

UPS Pension Trustee Limited

Chair's annual statement regarding defined contribution benefits held in the University of Warwick Pension Scheme ("the Scheme")

1. Introduction

- 1.1. This statement has been prepared by UPS Pension Trustee Limited ("the Trustee"), the Trustee of the University of Warwick Pension Scheme ("the Scheme"), and reports upon how the Trustee has complied 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: <https://warwick.ac.uk/pensions/ups>

2. The Scheme's DC arrangements

- 2.1. Over the reporting period, the Scheme'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. This is a bundled arrangement with administration and investment management services provided by Scottish Widows.
 - 2.1.2. A separate AVC arrangement provided by Prudential which holds benefits for DB Section 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 Zurich Passive Interim Lifestyle Strategy. This was implemented in January 2017 and its design took account of the 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 Zurich Passive Interim Lifestyle Strategy are as follows:
 - 3.2.1. It is structured as a lifestyle investment strategy which invests across a series of different multi-asset investment funds depending upon each member's term to their Normal Retirement Age (NRA). The multi-asset funds are designed to provide exposure to different degrees of investment risk.
 - 3.2.2. When a member is more than 42 years from NRA, the Zurich Passive Interim Lifestyle Strategy will invest wholly in the Multi-Asset V Fund.
 - 3.2.3. From 42 years up to 7 years before each members NRA, the Zurich Passive Interim Lifestyle Strategy looks to reduce the level of investment risk by automatically and gradually switching out of the Multi-Asset V Fund. It initially switches into the Multi-Asset IV Fund, followed by the Multi-Asset III Fund and then the Multi-Asset II Fund. At 7 years from NRA it will invest wholly in the Multi-Asset II Fund.

3.2.4. Over the final 7 years to NRA, the Zurich Passive Interim Lifestyle Strategy will gradually switch a proportion of each member's investments into the Annuity Purchase Fund and the Money Market Fund. At NRA it will target a portfolio that invests 35% in the Multi-Asset II Fund, 40% in the Annuity Purchase Fund and 25% in the Money Market Fund.

Aims and objectives of the default investment arrangement

- 3.3. The Zurich Passive Interim Lifestyle Strategy aims to grow the value of a member's benefits over the longer term whilst providing less volatility (but a potentially lower return) than investing solely in a portfolio of global equities. The value of these funds can go down as well as up.
- 3.4. The Zurich Passive Interim Lifestyle Strategy is designed to limit the extent to which members' benefits are exposed to large fluctuations in value in the approach to NRA. The portfolio at NRA has been designed to provide flexibility at retirement by being broadly appropriate regardless of how each member takes their retirement income (e.g. cash, annuity purchase or drawdown).

Alternative investment options

- 3.5. Alongside the Zurich Passive Interim Lifestyle Strategy, the Trustee has made available three additional investment strategies that target Annuity Purchase, Drawdown and Cash at NRA. These all use the same portfolio for growth as the Zurich Passive Interim Lifestyle Strategy and it is only in the final 7 years where the investment portfolio varies.
- 3.6. The Trustee also provides access to a range of four DC Section specific investment funds for members to self-select; the UPS Balanced Growth Fund, the UPS Equity Growth Fund, the UPS Money Market Fund and the UPS Pre-Retirement Fund.

Review of the default investment arrangement

- 3.7. The Trustee, together with its professional advisers, monitors the investment options accessed through the DC Section on a quarterly basis. This monitoring looks at the performance of the funds, to ensure that they are consistent with the stated aims and objectives, as well as any developments or changes at the fund manager. The Trustee is happy that the Zurich Passive Interim Lifestyle Strategy has performed in line with its stated aims and objectives over the reporting period.
- 3.8. 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 2016. As part of this review, the Trustee considered the membership profile of the DC Section and membership analysis to ascertain the potential needs of members at retirement.
- 3.9. As a result of this review, the Trustee implemented the Zurich Passive Interim Lifestyle Strategy and alternative de-risking options described above.
- 3.10. 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 2019.

Further information on investments

- 3.11. Information on the range of investment options provided through the DC Section is available in the Statement of Investment Principles (SIP) which was last reviewed in November 2018. A further update to the SIP is currently underway to take account of the Trustee's view on the financial materiality of Environmental, Social and Governance (ESG) factors and this will be published online by 30 September

2019. 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.

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, Scottish Widows as a provider of DC administration and investment services to the Scheme. The scope of these administration functions are recorded in detail in the DC Section’s Services Agreement. Previously Scottish Widows would have been referred to as Zurich. This change reflects Scottish Widows’ acquisition of Zurich. The formal transfer of business took effect from 1 July 2019 and there have been no changes to the platform on which the DC Section is run as a direct result of this.
- 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 the University’s “in-house” pension’s team who scrutinise the performance of all service providers to the DC Section. The Pensions Manager reports back to the Trustee on anecdotal experience as part of the quarterly Trustee meetings and any immediate concerns are escalated to the Trustee as appropriate.
- 4.5. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Scottish Widows. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Scottish Widows in respect of the DC Section. Scottish Widows separates its SLA’s across the following areas. Core financial transactions are included under ‘Time Critical’ processes, as follows:

| SLA area | Target |
|-------------------------|--------|
| Time Critical Processes | 100% |
| Manual Administration | 95% |
| Call Handling | 97% |

- 4.6. The agreed SLAs for each of the individual 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 the DC Section | Act on instruction by end of the following Business Day |
| Transfer out of the DC Section | Act on instruction within 2 Business Days |

| Core financial transaction | SLA |
|----------------------------|---|
| Investment switches | Act on instruction by end of the following Business Day |
| Payments out of the Plan | Act on instruction within 2 Business Days |

- 4.7. Scottish Widows provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. The Trustee considers these reports in detail as a regular item at its quarterly meetings.
- 4.8. Over the reporting period, Scottish Widows completed an average of 93.75% of its Time Critical processes within the target SLA's.
- 4.9. As part of its ongoing consideration of service standards, the Trustee noted that the SLAs achieved by Scottish Widows over the reporting period for its Time Critical processes had fallen below the target of 100%. This related to a handful of tasks undertaken in Q1 2019 that were completed outside of the target SLA. The Trustee asked Scottish Widows to undertake a full review of these delays to ensure that no members had suffered financial detriment as a result. Scottish Widows reported back to the Trustee with its findings and confirmed that the affected members had not been disadvantaged. In addition, Scottish Widows confirmed that it had completed root-cause analysis to ensure that such delays are not encountered in the future. The Trustee was satisfied that the action taken by Scottish Widows had adequately addressed its concerns.
- 4.10. Administration is captured as part of the Scheme'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 Scheme's annual report and accounts and periodic auditing of the Scheme's membership data. In addition, the administrator's processes are subject to internal controls procedures.
- 4.12. There were no significant issues reported to or identified by the Trustee in connection with either the promptness or accuracy of core financial transactions processed during the period covered by this statement. As is mentioned above, there has been some underperformance against SLAs, and this has been addressed. The Trustee will continue to monitor this.

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 to Barnett Waddingham.
- 4.14. Barnett Waddingham 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.

Investment transition costs over the reporting period

- 4.15. There were no investment transitions completed over the reporting period.

Trustee's view of core financial transactions

4.16. 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 Scheme'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), the Investment Management Charge (IMC) as well as any explicit Additional Expenses (AE) 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 following table provides details of the explicit and implicit costs applied to each of the investment options provided through the DC Section over the reporting period. This data has been sourced from Scottish Widows:

| Investment option | Zurich Fund Charge (ZFC) | Annual Management Charge (AMC) | Total Expense Ratio (TER) | Transaction Costs* |
|-------------------------------------|--------------------------|--------------------------------|---------------------------|--------------------|
| Zurich Passive Multi-Asset V CS1 | 0.410% | 0.094% | 0.504% | -0.019% |
| Zurich Passive Multi-Asset IV CS1 | 0.410% | 0.095% | 0.505% | -0.022% |
| Zurich Passive Multi-Asset III CS1 | 0.420% | 0.097% | 0.517% | -0.022% |
| Zurich Passive Multi-Asset II CS1 | 0.420% | 0.095% | 0.515% | -0.024% |
| Zurich Passive Multi-Asset I CS1 | 0.410% | 0.093% | 0.503% | -0.026% |
| Zurich Passive Annuity Purchase CS1 | 0.410% | 0.085% | 0.495% | -0.027% |
| Zurich Money Market CS1 | 0.440% | 0.156% | 0.596% | 0.004% |
| UPS Balanced Growth | 0.410% | 0.084% | 0.494% | -0.020% |
| UPS Equity Growth | 0.410% | 0.086% | 0.496% | -0.019% |
| UPS Money Market | 0.360% | 0.140% | 0.500% | 0.016% |
| UPS Pre-Retirement | 0.410% | 0.105% | 0.515% | -0.147% |

*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 the price of the asset being traded down, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

AVC arrangement costs and charges – Prudential

- 5.3. Plan members that hold AVC benefits with Prudential are invested in the Prudential With Profits Fund. Details of the charges and transaction costs quoted by Prudential for the With Profits Fund 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 |

[1] The Trustee's advisers have requested transaction cost information from Prudential, but Prudential has confirmed it is not able to provide transaction cost information over the reporting period 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 it 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 working with its advisers will continue to exert pressure on Prudential to ensure this information can be included in future years.

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 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 Scheme's DC Section.
- 6.2. 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.
- 6.3. To determine the parameters used in these illustrations, the Trustee, with support from the DC Section provider, Scottish Widows, has analysed the membership of the DC Section and ensured that the illustrations take into account the following:

- 6.3.1. A representative range of pot sizes.
 - 6.3.2. A representative range of real terms investment returns (gross of costs and charges), including the lowest, the highest and the most popular (by number of members).
 - 6.3.3. A representative range of costs and charges, including the lowest and the highest.
 - 6.3.4. A representative period of membership, covering the approximate duration that the youngest member would take to reach target investment age.
- 6.4. The Trustee has included future contributions in these illustrations as the DC Section remains open to contributions. For those members who are no longer active, the Trustee has also produced illustrations that assume no future contributions will be paid.

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. Inflation is assumed to be 2.5%.
2. The retirement age is assumed to be age 65
3. The starting pot size is assumed to be £2,000
4. Contributions are assumed to be £100 per month for active members with no contributions from deferred members
5. Values shown are estimates and not guaranteed.
6. The charges used are those shown earlier in this Chair's Statement
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 (SMPIs), as follows:

Default investment arrangement

| Years to retirement | Projected Growth Rate (Average) |
|---------------------|---------------------------------|
| 1 | 0.70% |
| 3 | 0.40% |
| 5 | 0.10% |
| 10 | 0.50% |
| 15 | 0.80% |
| 20 | 1.00% |
| 25 | 1.20% |
| 30 | 1.40% |
| 35 | 1.50% |
| 40 | 1.60% |

UPS Self Select Funds

| | Years to retirement | Projected Growth Rate (Average) |
|--|---------------------|---------------------------------|
| | UPS Equity Growth | 3.1% above inflation |
| | UPS Balanced Growth | 2.2% above inflation |
| | UPS Pre-Retirement | 0.8% below inflation |
| | UPS Money Market | 2.0% below inflation |

Default Lifestyle Strategy – Active members

This has been selected as it is the most popular investment option selected through the DC Section. The illustrations show the impact of cost and charges for an active member investing in the strategy to age 65 starting at different ages. The illustrations assume a £100 per month contribution.

| Years | Age Now 25 | | Age Now 35 | | Age Now 45 | | Age Now 55 | | Age Now 60 | |
|-------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 3,250 | 3,230 | 3,240 | 3,220 | 3,230 | 3,220 | 3,210 | 3,200 | 3,190 | 3,180 |
| 3 | 5,840 | 5,780 | 5,800 | 5,740 | 5,770 | 5,710 | 5,690 | 5,630 | 5,580 | 5,520 |
| 5 | 8,530 | 8,390 | 8,480 | 8,340 | 8,370 | 8,230 | 8,190 | 8,050 | 7,870 | 7,750 |
| 10 | 15,700 | 15,200 | 15,700 | 15,200 | 15,000 | 14,500 | 14,000 | 13,600 | - | - |
| 15 | 23,800 | 22,800 | 23,400 | 22,300 | 21,900 | 21,000 | - | - | - | - |
| 20 | 32,800 | 30,900 | 31,000 | 29,200 | 27,800 | 26,200 | - | - | - | - |
| 25 | 42,200 | 39,100 | 38,900 | 36,100 | - | - | - | - | - | - |
| 30 | 51,100 | 46,600 | 44,800 | 41,000 | - | - | - | - | - | - |
| 35 | 60,100 | 54,100 | - | - | - | - | - | - | - | - |
| 40 | 66,000 | 58,400 | - | - | - | - | - | - | - | - |

Note on how to read this table: If an Active member aged 25 had £2,000 invested in this strategy, when they came to retire in 40 years, the fund could grow to £66,000 if no charges are applied but to £58,400 with charges applied.

Default Lifestyle Strategy – Deferred members

This has been selected as it is the most popular investment option selected through the DC Section. The illustrations show the impact of cost and charges for a deferred member investing in the strategy to age 65 starting at different ages. The illustrations assume that no further contributions are made.

| Years | Age Now 25 | | Age Now 35 | | Age Now 45 | | Age Now 55 | | Age Now 60 | |
|-------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 2,050 | 2,040 | 2,040 | 2,030 | 2,040 | 2,030 | 2,020 | 2,010 | 2,010 | 2,000 |
| 3 | 2,150 | 2,120 | 2,130 | 2,100 | 2,120 | 2,080 | 2,070 | 2,040 | 2,010 | 1,980 |
| 5 | 2,250 | 2,200 | 2,230 | 2,170 | 2,190 | 2,130 | 2,110 | 2,060 | 1,990 | 1,940 |
| 10 | 2,520 | 2,390 | 2,480 | 2,360 | 2,330 | 2,210 | 2,110 | 2,000 | - | - |
| 15 | 2,810 | 2,600 | 2,730 | 2,520 | 2,470 | 2,280 | - | - | - | - |
| 20 | 3,130 | 2,820 | 2,910 | 2,620 | 2,470 | 2,220 | - | - | - | - |
| 25 | 3,440 | 3,020 | 3,080 | 2,700 | - | - | - | - | - | - |
| 30 | 3,670 | 3,130 | 3,070 | 2,620 | - | - | - | - | - | - |
| 35 | 3,880 | 3,230 | - | - | - | - | - | - | - | - |
| 40 | 3,880 | 3,140 | - | - | - | - | - | - | - | - |

Note on how to read this table: If a Deferred member aged 25 had £2,000 invested in this strategy, when they came to retire in 40 years, the fund could grow to £3,880 if no charges are applied but to £3,140 with charges applied.

Self-select funds – Active members

The illustrations shown below are for a representative selection of the funds members may invest in through the DC Section. They were selected to reflect the range of projected returns and charges. The illustrations assume a £100 per month contribution.

| Years | UPS Equity Growth | | UPS Balanced Growth | | UPS Pre-Retirement | | UPS Money Market | |
|-------|-------------------|------------------------------------|---------------------|------------------------------------|--------------------|------------------------------------|------------------|------------------------------------|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 3,260 | 3,250 | 3,240 | 3,220 | 3,160 | 3,150 | 3,130 | 3,120 |
| 3 | 5,910 | 5,850 | 5,800 | 5,740 | 5,470 | 5,410 | 5,330 | 5,280 |
| 5 | 8,740 | 8,600 | 8,480 | 8,340 | 7,740 | 7,620 | 7,450 | 7,340 |
| 10 | 16,600 | 16,100 | 15,700 | 15,200 | 13,200 | 12,900 | 12,400 | 12,000 |
| 15 | 25,800 | 24,700 | 23,700 | 22,700 | 18,600 | 17,800 | 16,900 | 16,200 |
| 20 | 36,600 | 34,500 | 32,700 | 30,900 | 23,700 | 22,500 | 20,900 | 19,900 |
| 25 | 49,200 | 45,700 | 42,800 | 39,800 | 28,700 | 26,900 | 24,600 | 23,100 |
| 30 | 64,000 | 58,400 | 54,000 | 49,400 | 33,400 | 31,000 | 28,000 | 26,000 |
| 35 | 81,300 | 72,900 | 66,500 | 60,000 | 38,100 | 34,800 | 31,000 | 28,600 |
| 40 | 101,000 | 89,500 | 80,500 | 71,400 | 42,500 | 38,500 | 33,800 | 30,800 |

Note on how to read this table: If an Active member aged 25 had £2,000 invested in the UPS Equity Growth Fund, when they came to retire in 40 years, the fund could grow to £101,000 if no charges are applied but to £89,500 with charges applied.

Self-select funds – Deferred members

The illustrations shown below are for a representative selection of the funds members may invest in through the DC Section. They were selected to reflect the range of projected returns and charges. The illustrations assume that no further contributions are made.

| Years | UPS Equity Growth | | UPS Balanced Growth | | UPS Pre-Retirement | | UPS Money Market | |
|-------|-------------------|------------------------------------|---------------------|------------------------------------|--------------------|------------------------------------|------------------|------------------------------------|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 2,060 | 2,050 | 2,040 | 2,030 | 1,980 | 1,970 | 1,960 | 1,950 |
| 3 | 2,190 | 2,160 | 2,130 | 2,100 | 1,950 | 1,920 | 1,880 | 1,850 |
| 5 | 2,340 | 2,280 | 2,230 | 2,170 | 1,920 | 1,870 | 1,810 | 1,760 |
| 10 | 2,730 | 2,600 | 2,480 | 2,360 | 1,850 | 1,760 | 1,640 | 1,560 |
| 15 | 3,200 | 2,960 | 2,770 | 2,570 | 1,790 | 1,650 | 1,490 | 1,380 |
| 20 | 3,740 | 3,380 | 3,090 | 2,800 | 1,720 | 1,550 | 1,350 | 1,220 |
| 25 | 4,380 | 3,860 | 3,450 | 3,040 | 1,660 | 1,460 | 1,220 | 1,070 |
| 30 | 5,130 | 4,400 | 3,850 | 3,310 | 1,600 | 1,370 | 1,110 | 950 |
| 35 | 6,000 | 5,020 | 4,300 | 3,600 | 1,540 | 1,290 | 1,010 | 840 |
| 40 | 7,020 | 5,730 | 4,800 | 3,920 | 1,490 | 1,210 | 910 | 740 |

Note on how to read this table: If a Deferred member aged 25 had £2,000 invested in the UPS Equity Growth Fund, when they came to retire in 40 years, the fund could grow to £7,020 if no charges are applied but to £5,730 with charges applied.

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.
- 7.2. The annual value for members' assessment relating to the reporting of this Statement was undertaken by the Trustee's 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 considering 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.
- 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 5.2).

AVC benefits

- 7.7. As part of its independent assessment, Barnett Waddingham also reviewed the degree to which the AVC benefits invested with Prudential 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 Barnett Waddingham in the ongoing management of these benefits.

8. Trustee knowledge and understanding

- 8.1. In the reporting period the Trustee comprised six Trustee Directors, of whom one is the Chair. Two of the Trustees are member-nominated, and four are employer nominated, meeting statutory requirements for the composition of trustee boards.

Knowledge and expertise of the Trustee

- 8.2. 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.
- 8.3. A skills matrix is in place which identifies the expertise each Trustee Director brings to the Board and is used to identify any specific areas whether further training may be needed.
- 8.4. Trustee training is considered at Trustee meetings and the Trustee Directors are asked to provide feedback and suggest topics for future training sessions. External training is also sought on topics relevant to the Trustee Directors duties.

- 8.5. Over the reporting period, the Trustee has undertaken training and attended seminars which include, but are not limited to:
- 8.5.1. 7 June 2018 Trustee Meeting – the Trustee received an update from its DC advisers on DC hot topics, legislative developments and GDPR matters. They also presented advice on their assessment of value for members provided by the DC Section, as well as their assessment of the DC Section against the Pension Regulator’s DC Code and the Chair’s Statement.
 - 8.5.2. 28 June 2018 – a detailed DC training session was provided to the Trustees by its DC advisers covering key issues and developments in relation to DC pensions. This training is accredited by the Pensions Management Institute and covered amongst other things; legislative developments, general and investment governance, value for member and engagement with members.
 - 8.5.3. 7 September 2018 – the Trustee Directors discussed the future strategy of the DC Section through consideration of history of the wider Scheme and considering future strategy for the 31 March 2019 valuation. The Trustee Directors also considered DC hot topics.
 - 8.5.4. 29 March 2019 – the Trustee Directors were briefed on, and discussed, their board effectiveness review, for example conflicts of interest policy, risk register and skills matrix.
- 8.6. The Trustee Directors all undertake training in an individual capacity and keep updated training records that are monitored by the Pensions Manager.
- 8.7. 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 in of the relevant principles relating to the funding, investment of occupational schemes and the law relating to pensions and trusts.

Access to professional advice

- 8.8. 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 a proactive basis to relevant changes in pensions legislation.
- 8.9. The Trustee Directors are aware of their legal duties in relation to the DC Section’s trust deed and rules as well as other relevant Plan documentation, both through their overall experience in managing the DC Section as well as the Trustee’s review of such documentation over the reporting period. There have been no changes to the Scheme documents in the period covered by this statement, but a review of the Trust Deed and Rules has taken place and a update is due to be undertaken in the coming year.
- 8.9.1. The Trustee, alongside its professional advisers, commenced a review of the DC Section’s Statement of Investment Principles (SIP) to take account of ESG factors.
 - 8.9.2. The risk register is reviewed at least every 6 months (the last review was completed in June 2019) to ensure that all relevant risks have been identified.
 - 8.9.3. The member DC booklets have recently been updated and a review of pension material is diarised in the business plan each year.

Assessment

8.10. 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.

.....

James Hunt, for and on behalf of the Trustee of the University of Warwick Pension Scheme
Chair of the Trustee

.....

Date

Appendix 1 Statement of Investment Principles