The University of Warwick Pension Scheme

Questions & answers (Q&A) – on the proposed changes

This Q&A document supplements the Consultation Notice from the University of Warwick ("the University") dated 15 February 2024 regarding the proposed changes being considered to The University of Warwick Pension Scheme ("the Scheme"), Defined Contribution Sections of the Scheme ("the Current DC Section"). It provides further information regarding the University's proposals, all of which remain subject to the outcome of the consultation process.

The proposed changes

1. Why is the University reviewing its pension arrangements?

The University is committed to providing you with access to a competitive pension arrangement to help you build your pension savings, plan for your retirement and offer you excellent value for money.

The 'pensions world' has evolved quite significantly since the Current DC Section was introduced and new types of Defined Contribution (DC) pension arrangements have become more prominent and the range of services available to members has grown and improved.

In addition, there are increasing obligations on trustees of DC pension arrangements, such as the Current DC Section. The Pensions Regulator is encouraging consolidation of smaller schemes into larger pension schemes so members can benefit from innovation in communication and educational tools to help plan for the future and provide members with a wider choice of options at retirement for their pension savings.

The University has reviewed its existing pension arrangements, taken professional advice from its pension advisers, Barnett Waddingham, and consulted with UPS Pension Trustee Limited ("the Trustee"), the Trustee of the Current DC Section and the University's trade unions. The University believes the proposed changes achieve the Pensions Regulator's objectives.

2. Why are you consulting with me about the proposed changes?

It's a legal requirement to consult with employees affected by certain pension changes, in this case the proposed closure of the Current DC Section to new contributions. The formal consultation period will run for 60 days from 15 February 2024 up to 15 April 2024. You can provide feedback and ask questions about the proposed changes, by email to: mtconsultation@warwick.ac.uk by 15 April 2024.

The University will consider this feedback and may respond to you directly or update this Q&A document. Once the University has considered all comments received during the consultation period, you will be informed of the outcome of the consultation and whether the proposed changes will go ahead. This information will be relayed by email and updates to the University's pension pages.

3. Why is the University proposing to move to a Master Trust?

The University in conjunction with the Trustee, undertook a comprehensive review of the market to ensure that they were able to propose a Master Trust that has competitive charges and was the most appropriate solution for the University's workplace pension scheme.

The review was undertaken by the University with assistance of professional advice from Barnett Waddingham. The objectives of the University are to provide you with an arrangement for your pension savings that makes the most of flexibility in retirement choices, integrates new investment philosophies, and the latest ideas in communication and new technology.

The University engaged with a number of potential pension providers – through a tender exercise– to help understand what was available and decide which provider would fit best with its requirements. The providers highlighted their proposition and how they would work with members and the University. This process demonstrated key improvements which would be available and provided confidence in the continued future developments of these propositions which will benefit you.

Following a robust and extensive process, the decision was made to consult with the employees on the proposal to cease contributions to the Current DC Section and direct all future contributions to a Master Trust and appoint Standard Life to deliver it (further information regarding our decision to appoint Standard Life is detailed in Q14).

The Standard Life Master Trust (the Master Trust) is used by c60 employers and with assets of circa £4.95bn and some 189,000 members.

The University intend to use the Master Trust to meet their legal auto-enrolment duties.

4. What is a Master Trust?

A Master Trust is a workplace pension scheme that can be used by unrelated employers, under which each employer has its own section.

Master Trusts offer advantages to employers and their members because their scale puts them in a strong position to negotiate better deals with their service providers in important areas such as investment and administration. Ultimately this will drive better value for members.

Some of the benefits typically provided by a Master Trust include:

- competitive charges;
- investment choice with integrated consideration for 'responsible investing';
- wide choice for accessing pension savings, including flexible withdrawals;
- well-developed member support, communications and online tools;
- robust trustee governance; and
- good future-proofing against changes in the pension environment.

5. Are the Current DC Section and the Master Trust similar?

Yes, both are DC pension arrangements. DC is the name commonly given to retirement provision where the benefits available at retirement depend on factors such as:

- contributions paid by members and the University;
- investment returns (minus charges);
- when pension savings are accessed; and
- the retirement options chosen.

However, there are a number of differences as follows:

	Current DC Section	Master Trust
Structure	Occupational scheme only for our employees and workers	Occupational scheme for multiple, separate employers each of which has their own section
Governance	Governed by the Trustee of the Scheme	Governed by the Trustees of the Standard Life Master Trust

6. If the proposals go ahead when will the changes happen?

The intention is to close the Current DC Section to all contributions on 30 April 2024, and to use the Master Trust from 1 May 2024.

7. I'm already paying into the Current DC Section, how will I join the Master Trust?

Should a decision be made to proceed, everyone who is paying into the Current DC Section at 30 April 2024 will be immediately enrolled into the Master Trust as at 1 May 2024. The process is automatic, and you won't need to do anything.

8. I'm not paying into the Current DC Section, will I be affected?

If you're not paying into the Current DC Section, the University will continue to consider you for auto-enrolment as set out under law and at least every three years as part of the University's statutory obligations. If you meet the eligibility criteria at the next re-enrolment date, you'll be auto-enrolled into the Master Trust and you'll then have the option to opt-out if you want. Even if you don't meet the eligibility criteria, or have previously opted out, you can apply to join (opt-in).

The Current DC Section

9. Will I be able to continue contributing to the Current DC Section?

No, all contributions made after 1 May 2024 would be paid to the Master Trust. If you participate in Pensions Salary Sacrifice your Member Contributions will continue to be paid by way of salary sacrifice.

10. What will happen to my pension savings in the Current DC Section?

The Trustee's and University's intention is for your accrued benefits to be transferred across to the Standard Life Master Trust as part of a bulk transfer exercise should the proposal go ahead.

The Trustee will continue to take advice on the suitability of transferring pension savings to the Master Trust and compliance with the relevant statutory requirements and will notify you of your options and the process ahead of the transfer. The expectation is that the transfer would proceed within 3 months of commencement of the Master Trust, probably in July - you would be provided with at least one month's advance notice of the transfer. Please note that if the transfer goes ahead, it will not be possible to keep your accrued DC fund invested in the Current DC Section.

11. How are my pension savings in the Current DC Section invested?

Where your retirement savings are currently invested will depend on whether you've made your own investment choice or not. The default investment strategy within the Current DC Section is known as the Balanced Targeting Flexible Access Strategy, which is provided by Scottish Widows. This means the default invests in growth funds in the early years and then gradually and automatically switches your retirement savings fifteen years from your Target Retirement Age (TRA) into lower risk, less volatile investments. The default is designed for members planning to access their pension savings flexibly in retirement (commonly known as income drawdown). There are additional lifestyle investment options and self-select funds available for those members who plan to access their retirement benefits in a different way or wish to make their own investment choices.

It's always a good idea to review your investment choices to ensure they're still suitable for your circumstances. The value of your investments may go down as well as up and is not guaranteed, so you could get back less than you invest. It's also important you understand that past performance is not a guide to future returns.

You can check your TRA under the Current DC Section by contacting Scottish Widows.

12. Will there be any impact to the life assurance or incapacity benefits under the Current DC Section?

Details of death-in-service benefit provision is set out in your consultation letter. Heritage members will have this provided through a separate, standalone arrangement rather than under the Current DC Section or the Master Trust.

In addition, and as before, the value of any untaken pension savings (presently under the Current DC Section and going forward the Master Trust) would also be payable on death.

If you are a Heritage member and leave service before your TRA through either Partial Incapacity or Total Incapacity and you have completed two years' Qualifying Service you may, with the consent of the University, draw your benefits from the Master Trust. The intention is to replicate as far as possible the current incapacity benefits available to qualifying Heritage members.

The University will also make a one-off top up contribution to your policy in the Master Trust before it is used to provide retirement benefits. The way the one-off contribution is calculated would depend on whether you leave service because of Partial Incapacity or Total Incapacity. This applies only to qualifying active members, i.e. not to those who have left service.

13. What happens if I hold benefits in the Defined Benefit (DB) Section of the Scheme?

If you have benefits in the DB Section of the Scheme these won't be affected by these proposals. They will remain in the Scheme and will continue to be administered by Barnett Waddingham, under the oversight of the Trustees.

There are also no plans at this stage to transfer any additional voluntary contributions ("AVCs") that members have accrued, and these will remain invested with Prudential.

The Standard Life Master Trust

14. Why choose Standard Life?

Following a detailed provider selection exercise, the University is proposing to use the Standard Life Master Trust, because not only does it offer excellent value for members, the due diligence process that was undertaken also showed that Standard Life were able to meet all of the University's requirements and demonstrated a market leading proposition.

Standard Life is one of the largest UK asset managers, insurers, and a market-leading pension provider. Further information on the Standard Life Master Trust and the Master Trust Trustees can be found on Standard Life's website at:
www.standardlife.co.uk/employer/workplace-pensions/master-trust

15. Who will be responsible for the governance of the Master Trust?

Similar to the Current DC Section, the Master Trust is a trust-based scheme, i.e. it has a Trustee Board that governs and monitors the scheme to ensure it is run in accordance with the scheme rules and relevant legislation, for the benefit of members and beneficiaries. The Trustee Board currently comprises 5 Trustee Directors, and members can expect high professional governance and monitoring standards.

In addition, Master Trusts are authorised and supervised by The Pensions Regulator and need to ensure they maintain certain standards under this regime.

16. What investment options would there be under the Master Trust?

The default investment strategy for the Standard Life Master Trust is the Sustainable Multi Asset Universal Strategic Lifestyle Profile. This is also a 'lifestyle strategy' and accommodates various retirement options (known as universal access) in retirement.

Default investment strategies aim to be broadly suitable for a typical member. However, individual members should consider whether a default strategy is suitable for their own circumstances and make their own investment choices if appropriate.

The Master Trust offers three alternative lifestyle options for members wishing to target annuity, drawdown or cash along with a range of self-select funds if you'd like to make your own investment choice. You should read the fund fact sheets carefully in order to familiarise yourself on the risks associated with choosing a self-select investment option. As mentioned above, the value of your investments may go down as well as up and is not guaranteed, so you could get back less than you invest. It is also important you understand that past performance is not a guide to future returns, and we recommend that you consider the risk warnings in the information available from Standard Life before making any investment decisions.

Further details of the investment options will be provided if the proposed changes go ahead.

17. What will the retirement age be in the Master Trust?

If you're a member of the Current DC Section, your Target Retirement Age ("TRA") will default to age 65 and Standard Life will provide details of how to update this.

If you're not a member of the Current DC Section and you join the Master Trust, a default TRA of 65 and Standard Life will provide details of how to update this.

As a reminder, you don't need to access your pension savings at your TRA, but this can have an impact on the operation of lifestyle investment options. You can select a different TRA at any time and details of how to make this change will be communicated to you on joining the Master Trust if the proposed changes go ahead.

18. Can I transfer other pension savings into the Master Trust?

You will have the option to transfer other pension savings into your account within the Master Trust. The ability and suitability of transferring can depend on the type of benefits you hold elsewhere, and you may be required to take financial advice before a transfer can be made. Therefore, you should consider obtaining financial advice in relation to any proposed pension transfer, so that you understand the implications of transferring. Standard Life will guide you on the process and any requirements applicable. Any financial adviser you employ would have to be paid by you.

Charges

19. What are the member charges under the Current DC Section?

The annual management charge for the default investment arrangement under the Current DC Section with Scottish Widows is 0.50%. The charges may differ depending on whether you have selected other investment options in which your pension savings are invested.

20. What are the member charges for the Master Trust?

Standard Life have offered an annual management charge of 0.39% for their Sustainable Multi Asset Lifestyle Profiles. The charges you pay may differ if you choose to self-select alternative funds.

Further information

This document has been prepared with the help of our professional advisers, Barnett Waddingham LLP, but doesn't constitute financial advice. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

If you have any queries on any points within this document, please email:
mtconsultation@warwick.ac.uk

If you require financial advice about how the proposed changes might affect you, you could consider consulting a financial adviser. If you don't have one, you can find one by visiting:
www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser

Please note that you would be responsible for any adviser fees.

Any entitlements from either pension scheme are subject to the Trust Deed & Rules of the relevant scheme from time to time.

For and on behalf of The University of Warwick