data. Any errors identified are investigated and corrected. As we are not the scheme administrator, we do not hold full details of the common or conditional data. We do not, therefore, measure the data or calculate data scores.*
- *The adequacy and effectiveness of Governance and control over Data Protection, Information Security and Cyber Security is periodically reviewed by our Internal Audit function.*

4.23. We recognise that Utmost provides a limited administration service with benefit statements being provided and an annual financial report. Members do not interact directly with Utmost, this is via the DB section administrator, and there is no on-line functionality or member support provided by Utmost.

Zurich

4.24. Zurich has confirmed that they create a work case within 24 hours of receiving a request. They then have the target of 5-10 working days to process any requests, however they were unable to provide further details on the performance against these targets by the time of publishing this statement.

4.25. Zurich's function is limited to providing benefits statements and taking instructions from the Trustee via the administrator. Members do not interact directly with Zurich, and there is no on-line functionality or member support provided by Zurich.

5. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. Transaction costs: these relate to the variable 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 TER charge.

Charges in relation to the DC Section

5.2. The following tables provide details of the charges and transaction costs for the default and each of the investment options provided through the DC Section over the Plan year (data sourced from Fidelity). This information is updated quarterly and published online by Fidelity at <https://retirement.fidelity.co.uk/costs-and-charges/park>:

5.2.1. Default Strategy – Flexible Income Option

Time to Retirement (in years)	TER (p.a.)	Transaction Costs (p.a.)	Total Charge (p.a.)
0	0.54%	0.09%	0.63%
3	0.54%	0.09%	0.63%
6	0.55%	0.09%	0.64%
9	0.56%	0.08%	0.64%
15	0.44%	0.05%	0.49%
20+	0.44%	0.04%	0.48%

The charges and transaction costs for the default investment arrangement are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also the charges and transaction costs will vary depending upon each member's term to retirement age.

5.2.2. Self-select fund options

Investment option	TER (p.a.)	Transaction costs (p.a.)**	Total Cost (p.a.)
30:70 UK:Overseas Equity Fund	0.30%	0.01%	0.31%
Approaching Retirement Fund*	0.55%	0.09%	0.64%
At Retirement Fund*	0.54%	0.09%	0.63%
Corporate Bond Fund	0.25%	0.06%	0.31%
Diversified Growth Fund	0.82%	0.14%	0.96%
Early Growth Fund*	0.44%	0.04%	0.48%
Fixed-Interest Gilts Fund	0.28%	0.01%	0.29%
Growth Fund*	0.56%	0.08%	0.64%
Index-Linked Gilts Funds	0.28%	0.08%	0.36%
Islamic Global Equity Fund	0.45%	-0.07%	0.38%
Liquidity Fund	0.31%	-0.01%	0.30%
Responsible Global Equity Fund	0.40%	0.01%	0.41%
UK Equity Fund	0.28%	0.02%	0.30%
World ex UK Equity Fund	0.26%	0.01%	0.27%

* Fund used in default strategy

**In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Charges in relation to AVCs

5.3. The following table provides details of the charges and transaction costs, as at 30 June 2022 unless otherwise noted, for each of the investment options provided through the AVC arrangements over the Plan year (data sourced from the respective providers):

Investment option	TER (p.a.)	Transaction costs (p.a.)	Total costs (p.a.)
Aviva			
Aviva With-Profits	0.59%	0.01%	0.60%
Aviva Managed Fund	1.02%	0.07%	1.09%
Prudential			
Deposit Fund ¹	n/a	n/a	n/a
With-Profits Cash Accumulation Fund ²	1.00%	0.20%	1.20%
Utmost			
US Equity	0.75%	0.50%	1.25%
Asia Pacific Equity	0.75%	0.16%	0.91%

Investment option	TER (p.a.)	Transaction costs (p.a.)	Total costs (p.a.)
European Equity	0.75%	0.11%	0.86%
UK Government Bond	0.50%	0.30%	0.80%
Global Equity	0.75%	0.09%	0.84%
Managed Pension	0.75%	0.20%	0.95%
Money Market	0.50%	0.01%	0.51%
UK Equity (formerly the Pelican Fund)	0.75%	0.28%	1.03%
Property	1.00%	0.76%	1.76%
UK FTSE All Share Tracker	0.50%	0.05%	0.55%
Multi-Asset Moderate Pension	0.75%	0.24%	0.99%
Multi-Asset Cautious Pension	0.75%	0.29%	1.04%
Zurich⁴ (as at 30/06/23)			
American 2 EP	0.93%	0.47%	1.40%
Aquila UK Equity Index EP	0.67%	0.00%	0.67%
Equity Managed 2 EP	0.87%	0.57%	1.44%
European 2 EP	0.90%	2.05%	2.95%
UK Equity 2 EP	0.88%	0.20%	1.08%
UK Opportunities 2 EP	0.89%	0.08%	0.97%
Managed 2 EP	0.89%	0.35%	1.24%
Secure 2 EP	0.50%	0.00%	0.50%
Long Dated Gilt 2 EP	0.52%	0.12%	0.64%
Property 2 EP	0.98%	0.23%	1.21%
UK Preference and Fixed Interest 2 EP	0.50%	0.14%	0.64%
Japan 2 EP	0.90%	0.28%	1.18%
Asia 2 EP	0.92%	0.67%	1.59%
Global Select 2 EP	0.87%	0.29%	1.16%
With-Profits EP	0.99%	0.06%	1.05%

¹ Interest is declared monthly and there are no explicit charges. The capital held in this fund will not decrease. This Fund is closed to new members.

² Charges on the with-profits fund depend on the performance and in particular the investment return achieved and expenses incurred. Over time, if investment returns are higher, then the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower. The detail above has been provided by Prudential for the period. Transaction costs are for the year as at 31 March 2023.

Impact of costs and charges

- 5.4. To demonstrate the impact of the costs and charges applied through the Plan, in this year's Chair's Statement we have produced, with assistance from Fidelity, illustrations in line with guidance from the Department for Work & Pensions, updated in October 2022, entitled "Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes – effective from 21 October 2022". These illustrations are set out below as at 30 June 2023, and are designed to cater for representative cross-sections of the membership of the Plan.
- 5.5. For each individual illustration, the savings pot has been projected twice; first to allow for the assumed investment return gross of the costs and charges of the fund, and again adjusted for the cumulative effect of the costs and charges of the fund as outlined above.
- 5.6. To determine the parameters used in these illustrations, Fidelity has analysed the membership of those invested in the Plan and ensured that the illustrations take the following into account:
 - 5.6.1. A representative range of pot sizes;
 - 5.6.2. A representative range of costs and charges, including the lowest and the highest;
 - 5.6.3. Representative periods of Plan membership, covering the approximate duration that a typical member would take to reach target retirement age.
- 5.7. As the Plan remains open to contributions and includes a number of deferred members, we have included illustrations both with and without future contributions included.

The Default – Flexible Income Option

- 5.8. The Flexible Income Option has been selected as it is the current default strategy for the Plan and is also the most popular investment option by number of members invested. The illustrations below assume that the member is wholly invested in this strategy throughout their period of membership.
- 5.9. As a lifestyle strategy, the change to the asset allocation over the term of membership will have an impact upon the assumed rate of return as well as the costs and charges applied to members and, as such there will not be a consistent level of charges applied across the entire glide path. To reflect these differences, we have included several illustrations below with different starting ages considering the period from the Target Retirement Age (TRA).

Effect for a member 50 years prior to TRA

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,010	£5,990	£45,900	£45,700	£39,900	£39,700
3	£18,400	£18,300	£60,400	£59,600	£41,900	£41,300
5	£31,500	£31,100	£75,500	£74,100	£43,900	£42,900
10	£67,100	£65,400	£116,000	£112,000	£49,600	£47,200
20	£152,000	£144,000	£215,000	£202,000	£63,100	£57,300
30	£261,000	£241,000	£341,000	£310,000	£80,300	£69,400
40	£399,000	£356,000	£501,000	£440,000	£102,000	£83,900
50	£575,000	£490,000	£705,000	£590,000	£130,000	£100,000
	Reduction in yield: 0.6%		Reduction in yield: 0.6%		Reduction in yield: 0.5%	

Note on how to read this table: If an active member who was 50 years from TRA has £39,000 invested in this strategy on 30 June 2023 and had initial monthly contributions of £500 paid in, then in 10 years' time, the fund could be worth £116,000 if no charges are applied but £112,000 with charges applied.

Effect for a member 20 years prior to TRA

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,010	£5,990	£45,900	£45,700	£39,900	£39,700
3	£18,400	£18,300	£60,400	£59,600	£41,900	£41,300
5	£31,500	£31,100	£75,500	£74,100	£43,900	£42,900
10	£67,100	£65,200	£116,000	£112,000	£49,600	£47,100
20	£152,000	£142,000	£215,000	£199,000	£63,100	£56,200
	Reduction in yield: 0.6%		Reduction in yield: 0.6%		Reduction in yield: 0.6%	

Note on how to read this table: If an active member who was 20 years from TRA has £39,000 invested in this strategy on 30 June 2023 and had initial monthly contributions of £500 paid in, then in 20 years' time, the fund could be worth £215,000 if no charges are applied but £199,000 with charges applied.

Effect for a member 5 years prior to TRA

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,010	£5,990	£45,900	£45,600	£39,900	£39,600
3	£18,400	£18,200	£60,400	£59,400	£41,900	£41,100
5	£31,500	£31,000	£75,500	£73,600	£43,900	£42,600
	Reduction in yield: 0.6%		Reduction in yield: 0.6%		Reduction in yield: 0.6%	

Note on how to read this table: If an active member who was 5 years from TRA has £39,000 invested in this strategy on 30 June 2023 and had initial monthly contributions of £500 paid in, then in 5 years' time, the fund could be worth £75,500 if no charges are applied but £73,600 with charges applied.

Diversified Growth Fund

The Diversified Growth Fund has been selected as it is the fund with the highest total costs and charges of those funds available through the Plan. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,010	£5,970	£45,900	£45,500	£39,900	£39,500
3	£18,400	£18,200	£60,400	£58,900	£41,900	£40,700
5	£31,500	£30,700	£75,500	£72,700	£43,900	£41,900
10	£67,100	£63,800	£116,000	£108,000	£49,600	£45,000
20	£152,000	£137,000	£215,000	£189,000	£63,100	£52,000
30	£261,000	£223,000	£341,000	£283,000	£80,300	£60,100
40	£399,000	£321,000	£501,000	£391,000	£102,000	£69,500
50	£575,000	£435,000	£705,000	£515,000	£130,000	£80,400
	Reduction in yield: 1.0%		Reduction in yield: 1.0%		Reduction in yield: 1.0%	

Note on how to read this table: If an active member has invested £39,000 in this fund on 30 June 2023 and had initial monthly contributions of £500 paid in, then, when they came to retire in 30 years, the fund could be worth £341,000 if no charges are applied but £283,000 with charges applied.

World ex UK Equity Fund

The World ex UK Equity Fund has been selected as it is the fund with the lowest costs and charges of those funds available through the Plan. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Fund value at end of year	Starting fund: £0 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £500pm		Starting fund: £39,000 Future contribution: £0pm	
	No costs	After all costs	No costs	After all costs	No costs	After all costs
1	£6,010	£6,000	£45,900	£45,800	£39,900	£39,800
3	£18,400	£18,400	£60,400	£59,900	£41,900	£41,500
5	£31,500	£31,300	£75,500	£74,700	£43,900	£43,400
10	£67,100	£66,200	£116,000	£114,000	£49,600	£48,300
20	£152,000	£148,000	£215,000	£208,000	£63,100	£59,800
30	£261,000	£249,000	£341,000	£324,000	£80,300	£74,200
40	£399,000	£376,000	£501,000	£467,000	£102,000	£91,900
50	£575,000	£532,000	£705,000	£646,000	£130,000	£113,000
	Reduction in yield: 0.3%		Reduction in yield: 0.3%		Reduction in yield: 0.3%	

Note on how to read this table: If an active member has invested £39,000 in this fund on 30 June 2023 and had initial monthly contributions of £500 paid in, then, when they came to retire in 30 years, the fund could be worth £341,000 if no charges are applied but £324,000 with charges applied.

5.10. These illustrations were provided by Fidelity and the following assumptions were used in their preparation:

- 5.10.1. Projected pension fund values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- 5.10.2. Inflation is assumed to be 2.5% each year.
- 5.10.3. The projected growth rates, gross of costs and charges, for each investment option are as follows:

Investment Option	Projected Growth Rate (margin above inflation)
Flexible Income Option	2.44%
Diversified Growth Fund	2.44%
World ex UK Equity Fund	2.44%

- 5.10.4. For the Flexible Income Option, the projections take into account the changing proportion invested in the different underlying funds over time and the growth rates are a blend of those for the underlying funds.
- 5.10.5. Any data used in the illustrations is that held as at 30 June 2023.
- 5.10.6. Where ongoing contributions are assumed, these increase in line with inflation each year.
- 5.10.7. The starting fund value used is representative of the average for the Plan based on all members having holdings in the Plan (subject to a minimum of £1,000).
- 5.10.8. The future contribution used is representative of the average for the Plan based on the number of members currently contributing into the Plan (subject to a minimum of £100).
- 5.10.9. The projections assume that no withdrawals are made prior to the Plan's normal retirement age.
- 5.10.10. The values shown are estimates and are not guaranteed.
- 5.10.11. The reduction in yield noted is the annual reduction in return due to the impact of all the charges over the period.

- 5.11. The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations, however, given the transfer to Fidelity took place in 2021 the illustrations are based on the transaction cost history as available.
- 5.12. Fidelity has created a website to provide further information in relation to the impact of cost and charges and it can be found at: <https://retirement.fidelity.co.uk/costs-and-charges/park>. This will be updated by Fidelity on a quarterly basis.

6. Net investment returns

- 6.1. We are required to disclose returns, net of charges and transaction costs, for the default investment arrangement and for each fund that members are able, or were previously able, to select and in which members' assets were invested during the Plan year. When preparing this section of the statement we have taken account of the relevant statutory guidance.
- 6.2. The statutory guidance recommends that trustees disclose net investment returns covering at least a 5 year period. As the funds available to members were only launched in October/November 2020, we cannot provide longer-term performance figures. Accordingly, we have shown below the net returns for the 12 months to 30 June 2023 and since the respective launch dates of the funds.
- 6.3. For the default investment arrangement, the underlying funds used and therefore the net returns change over time. Net returns are shown over various periods to the end of the Plan year for a member aged 25, 45 and 55 at the start of the period and assuming a retirement age of 65.

Default investment arrangement – Flexible Income Option

Age of member at start of period	Year to 30 June 2023
25	8.3%
45	8.3%
55	4.9%

Self-select funds (for the period to 30 June 2023)

Investment fund	1 year (%)	Annualised since launch (% p.a.)	Launch date
30:70 UK: Overseas Equity Fund	11.8%	11.2%	21/10/20
Approaching Retirement Fund*	0.2%	-1.8%	21/10/20
At Retirement Fund*	-1.9%	-2.5%	21/10/20
Corporate Bond Fund	-7.1%	-7.7%	21/10/20
Diversified Growth Fund	-1.7%	-1.3%	21/10/20
Early Growth Fund*	8.3%	2.8%	21/10/20
Fixed-Interest Gilts Fund	-24.7%	-22.1%	18/11/20
Growth Fund*	4.9%	1.4%	21/10/20
Index-Linked Gilts Funds	-17.9%	-17.0%	18/11/20
Islamic Global Equity Fund	14.4%	12.1%	21/10/20
Liquidity Fund	2.6%	0.9%	21/10/20
Responsible Global Equity Fund	12.3%	13.8%	21/10/20

Investment fund	1 year (%)	Annualised since launch (% p.a.)	Launch date
UK Equity Fund	7.4%	13.5%	18/11/20
World ex UK Equity Fund	13.2%	11.8%	21/10/20
*fund used within default strategy		Source: Fidelity International	

AVC Funds (for the period to 30 June 2023 unless stated)

Investment fund	1 year (%)	3 years annualised (% p.a.)	5 years annualised (% p.a.)
Aviva			
Aviva With-Profits	5.80%	not provided	8.83%
Aviva Managed Fund	-4.44%	not provided	1.46%
Prudential			
Deposit Fund	2.96%	1.13%	0.93%
With-Profits Cash Accumulation Fund ¹	4.50%	6.90%	4.90%
Utmost			
US Equity	10.97%	12.66%	11.36%
Asia Pacific Equity	-3.84%	2.61%	2.53%
European Equity	20.13%	8.40%	5.97%
UK Government Bond	-14.05%	-12.03%	-4.50%
Global Equity	13.43%	11.45%	9.03%
Managed Pension	3.23%	5.33%	2.57%
Money Market	2.68%	0.68%	0.51%
UK Equity	6.08%	9.23%	1.99%
Property	-13.82%	-0.77%	-3.36%
UK FTSE All Share Tracker	7.22%	9.24%	2.75%
Multi-Asset Moderate Pension	2.47%	4.37%	-
Multi-Asset Cautious Pension	-2.71%	-1.12%	-
Zurich			
American 2 EP	9.0%	not provided	11.5%
Aquila UK Equity Index EP	4.1%	not provided	N/A
Equity Managed 2 EP	10.5%	not provided	5.3%
European 2 EP	23.1%	not provided	8.6%
UK Equity EP	10.8%	not provided	1.9%
UK Opportunities 2 EP	7.9%	not provided	1.7%

Managed 2 EP	2.6%	not provided	3.6%
Secure 2 EP	2.5%	not provided	0.6%
Long Dated Gilt 2 EP	-25.3%	not provided	-8.6%
Property 2 EP	-14.9%	not provided	3.5%
UK Preference and Fixed Interest 2 EP	-13.9%	not provided	-4.2%
Japan 2 EP	19.6%	not provided	6.0%
Asia 2 EP	-9.1%	not provided	1.4%
Global Select 2 EP	12.4%	not provided	8.4%
With-Profits EP	-4.1%	not provided	-0.6%

¹ This reflects the bonus applied to the policy on the basis of an individual investing on 6 April 1, 3 or 5 years ago and realising their investment on or after 6 April 2022 to secure benefits at normal retirement age.

7. Value for members

- 7.1. We are required to assess annually the extent to which the charges and transaction costs borne by members represent good value. There is no legal definition of “good value” which means that determining this is subjective.
- 7.2. Analysis was undertaken by the Trustee’s professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated November 2023. We considered the report and confirmed its value for members assessment, at a meeting on 5 December 2023.
- 7.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the charges relative to other options available in the market.
- 7.4. Other services paid for by Parker Hannifin Manufacturing Limited, the “Company”, were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the Trustee Board, with a duty to act in the best interest of members.
- 7.5. Overall, we believe the Plan offers very good value for members.

Our Assessment

- 7.6. Given the relative size of the AVC arrangements the assessment was focused on the DC Section and the member-borne charges and transaction costs which relate to:
 - 7.6.1. investment services
 - 7.6.2. administration services
 - 7.6.3. communication services
- 7.7. The assessment considered each of the above areas in absolute terms as well as the charges relative to the market. The ratings range from poor, reasonable, good, very good, excellent.
 - 7.7.1. Charges – Reasonable – the average charges in the market largely reflect arrangements where the majority of the investments are off-the-shelf, passively managed. Considering the nature of the investments within the Plan our advisers have confirmed that the Plan charges are currently reasonable, although we will continue to hold regular fee negotiations with Fidelity:

- 7.7.2. Administration – Excellent – the performance against service levels seen from Fidelity during the Plan year have been outstanding, with all core financial transactions being processed accurately and timely. We receive regular updates from Fidelity which includes all feedback from member interactions as well as receiving regular updates regarding developments in the administration platform.
- 7.7.3. Investments – Excellent - we believe that the default lifestyle strategy targeting drawdown at retirement, as well as the wider self-select fund range, is still fit for purpose for the membership. We have in place clear monitoring procedures and seek advice from specialist investment advisers. During the Plan year we have undertaken a substantial amount of preparatory work for the upcoming formal investment strategy review which has considered the member demographics as well as understanding how members are taking their benefits from the Plan.
- 7.7.4. Communications – Excellent – the on-line functionality from Fidelity with PlanViewer for members supports us in engaging with members, providing access to both member specific, Plan specific and wider market information and guidance. We have a programme of communications in place with materials provided from Fidelity and wider communications supported by the Company which has included targeted email communications and face-to-face member presentations.
- 7.8. The AVC arrangements for the DB section were considered proportionately within the wider assessment. It was recognised that the charges are generally relatively high although this is typical considering the relatively small funds held in each policy. Whilst there is limited platform functionality from the AVC providers for the members, it is recognised that the DB section administrator does provide the main point of contact in respect of those benefits. Considering these points the overall assessment for the AVC arrangements is that they provide reasonable value.
- 7.9. We also recognise that value is added for members with the oversight of the Trustee Board, in respect of governance and ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan.
- 7.10. Overall, we have concluded that the DC Section offers very good value in relation to the charges and transaction costs borne by members.

8. Trustee knowledge and understanding

The Trustee Board

- 8.1. The Trustee Board comprises nine trustee directors, three of whom are nominated by the members and five of whom are appointed by the Company. There was one change to the Board during the Plan year.

Trustee knowledge and understanding requirements

- 8.2. We are required to be conversant with the Plan's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and the investment of the Plan's assets.

Approach

- 8.3. We aim to remain conversant with the Plan's trust deed and rules as well as all other Plan documents such as the SIP, the risk register and current policies, e.g. conflicts of interest. We do so through regular reference to the documents during the Plan year, our historic experience in governing the Plan, and through access to professional advice which references the documents concerned.
- 8.4. We aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of plan assets through a combination of training and taking professional advice.
- 8.5. There is a training programme in place that includes identifying knowledge gaps with an annual evaluation of training needs in relation to emerging legislation, Plan changes and upcoming matters in the Plan's business plan. The training programme also includes completion of the Pensions Regulator's trustee toolkit, which we have all completed. Individually we maintain training logs in relation to training undertaken and this is considered at each Trustee meeting.

- 8.6. The in-meeting training is supplemented with training activities such as attending seminars and conferences, and reading pensions-related articles.
- 8.7. An induction process is in place for newly appointed trustee directors, which includes an expectation to complete the Pension and Lifetime Savings Association course “Introduction to Trusteeship” part 1 and part 2 within 6 months of appointment as well as the Pension Regulator’s Trustee Toolkit.
- 8.8. We consult with professional advisers as and when required, for example on consultancy, investment, and legal matters. The professional advisers are engaged to pro-actively alert us on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan’s documents, attending Trustee meetings and often in the delivery of training at these meetings.

Activities over the Plan year

- 8.9. We reviewed the following Plan documents:
 - 8.9.1. the Statement of Investment Principles;
 - 8.9.2. the risk register;
 - 8.9.3. the business plan;
 - 8.9.4. the conflicts of interest policy; and
 - 8.9.5. the annual report and accounts.
- 8.10. We received training at Trustee meetings over the Plan year from the investment consultants and legal advisers on the following topics:
 - 8.10.1. The consolidated code of practice and new requirements this will introduce including Effective Systems of Governance and Own Risk Assessments
 - 8.10.2. Data security
 - 8.10.3. The Pensions Dashboard
 - 8.10.4. Investment beliefs
 - 8.10.5. The impact on investment markets of UK Government announcements regarding tax cuts and Bank of England announcements regarding interest rates
 - 8.10.6. Retirement options and supporting members into retirement
 - 8.10.7. Spring Budget 2023 and the impact on individual pension tax charges
 - 8.10.8. Legal and market updates
- 8.11. On an individual basis we also attended training webinars which included wider topics such as Mastertrusts and DC investing.
- 8.12. One new trustee director was appointed during the Plan year, and the induction process was followed.
- 8.13. During the Plan year, we took professional advice on:
 - 8.13.1. undertaking the annual value for members assessment
 - 8.13.2. disclosure of costs, charges and investments
 - 8.13.3. member communications with regard to the investment market volatility in the latter half of 2022

Assessment

- 8.14. As a Trustee Board we feel:
 - 8.14.1. We are able to challenge and question advisers, service providers and other parties effectively
 - 8.14.2. Any decisions are made in accordance with the Plan rules and in line with trust law duties

8.14.3. Our decisions are not compromised by such things as conflicts or hospitality arrangements

8.15. Considering our knowledge and experience and the specialist advice received from our appointed advisers (e.g. investment consultants, legal adviser), we believe that we are well placed to exercise our functions as Trustee Directors of the Plan properly and effectively.

Derek Turnbull MBE
Chairman of the Trustee
2nd January 2024