

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 2019 to 31 March 2020 ("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 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 (previously 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 Scottish Widows 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 Scottish Widows 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 Scottish Widows 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 Scottish Widows 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 SW Money Market Fund.

Aims and objectives of the default investment arrangement

- 3.3. The Scottish Widows 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 Scottish Widows 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 Scottish Widows 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 Scottish Widows 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 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 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 Scottish Widows 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 Scottish Widows Passive Interim Lifestyle Strategy as well as the alternative range of Lifestyle options and self-select funds described above.

- 3.10. The Trustee was due to undertake its triennial strategic review of the DC Section's default investment arrangement over the reporting period, but noted that as Scottish Widows had announced plans to implement changes to the composition of the Scottish Widows Passive Interim Lifestyle Strategy in the near future, the Trustee elected to delay completing its formal review of the DC Section's default investment strategy until further details had been confirmed. In light of this decision, the Trustee, supported by its investment adviser, considered the ongoing suitability of the default investment arrangement with specific reference to the profile of members. It was agreed that as the membership profile had not changed and the default investment arrangement remained suitable, albeit pending the future changes being made by Scottish Widows.
- 3.11. The formal strategic review of the default investment arrangement, as well as the wider range of investment options offered to members commenced in May 2020, outside of this reporting period. The results of this review will be reported in next year's Statement.

Further information on investments:

- 3.12. 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 has been published online alongside this Chair's Statement. 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.
- 4.3. 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.
- 4.4. 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. Scottish Widows separates its SLA's across the areas in the table below and core financial transactions are included under 'Time Critical Processes':

SLA area	Performance target
Time Critical Processes	100%
Manual Administration	95%
Call Handling	97%

4.5. 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

4.6. With effect from July 2019 Scottish Widows have also reported on 'Manual Financial Transactions Accuracy'. The target for this is 100%

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 95.7% of its Time Critical Processes within the target SLA's.

Since it has been included in reporting, 'Manual Financial Transactions Accuracy' has been 100%.

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% and Scottish Widows was asked to provide further detail on this point as part of the quarterly Trustee meeting. In Q2 2019 Scottish Widows suffered from system outages which reduced capacity. A full review was conducted to ensure that no detrimental impact was suffered by any customers. Root cause analysis has been completed on all failed SLA tasks, and appropriate action taken to reduce any issues going forward.

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 was 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 correctly. There were some minor issues in relation to promptness, in that some time critical processes fell outside of target but 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 both explicit and implicit costs:
- 5.1.1. Explicit costs: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member’s holdings within an investment fund. These are referred to as a Total Expense Ratio (TER) and include the explicit Annual Management Charge (AMC) and the Fund Charge (FC) 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	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs*
SW Money Market CS1	0.440%	0.156%	0.596%	0.005%
SW Passive Annuity Purchase CS1	0.410%	0.085%	0.495%	-0.041%
SW Passive Multi-Asset I CS1	0.410%	0.093%	0.503%	-0.038%

Investment option	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs*
SW Passive Multi-Asset II CS1	0.420%	0.094%	0.514%	-0.039%
SW Passive Multi-Asset III CS1	0.420%	0.097%	0.517%	-0.041%
SW Passive Multi-Asset IV CS1	0.410%	0.094%	0.504%	-0.040%
SW Passive Multi-Asset V CS1	0.410%	0.093%	0.503%	-0.034%
UPS Balanced Growth	0.410%	0.086%	0.496%	-0.034%
UPS Equity Growth	0.410%	0.084%	0.494%	-0.030%
UPS Money Market	0.360%	0.140%	0.500%	0.014%
UPS Pre-Retirement	0.410%	0.087%	0.497%	-0.170%

*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:

Investment option	TER	Transaction costs
Prudential With-Profits Cash Accumulation Fund	0.80%**	0.09%***

**This is an implicit charge that is deducted from regular bonuses before they are applied. Prudential have stated that this is the expected TER based on the assumption that future investment returns in the With-Profits Fund are 5% a year, and that charges on with-profits business depend on “the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred”.

***The Transaction costs quoted are for the period 1 January 2019 to 31 December 2019. The Trustee requested costs for the Plan year but Prudential have not been able to provide these in time for production of this statement. The Trustee in conjunction with its advisers will continue to exert pressure on Prudential to supply this information (as they are required to do) and will include relevant transaction cost information in future statements. 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 2020 by the end of August 2020. Once received, the Trustee will review this information to understand whether it has a material impact upon the figures quoted above. The Trustee is working with its advisers and will continue to exert pressure on Prudential to ensure this information can be included in future years.

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, supported by Scottish Widows, has provided 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 in a series of tables 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 £150 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. Scottish Widows were unable to use an average over the last 5 years, these costs are for the year to 31 March 2020).
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 (SMPs), as follows:

Default investment arrangement

Years to retirement	Projected Growth Rate (Average)
1	0.50% below inflation
3	0.30% below inflation
5	0.10% below inflation
10	0.20% above inflation
15	0.40% above inflation
20	0.50% above inflation
25	0.70% above inflation
30	0.80% above inflation
35	0.80% above inflation

UPS Self Select Funds

Fund	Projected Growth Rate (Average)
SW Passive Annuity Purchase CS1	1.0% below inflation
SW Money Market CS1	1.5% below inflation
UPS Equity Growth	1.9% above inflation
UPS Money Market	1.5% 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 £150 per month contribution and a starting pot size of £2,000.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 20	
	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	3,790	3,770	3,800	3,780	3,810	3,800	3,810	3,800	3,830	3,810
3	7,360	7,290	7,460	7,390	7,510	7,440	7,530	7,460	7,600	7,520
5	10,800	10,600	11,100	10,900	11,200	11,100	11,300	11,100	11,500	11,300
10			20,000	19,400	20,900	20,300	21,400	20,800	21,700	21,100
15					30,900	29,700	31,900	30,600	32,500	31,200
20					39,900	37,700	42,700	40,400	44,200	41,800
25							53,700	50,100	56,700	52,900
30							62,700	57,700	69,600	64,000
35									82,300	74,600

Note on how to read this table: If an Active member aged 20 had £2,000 invested in this strategy, when they came to retire in 35 years, the fund could grow to £82,300 if no charges are applied but to £74,600 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 £2,000 and that no further contributions are made.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 20	
	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	2,010	2,000	2,010	2,000	2,020	2,010	2,020	2,010	2,030	2,020
3	2,010	1,980	2,050	2,020	2,080	2,050	2,080	2,050	2,110	2,080
5	2,000	1,950	2,090	2,030	2,130	2,070	2,150	2,090	2,190	2,140
10			2,090	1,990	2,240	2,120	2,310	2,190	2,380	2,260
15					2,340	2,160	2,460	2,280	2,560	2,370
20					2,350	2,120	2,590	2,340	2,750	2,490
25							2,710	2,380	2,960	2,610
30							2,710	2,330	3,160	2,710
35									3,320	2,780

Note on how to read this table: If a Deferred member aged 20 had £2,000 invested in this strategy, when they came to retire in 35 years, the fund could grow to £3,320 if no charges are applied but to £2,780 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 £150 per month contribution and a starting pot size of £2,000.

Years	SW Passive Annuity Purchase CS1		UPS Equity Growth		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	3,740	3,730	3,830	3,810	3,730	3,720	3,730	3,710
3	7,190	7,120	7,600	7,530	7,130	7,060	7,130	7,050
5	10,500	10,400	11,500	11,300	10,400	10,200	10,400	10,200
10	18,700	18,200	22,000	21,400	18,200	17,700	18,200	17,600
15	26,500	25,500	33,500	32,100	25,500	24,500	25,500	24,300
20	33,900	32,200	46,200	43,800	32,300	30,700	32,300	30,400
25	40,900	38,500	60,200	56,200	38,600	36,300	38,500	35,900
30	47,600	44,300	75,700	69,600	44,400	41,300	44,400	40,800
35	54,000	49,700	92,700	84,000	49,900	45,900	49,800	45,200

Note on how to read this table: If an Active member aged 20 had £2,000 invested in the UPS Equity Growth Fund, when they came to retire in 35 years, the fund could grow to £92,700 if no charges are applied but to £84,000 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 a starting pot size of £2,000 and that no further contributions are made.

Years	SW Passive Annuity Purchase CS1		UPS Equity Growth		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	1,980	1,970	2,030	2,020	1,970	1,960	1,970	1,950
3	1,940	1,910	2,110	2,080	1,910	1,880	1,910	1,870
5	1,900	1,850	2,200	2,140	1,850	1,810	1,850	1,800
10	1,810	1,720	2,420	2,300	1,720	1,640	1,720	1,620
15	1,720	1,600	2,670	2,480	1,600	1,480	1,600	1,460
20	1,640	1,480	2,940	2,660	1,490	1,340	1,490	1,320
25	1,560	1,380	3,240	2,860	1,390	1,220	1,380	1,190
30	1,490	1,280	3,570	3,070	1,290	1,100	1,280	1,070
35	1,410	1,190	3,930	3,300	1,200	1,000	1,190	970

Note on how to read this table: If a Deferred member aged 20 had £2,000 invested in the UPS Equity Growth Fund, when they came to retire in 35 years, the fund could grow to £3,930 if no charges are applied but to £3,300 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 2020.
- 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. This rating is based on the ongoing governance work undertaken by the Trustee and wider administrative and engagement support provided by Scottish Widows.

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. 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.

Knowledge and expertise of the Trustee

8.2. All Trustee Directors are asked 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 Directors undertook training which included, but is not limited to:
- 8.5.1. 22 May 2019 ISC meeting – a session on integrating ESG into DC schemes was provided to the Trustee. The Trustee were also updated on wider DC Governance topics including new legislative requirements surrounding Cost and Charges Disclosures.
 - 8.5.2. 23 January 2020 Trustee meeting – an update was provided to the Trustee by its DC advisers on the current Regulatory Environment and its impact on the DC section of the Scheme. Topics surrounding the future of DC arrangements were discussed including the increase in Master Trust usage.
- 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 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. The following documents were reviewed over the reporting period:
- 8.9.1. The Trustee, alongside its professional advisers, completed 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 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.
 - 8.9.4. The Trustee formally reviewed and documented its objectives for the DC Section's investment advisers.
 - 8.9.5. The Trustee assessed the value for members provided by the Scheme's DC arrangements and documented their governance of these in an annual governance statement.

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.



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

25/9/20

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Date

Appendix 1 Statement of Investment Principles