

## 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 on how the Trustee has complied with the defined contribution (DC) governance standards. These standards are designed to help members achieve good outcomes from their pension savings.
- 1.2. This statement covers the Scheme year 1 April 2020 to 31 March 2021.
- 1.3. 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. The administration and investment management services for the DC Section are provided by Scottish Widows.
  - 2.1.2. A separate AVC arrangement provided by Prudential which holds benefits for Defined Benefit Section ("the 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 Scottish Widows Passive Interim Lifestyle Strategy ("the Default Option"). This was implemented in January 2017 following advice from the Trustee's professional advisers. Its design took account of the needs of DC Section members as well as the Trustee's own investment beliefs.

##### Default Option: design and objectives

- 3.2. The key features of the Default Option are as follows:
  - 3.2.1. It is structured as a lifestyle investment strategy which invests across a series of multi-asset investment funds. The multi-asset funds are designed to provide exposure to different degrees of investment risk depending upon each member's term to their Normal Retirement Age (NRA).
  - 3.2.2. When a member is a long way from NRA, the Default Option will hold investments that are designed to be higher risk with the objective of providing higher returns. Over the 42 years prior to a member's NRA the Default Option will automatically and progressively switch their retirement savings into lower risk investments with the aim of protecting their value relative to the way in which they are expected to be accessed.
  - 3.2.3. The Default Option has been designed to provide flexibility at each members NRA by being broadly appropriate regardless of how each member takes their retirement income (e.g. cash, annuity purchase or drawdown).

### Alternative investment options

- 3.3. Alongside the Default Option, the Trustee has made available three additional investment strategies that target Annuity Purchase, Drawdown and Cash at NRA. These all use the same investment for growth as the Default Option and it is only in the final years of investment where these strategies will vary.
- 3.4. The Trustee also provides access to a range of 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, the UPS Pre-Retirement Fund and the underlying investment portfolios that make up the Passive Lifestyle Strategies. These consist of the SW Passive Annuity Purchase, the SW Passive Multi Asset I, the SW Passive Multi Asset II, the SW Passive Multi Asset III, the SW Passive Multi Asset IV, the SW Passive Multi Asset V and the SW Money Market.

### Review of the Default Option and recent changes

- 3.5. 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 comfortable that the funds used by the Default Option have performed in line with their stated aims and objectives over the Scheme year.
- 3.6. The last strategic review of the Default Option was completed on 11 May 2020. As part of this review, the Trustee considered the on-going suitability of the strategy with specific reference to the membership profile of the DC Section and the potential needs of members at retirement. The review also noted that Scottish Widows had announced some planned changes to the Default Option which included:
  - 3.6.1. Increasing the range of investments held by the strategy by replacing some of the equity holdings with holdings in Real Estate Investment Trusts and Emerging Market Bonds.
  - 3.6.2. Introducing a new fund into the investments held by the Default Option, called the BlackRock Climate Transition Fund, to increase the focus on Environmental, Social and Governance (ESG) issues.
  - 3.6.3. Changing the investments held in the approach to NRA so that the Default Option is more closely aligned with members taking their retirement savings through drawdown, rather than through a 'Universal' approach.
- 3.7. The review concluded that the Default Option remained appropriate for the average DC Section member and noted that, overall, the changes being proposed by Scottish Widows were appropriate and should add longer-term value. The review also concluded that the range of alternative investment options continued to form an important part of the DC Section's offering, allowing members flexibility over their investment options. However, the decision was taken to revisit the range of self-select funds in the latter part of 2021.
- 3.8. The Trustee notes that, due to the impact of Covid-19, Scottish Widows' proposed changes to the Default Option were delayed and the implementation commenced Quarter 4 2020. As such, these remain ongoing and the Trustee, supported by its professional advisers, will continue to monitor Scottish Widows progress.

#### Further information on investments

- 3.9. 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 September 2020. This is appended to this Chair's Statement and published online alongside. 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. To ensure the accuracy and timeliness of all DC Section core financial transactions, the Trustee has established robust reporting and monitoring processes.
- 4.2.1. The day-to-day monitoring of administration standards is undertaken by the University's "in-house" pensions team who scrutinise the performance of all service providers to the DC Section. The Pensions Administration 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.
  - 4.2.2. 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 for each task to be completed and also the percentage of tasks expected to be completed within these timescales. 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
Investment switches	Act on instruction by end of the following Business Day
Payments out of the Plan	Act on instruction within 2 Business Days

4.2.3. 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. Scottish Widows reports core financial transactions under 'Time Critical Processes' and its performance over the Scheme year is outlined in the table below:

SLA area	Performance target	Performance in period
Time Critical Processes	100%	84.1%
Manual Administration	95%	83.9%
Call Handling	97%	94.3%*

\*based on average of monthly performance period as opposed to total calls.

4.2.4. With effect from July 2019 Scottish Widows have also reported on 'Manual Financial Transactions Accuracy'. The target for this is 100%. Since it has been included in reporting, 'Manual Financial Transactions Accuracy' has been 100%.

4.2.5. As part of its ongoing consideration of service standards, the Trustee noted that the SLA level achieved by Scottish Widows over the Scheme year for Time Critical processes was below the target of 100%. Scottish Widows was asked to provide further detail on this point as part of a quarterly Trustee meetings and noted that the delays relate to the difficult working conditions and ongoing transformation of working practices arising from the Covid-19 pandemic. Importantly, Scottish Widows was able to confirm that, where any Time Critical processes had been delayed, action had been taken to ensure that the member in question was not disadvantaged.

4.2.6. 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.

4.2.7. The University's annual checks on data quality provide an additional measure to help monitor the accuracy of core financial transactions.

4.3. 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 was some underperformance against SLAs, and this has been addressed. The Trustee will continue to monitor SLA performance.

#### AVC administration

4.4. 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.

4.5. Barnett Waddingham advise the secretary to the Trustee of any specific issues that arise relating to the administration of the separate AVC policies.

4.6. In the Scheme year the Trustee considered the ongoing administration of the Prudential AVC arrangements. It was noted that some members of the Scheme had experienced delays in relation to queries. The Trustee and their advisers believe that this results from challenges that Prudential has faced

connected to moving between administration platforms and the impact of the Covid-19 pandemic on staffing and processes. The Trustee will continue to monitor this.

#### Trustee's view of core financial transactions

- 4.7. Taking the above into consideration, the Trustee is confident that all core financial transactions over the Scheme year have been processed promptly and accurately. Whilst there were some minor issues in relation to Time Critical processes, this has been investigated and no members were subject to any detrimental impact. 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 the following:

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

5.1.2. **Transaction cost:** 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.

#### DC Section charges and transaction costs

- 5.2. The following table provides details of the costs and charges applied to each of the investment options provided through the DC Section over the period 1 April 2020 to 31 March 2021. This data has been sourced from Scottish Widows:

Investment option	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs [1]
SW Money Market CS1 [2]	0.440%	0.180%	0.620%	0.014%
SW Passive Annuity Purchase CS1 [2]	0.410%	0.090%	0.500%	-0.018%
SW Passive Multi-Asset I CS1	0.410%	0.095%	0.505%	-0.016%
SW Passive Multi-Asset II CS1 [2]	0.420%	0.098%	0.518%	0.000%
SW Passive Multi-Asset III CS1 [2]	0.420%	0.098%	0.518%	0.004%
SW Passive Multi-Asset IV CS1 [2]	0.410%	0.096%	0.506%	-0.007%
SW Passive Multi-Asset V CS1 [2]	0.410%	0.092%	0.502%	0.000%
UPS Balanced Growth	0.410%	0.086%	0.496%	0.000%
UPS Equity Growth	0.410%	0.083%	0.493%	0.000%
UPS Money Market	0.360%	0.140%	0.500%	0.011%

Investment option	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs [1]
UPS Pre-Retirement	0.410%	0.085%	0.495%	-0.046%

[1] 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.

[2] These are the underlying funds used by the Default Option. Note that for members investing in the Default Option the costs and charges that apply will depend upon how far each member is from their NRA.

#### AVC arrangement costs and charges – Prudential

- 5.3. Scheme 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%.	0.13%	31/12/2020

[1] The Trustee and its advisers requested transaction cost information from Prudential for the reporting period covered by this Statement, however, Prudential was not able to provide this information in time for inclusion in this Statement. The transaction cost data to 31 December 2020 was released in July 2021 and Prudential was not able to confirm the expected timescales for the transaction cost data to 31 March 2021. The Trustee is continuing to work with its advisers to exert pressure on Prudential to ensure this information can be included in future years

#### Impact of costs and charges

- 5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in Appendix 1. We have not included illustrations for the Prudential With Profits Fund as the holdings are not material relative to the wider Scheme DC assets. We note that the estimated charges are relatively high for this fund, but equally it does offer guarantees that members may value.

5.5. The Trustee also investigated whether Market Value Reductions (MVRs) would apply on transfers out of the Prudential With Profits Fund. Prudential confirmed that MVRs may apply if benefits taken at any time other than death or NRD and that MVRs were currently being applied to transfers out of the fund. However, they only apply an MVR if the value of the assets underlying an individual plan is less than the value of the plan including bonuses. In practice this suggests MVRs would not apply to the majority of AVC funds based on bonus records, but the amount of bonuses that apply to transfer values may be less than they were previously.

## 6. Value for members

- 6.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 6.2. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings set out in a report. The Trustee considered this analysis and confirmed its assessment of value for members, effective as at 31 March 2021 and this is set out below.
- 6.3. 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 costs relative to other options available in the market.
- 6.4. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.
- 6.5. Other services paid for by the University of Warwick were excluded but nevertheless deliver value to members, e.g. the services of professional advisers in relation to the defined contribution sections and the operation of the Trustee board, with a duty to act in the best interest of members.

### DC Section

6.6. In relation to the DC Section, the member-borne charges and transaction costs relate to:

- 6.6.1. investment services
- 6.6.2. administration services
- 6.6.3. communication services

The assessment considered:

- 6.6.4. in relation to investment services:
  - 6.6.5. the investment strategy, e.g. the design of the default and range of alternative options
  - 6.6.6. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
  - 6.6.7. the investment governance arrangements

6.6.8. in relation to administration services:

6.6.9. the general administration arrangements

6.6.10. arrangements in relation to financial transactions

6.6.11. data and record keeping

6.6.12. in relation to communication services:

6.6.13. communication strategy

6.6.14. pre-retirement communications

6.6.15. at/post retirement communications

6.7. 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.

6.8. In reaching the conclusion the Trustee recognised the robust governance processes applied to the DC Section, the range and quality of administration services and engagement tools provided to members.

#### AVC benefits

6.9. In relation to the AVC arrangement with Prudential, the member-borne charges and transaction costs relate to:

6.9.1. investment services

6.9.2. administration services

6.9.3. communication services

6.10. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.

6.11. The Trustee concluded that the AVC arrangement offers **reasonable value** in relation to the charges and transaction costs borne by members

6.12. In reaching this conclusion, the Trustee recognised:

6.12.1. 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.

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

6.12.3. Barnett Waddingham provides oversight of the benefits.

## 7. Trustee knowledge and understanding

7.1. Over 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.

7.2. The Trustee delegates certain activities to an Investment Sub-Committee (ISC). The ISC is responsible for assisting the Trustee with developing an appropriate investment strategy for the DC Section, the ongoing monitoring of the investment strategy and the activity and performance of Scottish Widows.

#### Trustee knowledge and understanding requirements



- 7.3. Trustees are required to be conversant with their schemes' main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

#### Approach

- 7.4. The Trustee Directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the SIP, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme year and access to professional advice.
- 7.5. The Trustee Directors aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of Scheme assets through a combination of training, taking professional advice and the inclusion of professional Trustee Directors on the Trustee Board.
- 7.6. All Trustee Directors are asked to complete a formal training programme both following appointment and to review their training needs on an ongoing basis to ensure that they have the necessary skills and knowledge required to effectively discharge their duties.
- 7.7. Trustee training is considered at Trustee meetings and Trustee Directors are asked to provide feedback and suggest topics for future training sessions which allows all Trustee Directors to identify and address any gaps in knowledge. Training is delivered by the Trustee's professional advisers and external training is sought on topics relevant to the Trustee Directors' duties. A training log is updated each year in relation to training undertaken.
- 7.8. The Trustee Directors 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 the Trustee Directors on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan's documents and attending Trustee meetings.

#### Activities over the Scheme year

- 7.9. Over the Scheme year the Trustee took professional advice in the following areas:
- 7.9.1. Triennial investment review: the Trustee completed its triennial review of the investment strategy of the DC Section in May 2020. The review concluded that the range of investment options provided to members remained appropriate and no changes were made.
  - 7.9.2. Statement of Investment Principles (SIP): the Trustee reviewed and updated the DC Section SIP in September 2020 to include the Trustee's policies in relation to stewardship and its arrangements with its asset managers.
  - 7.9.3. Value for Member assessment: the Trustee assessed the value for members provided by the Scheme's DC arrangements and documented the results in the annual governance statement.
- 7.10. Over the Scheme year, the Trustee reviewed the following Scheme documents:
- 7.10.1. The 2020 annual Chair's governance statement
  - 7.10.2. The Annual Report & Accounts
  - 7.10.3. The risk register
  - 7.10.4. Investment adviser objectives, including a review of performance against those objectives

7.10.5. The DC Section booklet

7.11. Over the Scheme year, the Trustee received training on the following topics at Trustee meetings

7.11.1. The advantages and disadvantages of Master Trusts, including a comparison of potential value

7.11.2. Wider regulatory environment, capturing recent and upcoming legislative changes

7.11.3. Implementation statement requirements

7.11.4. Integration of ESG into investment strategy design

7.11.5. Additional Voluntary Contribution arrangements

### Assessment

7.12. The Trustee Directors consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

7.12.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively

7.12.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties

7.12.3. The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

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

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Date

## Appendix 1: Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, Scottish Widows, on behalf of the Trustee, has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

### Parameters used for the illustrations

A1.2. 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:

A1.2.1. A representative range of pot sizes.

A1.2.2. A representative range of real term investment returns (gross of costs and charges), including the lowest, the highest and the most popular (by number of members).

A1.2.3. A representative range of costs and charges, including the lowest and the highest.

A1.2.4. A representative period of membership, covering the approximate duration that the youngest member would take to reach target retirement age.

A1.3. 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 £3,000.
4. For active members, gross contributions are assumed to be £150 per month from the start of the projection to retirement and are assumed to increase in line with inflation. For deferred members contributions are assumed to be nil.
5. Values shown are estimates and not guaranteed.
6. The charges used are those shown earlier in this Chair's Statement. Scottish Widows were unable to use an average over the last 5 years.
7. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2020 Statutory Money Purchase Illustrations (SMPIs) and are outlined below:

### Self-Select Funds

Fund	Projected Growth Rate (Average)
SW Passive Multi-Asset V CS1	1.9% above inflation
SW Money Market CS1	2.0% below inflation*
UPS Equity Growth	1.9% above inflation

Fund	Projected Growth Rate (Average)
UPS Money Market	2.0% below inflation

\* Scottish Widows has confirmed that the illustrations for the SW Money Market Fund were produced using a growth rate of 1% below inflation in error. Scottish Widows have now provided a revised illustration using the correct growth assumption.

#### Default investment arrangement

Years to retirement	Projected Growth Rate (Average) Active	Projected Growth Rate (Average) Deferred
1	1.40% below inflation	1.30% below inflation
3	1.20% below inflation	1.10% below inflation
5	1.00% below inflation	0.90% below inflation
10	0.70% below inflation	0.50% below inflation
15	0.50% below inflation	0.30% below inflation
20	0.40% below inflation	0.10% below inflation
25	0.20% below inflation	0.10% above inflation
30	0.10% below inflation	0.20% above inflation
35	0.00% above inflation	0.30% above inflation
48	0.30% above inflation	0.70% above 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 £150 per month contribution and a starting pot size of £3,000.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 17	
	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	4,750	4,730	4,770	4,750	4,810	4,790	4,810	4,790	4,850	4,830
3	8,210	8,130	8,330	8,240	8,450	8,360	8,490	8,400	8,660	8,570
5	11,500	11,300	11,800	11,600	12,000	11,800	12,200	12,000	12,600	12,400
10			20,000	19,400	21,000	20,300	21,900	21,300	22,900	22,300
15					29,700	28,500	31,600	30,300	33,300	31,900
20					37,200	35,200	40,600	38,400	44,100	41,700
25							49,300	46,000	55,400	51,600
30							55,900	51,500	67,100	61,700
35									77,200	70,000
48									96,000	84,000

Note on how to read this table: If an Active member aged 35 had £3,000 invested in this strategy, when they came to retire in 30 years, the fund could grow to £55,900 if no charges are applied but to £51,500 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 a starting pot size of £3,000 and that no further contributions are made.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 17	
	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	2,980	2,970	3,000	2,980	3,020	3,010	3,020	3,010	3,050	3,040
3	2,940	2,890	3,000	2,950	3,060	3,020	3,080	3,040	3,170	3,130
5	2,870	2,800	2,990	2,910	3,090	3,010	3,140	3,070	3,300	3,220
10			2,860	2,710	3,100	2,940	3,300	3,140	3,590	3,420
15					3,090	2,860	3,410	3,160	3,800	3,520
20					2,960	2,670	3,420	3,080	3,990	3,600
25							3,410	2,990	4,180	3,690
30							3,260	2,800	4,380	3,760
35									4,460	3,730
48									4,260	3,330

Note on how to read this table: If a Deferred member aged 35 had £3,000 invested in this strategy, when they came to retire in 30 years, the fund could grow to £3,260 if no charges are applied but to £2,800 with charges applied.

## Self-select funds – Active members

The illustrations shown below are for a representative selection of the funds that members may invest in through the DC Section. They were selected to reflect the range of projected returns and charges. The illustrations assume a £150 per month contribution and a starting pot size of £3,000.

Years	UPS Equity Growth		SW Passive Multi-Asset V CS1		UPS Money Market		SW Money Market CS1	
	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	4,850	4,830	4,850	4,830	4,700	4,680	4,700	4,670
3	8,660	8,570	8,660	8,570	8,000	7,920	8,000	7,900
5	12,600	12,400	12,600	12,400	11,100	11,000	11,100	10,900
10	23,200	22,500	23,200	22,500	18,600	18,100	18,600	17,900
15	34,800	33,400	34,800	33,400	25,300	24,300	25,300	24,100
20	47,700	45,100	47,700	45,000	31,400	29,900	31,400	29,500
25	61,900	57,700	61,900	57,600	37,000	34,800	37,000	34,300
30	77,500	71,200	77,500	71,100	42,000	39,100	42,000	38,400
35	94,600	85,700	94,600	85,500	46,600	42,900	46,600	42,100

Note on how to read this table: If an Active member had £3,000 invested in the UPS Equity Growth Fund, when they came to retire in 30 years, the fund could grow to £77,500 if no charges are applied but to £71,200 with charges applied.

## Self-select funds – Deferred members

The illustrations shown below are for a representative selection of the funds that members may invest in through the DC Section. They were selected to reflect the range of projected returns and charges. The illustrations assume a starting pot size of £3,000 and that no further contributions are made.

Years	UPS Equity Growth		SW Passive Multi-Asset V CS1		UPS Money Market		SW Money Market CS1	
	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	3,050	3,040	3,050	3,040	2,940	2,920	2,940	2,920
3	3,170	3,130	3,170	3,130	2,820	2,780	2,820	2,770
5	3,300	3,220	3,300	3,220	2,720	2,650	2,720	2,630
10	3,630	3,460	3,630	3,460	2,460	2,340	2,460	2,310
15	4,000	3,720	4,000	3,710	2,230	2,070	2,230	2,030
20	4,410	4,000	4,410	3,990	2,030	1,830	2,030	1,780
25	4,860	4,290	4,860	4,280	1,840	1,620	1,840	1,570
30	5,350	4,620	5,350	4,600	1,670	1,430	1,670	1,380
35	5,900	4,960	5,900	4,940	1,510	1,260	1,510	1,210

Note on how to read this table: If a Deferred member had £3,000 invested in the UPS Equity Growth Fund, when they came to retire in 30 years, the fund could grow to £5,350 if no charges are applied but to £4,620 with charges applied.

# DC Section Statement of Investment Principles