



The University of Warwick Pension Scheme

Annual report for the year ended 31 March 2023

Scheme Registration Number 10000605

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The Trustee's Report

Introduction

This report relates to the operation of The University of Warwick Pension Scheme ("the Scheme") during the year ended 31 March 2023.

Until 31 March 2010 the Scheme was a contracted-out salary related pension arrangement but from 1 April 2010 the Scheme contracted back in to the State Second Pension. The Defined Benefit (DB) Section closed to new entrants from 31 March 2010 although eligible non-Members who were in service on 31 March 2010 were allowed to join the Scheme up to 30 June 2010.

From 1 April 2010 the Scheme introduced a contracted in Defined Contribution (DC) Section for new employees to the University, which provides its Members with benefits based on their fund value.

From 1 March 2013 this original DC Section of the Scheme was renamed the Heritage Defined Contribution Section and the contribution levels amended to ensure that it complies as a Qualifying Scheme for automatic enrolment purposes under the Pensions Act 2008 legislation. A new DC Section, the Enterprise Defined Contribution Section, was established from 1 March 2013 in readiness for auto enrolment of Unitemps workers effective from 1 May 2017.

Members are able to make additional voluntary contributions (AVCs) to secure additional benefits. The Scheme also covers members (except those in the Enterprise Section) for death benefits.

Full details of the Scheme's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 8). A copy of the Heritage Defined Contribution section booklet can be accessed via the University's HR Intranet page or by e-mailing hr.pensions@warwick.ac.uk.

Management of the Scheme

The Scheme has a Corporate Trustee, UPS Pension Trustee Limited. The names of the directors who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated / appointed by	Date of appointment
Professor Emeritus Stuart Beaumont Palmer	Employer	24/05/2010
Professor Saul Domenico Jacka	Employer	07/05/2015
Mr James McMeehan Roberts	Employer	23/10/2014
Mr Quentin Compton-Bishop	Members	19/10/2016
Mr Hugh James Hunt	Employer	26/06/2017
Ms Jennifer Elizabeth Davies	Members	13/03/2019
Mr Ian Paul McFarlane-Toms	Members	19/11/2021

Directors are appointed and removed from office in accordance with the Scheme Rules and the Trustee Company's Articles of Association. At least one third of the Trustee Directors appointed by the Principal Employer must be nominated by the Members.

The Trustee held a number of full meetings during the year under review. Each Trustee Director is entitled to receive at least ten days' notice of meetings, although in practice dates are normally fixed well in advance. The Scheme Rules provide that decisions of the Trustee may be made by a majority of the Trustee Directors present at any meeting and the Chairman has a casting vote. The Trustee uses sub-committees as appropriate, for example the investment sub-committee to consider more detailed technical work. The sub-committees in each case report their recommendations to the Trustee.

The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations

The Trustee's Report (Cont)

Scheme advisers

The Trustee retains a number of professional advisers in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Scheme Actuary	Elizabeth Purdy FIA (until 4 July 2022) Paul Fishleigh FIA (from 4 July 2022)
Advising Actuaries	Willis Towers Watson
Administrators	Barnett Waddingham LLP (DB Section) Scottish Widows Limited (DC Section)
Auditor	KPMG LLP
Bankers	Lloyds Bank plc
Custodian	State Street Bank and Trust Company
Investment Advisors	Willis Towers Watson
Investment Fund Managers	AXA Investment Managers (via AMX) Fulcrum Asset Management M&G Investments First State Investments UK Ltd Insight Investment Legal and General Investment Management JPMorgan Asset Management (UK) Limited Nephilia Capital Towers Watson Investment Management Ltd Wellington Management Scottish Widows Limited (DC Sections) Prudential (AVCs)
Legal Advisers	Eversheds Sutherland
Secretary to the Trustee	Joseph Devlin
Pensions Administration Manager	Ben Moulding

Changes in and other matters relating to Scheme advisers

Except those noted above there have been no other changes to Scheme advisers and other matters during the Scheme year under review.

Elizabeth Purdy FIA resigned as Scheme Actuary on 4 July 2022. As required by Regulations made under the Pensions Act 1995 it was confirmed in her notice of resignation that she knew of no circumstances connected with her resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme. Paul Fishleigh FIA was appointed as Scheme Actuary on 4 July 2022.

Changes to Scheme Rules

There have been no changes to the Scheme Rules during the year under review.

The Trustee's Report (Cont)

The Principal Employer

The name and address of the Principal Employer is as follows:

The University of Warwick, Coventry, CV4 7AL

The following Employers, all of which are associated in business with the Principal Employer, have also participated in the Scheme during the year under review:

Employer Name

The University of Warwick Science Park Limited

Warwick University Enterprises Limited (Enterprise DC Section only)

Financial development of the Scheme

During the year the value of the net assets decreased by £58,760,284 to £201,058,882 as at 31 March 2023. The decrease comprised net withdrawals from dealings with members of £592,458 together with a net decrease from the return on investments of £58,167,826. On 23 September 2022, announcements made in the Government's "mini-budget" led to uncertainty in the long-dated UK government bond ("gilt") market. The Bank of England eventually intervened in the market in order to "restore orderly market conditions". As at 31 March 2023, the valuation of investments had not bounced back to the levels before the impact of adverse market conditions.

Scheme Audit

The financial statements on pages 25 to 42 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Scheme membership

Defined Benefit Section	Number as at start of year	Changes in year	Number as at end of year
Active members	351		
adjustments		(1)	
left (preserved pensioners)		(18)	
retired		(21)	311
		<u>(40)</u>	
Preserved pensioners	842		
new		18	
transferred out		(4)	
retired		(28)	
died		(3)	825
		<u>(17)</u>	
Pensioners and dependants	1,135		
adjustments		3	
new pensioners		49	
new dependants		9	
died		(35)	1,161
		<u>26</u>	
Grand total members	<u>2,328</u>		<u>2,297</u>

Included within the pensioners and dependants are 120 (2022: 120) pensions paid from annuities held in the name of the Trustee.

Adjustments relate to late notifications.

The Trustee's Report (Cont)

Defined Contribution Section	Number as at start of year	Number as at end of year
Active members	2,215	1,909
Preserved pensioners	2,047	2,927
Grand total members	4,262	4,836

The member numbers shown above reflect the number of member records held by the Scheme.

Pension increases

Pensions in payment were increased during the period as follows:

- That part of the pension appropriate to service before 6 April 1997 was increased by 3%.
- That part of the pension appropriate to service between 6 April 1997 and 5 April 1999 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 5% and a minimum of 3%, therefore 5%.
- That part of the pension appropriate to service between 6 April 1999 and 5 April 2006 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 5%, therefore 5%.
- That part of the pension appropriate to service between 6 April 2006 and 31 March 2010 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 3%, therefore 3%.
- That part of the pension appropriate to service after 31 March 2010 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 2.5%, therefore 2.5%.

These increases are in accordance with the Scheme Rules. No discretionary increases were awarded.

Tax status of Scheme

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Scheme's registered status should be prejudiced or withdrawn.

The Trustee's Report (Cont)

GMP equalisation

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the issue will affect the Scheme and has formed a Data and GMP sub-committee and held meetings with its advisers to consider this further. Given the complexity of the topic it is still reviewing the data and options available. As noted on page 11, the total impact on the Scheme's actuarial liabilities has been estimated at 0.25% of the total liabilities of the Scheme (excluding the expenses reserve).

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements, it is not possible to estimate the value of any such adjustments at this time.

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pensions Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values.

A cash equivalent is the amount which a Scheme member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

Data Protection Act 2018 and General Data Protection Regulations

Under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 regulations, pension scheme trustees are classed as data controllers, with legal responsibility for compliance falling to them. Scheme Actuaries are also classed as data controllers (jointly with the trustees) in accordance with guidance issued by the Actuarial Profession. Barnett Waddingham LLP act as a data processor as the administrators of the Scheme.

The Trustee has worked with its advisers to receive relevant training, and continues to do so to ensure continued compliance with data protection legislation.

Codes of Practice

The Trustee is aware of and adheres to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

The Trustee's Report (Cont)

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and also scheme-specific data (conditional). The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded. More information can be found at:

<https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping>

Contact for further information

If, as a defined benefit Scheme member, you wish to obtain further information about the Scheme, including copies of the Scheme documentation, your own pension position or who to contact in the event of a problem or complaint, please write to or telephone:

The University of Warwick Team, Barnett Waddingham LLP, St James's House, St James's Square, Cheltenham, GL50 3PR.

Telephone: 0333 1111 222

Alternatively you may contact the Scheme administrators online at:

<https://logon.bwebstream.com/shared/contact>

If you are a member of the defined contribution section (either Heritage or Enterprise sections) and have a query you should contact the Human Resources (HR) Pensions Administration Team at:

Pensions Administration, HR Department, University House, University of Warwick, Coventry, CV4 8UW

Alternatively you may contact the team by email at: hr.pensions@warwick.ac.uk

The Trustee's Report (Cont)

Statement of Trustee's Responsibilities

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, is the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's Report (Cont)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to covers its technical provisions. The technical provisions represent the present value of the benefit members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the University and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Defined Benefit section of the Scheme was carried out as at 31 March 2022. The table below shows the results of this valuation.

Valuation date	31 March 2022 £m
Value of technical provisions (£m)	248.0
Value of assets available to meet technical provisions (£m)	234.4
Assets as a percentage of technical provisions	95%

The values above relate to the whole Scheme, including the assets and liabilities in relation to AVC benefits. The Trustee holds annuity policies that secure the pensions payable to certain specified beneficiaries. However, as permitted under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Net Asset Statement on the grounds of materiality. The figures above include a prudent assessment of these annuity policies, but it is worth noting that the assets and liabilities covered by these policies match each other exactly.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

The principal assumptions that were used for the actuarial valuation as at 31 March 2022 are set out below. The assumptions as at 31 March 2022 were derived having regard to the agreed Statement of Funding Principles dated 23 May 2023 and market conditions at 31 March 2022.

All assumptions have been derived with reference to the full gilt yield curve and implied inflation curve, from the WTW Investment Model. Detailed in the table below are the single equivalent financial assumptions (rounded to the nearest 0.05%). These represent the equivalent single assumptions which taken in isolation would produce the same liability figure as that derived from using the full curves for each respective financial assumption.

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Report on Actuarial Liabilities (Cont)

Assumed future rate of:	31 March 2022 % pa
Discount rates:	
- Short term discount rate	2.50
- Long term discount rate	1.95
- Initial time horizon	7 years
Salary increases:	3.85
Deferred increases on pension in excess of GMP ^{1,2} :	3.80
Pension increases in payment:	
- Pre 6.4.97 (inc. GMP) (fixed 3%)	3.00
- Post 5.4.97, pre 6.4.99 (RPI, min 3%, max 5%)	3.90
- Post 5.4.99, pre 6.4.06 (RPI, max 5%)	3.25
- Post 5.4.06, pre 1.4.10 (RPI, max 3%)	2.40
- Post 31.3.10 (RPI, max 2.5%)	2.05
Mortality in retirement	
- Base mortality tables	
Male Pensioners	SAPS (S3) normal tables with a multiplier of 114%
Female Pensioners	SAPS (S3) normal tables with a multiplier of 102%
- Future improvements in longevity	CMI 2021 core projections (including core values for the extended parameters) with a 1.25% pa long-term trend
GMP equalisation ³	0.25% of total defined benefit liability (excluding expenses allowance)

¹ GMP receives statutory fixed rate (or S148 for transferred-in GMP) revaluation in deferment.

² Subject to the relevant statutory revaluation limits over the whole period of deferment for pre / post 5 April 2009 pension respectively.

³ An allowance equal to 0.25% of the total liabilities of the Scheme (excluding the expenses reserve) has been made as a reserve for the impact of any need to equalise benefits accrued between 17 May 1990 and 5 April 1997 to allow for the unequal impact of Guaranteed Minimum Pensions on men and women. It is expected that detailed calculations will be undertaken in due course and the benefits and liabilities of the Scheme will be adjusted accordingly.

Towers Watson Limited, a WTW Company

23 May 2023

The Trustee's Report (Cont)

The Investment Report

DB Section

Introduction

The Trustee maintains a Statement of Investment Principles ("SIP"), as required by Section 35 of the Pensions Act 1995, and a copy of the latest statement (comprising DB and DC sections updated at different stages in 2022) is available at

<https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups>

This outlines the Scheme's investment governance structure and asset allocation strategy.

Departures from investment principles

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Governance structure

The Trustee has ultimate responsibility for decision-making on investment matters.

In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities in accordance with the Scheme's Trust Deed and Rules.

In particular, the Trustee delegates a number of tasks to an Investment Sub Committee ("ISC") as well as a Delegated Chief Investment Officer ("DCIO"), the latter function being carried out by Towers Watson Limited.

The Trustee's primary investment role and responsibility is to set the overall strategic investment objectives for the Scheme, including a risk budget and return target (taking advice from the ISC and DCIO), and ensuring that these objectives remain appropriate over time.

The DCIO's roles and responsibilities are set out within a Fiduciary Management Agreement ("FMA"). The DCIO is responsible for managing the Scheme's investments within the constraints of specific Investment Guidelines, which are designed to be consistent with the long-term strategic goals and parameters agreed by the Trustee. Specific responsibilities include: determining asset allocation and liability hedging design; selecting and de-selecting underlying investment managers; implementing all asset transitions; and providing regular monitoring reports.

The ISC's roles and responsibilities include monitoring the activity and performance of the DCIO for the services provided as set out in the DCIO's FMA, and reporting to the Trustee.

Further details regarding the division of responsibilities are set out in the Scheme's SIP.

Choosing Investments

The Trustee has delegated responsibility for the selection and deselection of investments, and the ongoing management of relationships with asset managers to the DCIO within Investment Guidelines set by the Trustee.

The Trustee expects the DCIO to appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the Trustee expects the DCIO to focus on longer-term outcomes, commensurate with the Trustee's position as a long term investor.

For most of the Scheme's investments, the Trustee expects the DCIO to appoint managers with a medium to long time horizon, consistent with the Scheme. In particular areas such as equity and credit, the Trustee expects the DCIO to work with managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment.

The Trustee's Report (Cont)

The Investment Report (Cont)

The Trustee expects the DCIO to assess the alignment of the Scheme's underlying managers' approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. In addition, the Trustee expects the DCIO to review the managers' approach to sustainable investment (including engagement) on a regular basis and engage with the manager to encourage further alignment as appropriate. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and the managers' engagement activities. If, following engagement, the DCIO considers that the degree of alignment remains unsatisfactory, the Trustee expects the DCIO to deselect the manager.

The Trustee expects the DCIO to consider the fee structures of asset managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the appointment of an asset manager and on an ongoing basis. Asset managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the DCIO to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee expects the DCIO to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Further information on the Trustee's policies can be found in the Scheme's SIP. The extent to which the Trustee believes it has adhered to these policies over the scheme year is disclosed in the Scheme's Implementation Statement.

Responsible investing, stewardship and sustainability

The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:

- an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship
- ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect the value of investments and should improve long-term member financial outcomes.

Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process. The Trustee may consider non-financial matters as part of its overall decision making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.

The Trustee applies the principles outlined above via the selection and monitoring of the DCIO (and its associated approach to ESG and broader sustainability issues). In particular, the Trustee has delegated:

- investment manager selection, de-selection and monitoring to the DCIO
- the selection, retention and realisation of investments to the DCIO and in turn to the Scheme's investment managers (in accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers)
- responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's investment managers.

Further information on this can be found in the Scheme's SIP.

The Trustee's Report (Cont)

The Investment Report (Cont)

Asset allocation strategy

The asset allocation at the beginning and end of this accounting year was as follows:

Asset Class	Asset allocation (%) 31.03.22	Asset allocation (%) 31.03.23
Equities		
Global equities (inc. Emerging)	10.7%	5.6%
Alternative betas		
Diversifying strategies	10.1%	6.4%
Credit		
Global high yield	3.0%	1.6%
Securitised credit	4.5%	2.2%
Emerging Market Debt	1.4%	1.2%
Investment Grade Credit	5.1%	5.8%
Real assets		
REITs	2.9%	1.4%
Infrastructure	3.1%	1.7%
Secure Income Assets	13.0%	17.2%
Protection strategies		
Protection strategies	0.2%	1.4%
Matching assets		
Matching assets (including cash)	46.0%	39.8%
Long-term Core Credit	-	15.7%
Total*	100%	100%
Liability hedge ratio**	c.95%	c.90%

* Totals may not sum due to rounding

** The liability hedge ratio is an estimate of 'the sensitivity of the assets to changes in long-term interest rate and inflation expectations' relative to 'the sensitivity required to insulate the funding level against changes in long-term interest rates and inflation'.

The change in asset allocation over the year reflects a combination of relative market movements as well as some portfolio rebalancing.

The asset allocation only reflect the assets managed by the DCIO and excludes any annuity policies, AVCs or cash held in the Trustee account.

Review of investment performance

Macroeconomic backdrop

The Bank of England (BoE) have made a number of incremental base rate rises throughout the 12 months to March 2023 in a bid to control inflation. This took the base rate to a 15 year high of 4.25% by March 2023.

UK inflation rate, as measured by the CPI, rose by 10.1% in the 12 months to March 2023, down from 10.4% in February and from a recent peak of 11.1% in October 2022. Although fuel prices fell, further sharp rises in the costs of food, recreation and culture left the index higher than the anticipated drop to 9.8%. Food prices alone rose 19.1% in the 12 months to March 2023.

In the US, the Federal Reserve (the Fed) also raised rates throughout the year, bringing the target federal funds rate range to a high of 4.75 – 5.00% since it began in December 2008. In a strong signal that the US central bank is nearly done with rate increases, they followed the latest increase by saying "some additional policy firming may be appropriate" to bring inflation back to the banks 2% target.

The Trustee's Report (Cont)

The Investment Report (Cont)

Currency markets

Over the 12 months to 31 March 2023 sterling has depreciated against the US dollar and the Euro by 6.1% and 3.8% respectively. Sterling appreciated against the Yen by 3.0%.

Equity markets

Over the 12 months to 31 March 2023, equity markets returned negative performance across North America, Developed Asia Pacific (ex Japan) and Emerging Markets but was positive in other regions. The FTSE All World Index returned -0.7% whilst the FTSE Emerging Index returned -3.9% (both in sterling terms). FTSE All-Share Index returned 2.9% whilst Developed Europe (ex UK) was the best performing region with 8.5% (both in sterling terms).

Bond markets

UK government bond yields (which move inversely to bond price) increased over 12 months to 31 March 2023. Long maturity UK gilts have returned -29.7% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -16.3%.

Inflation-linked gilt yields also increased over the 12-month period. Long maturity UK index-linked gilts returned -39.1% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all stocks returned -26.7%.

Over the past year, local currency emerging market debt outperformed hard currency emerging market debt returning 5.7% and -8.7% respectively.

Alternative investment markets

The price of Brent crude oil continued to fall at the start of the second quarter of 2022, reaching a low of \$96 in early April 2022. This was due to continued concerns over global economic recession, and concerns over strict lockdowns in China as it faced the worse outbreak of COVID since the pandemic began. Oil prices steadily increased from mid-April 2022 onwards (primarily because of supply concerns of Russian oil) reaching a peak of \$122 per barrel in early June 2022, before falling back to \$106 per barrel at the end of Q2 2022. Oil prices fell throughout the third quarter of 2022, reaching a low of \$76.7 in late September, due to OPECs agreement to boost production by 648,000 barrels per day in August and continuing concerns over global economic recession occurring. Oil prices fluctuated throughout the fourth quarter, peaking at \$92.7 in early October and dropping to \$71 in early December. 2022 was one of the most volatile periods ever seen in the energy markets. Russia's invasion of Ukraine was the primary reason for prices rising above \$120 but this has been counteracted by the year end from growing US production and a massive release of oil from the Strategic Petroleum Reserve. Oil prices fluctuated throughout the first quarter of 2023, peaking at \$81.6 in late January and dropping to \$66.7 in mid-March. The collapse of Silicon Valley Bank and the forced takeover of Credit Suisse by UBS sparked fears of another banking crisis and a significant drop-off in demand for crude oil.

Commercial UK property (as measured by the IPD Monthly Index) has returned -14.9% over the 12 months to 31 March 2023.

Performance

Total Scheme investment returns for the Scheme year are summarised below:

Period to 31 March 2023	Return (%)
Quarter	+3.2
Year	-24.3
3 years (annualised)	-8.2

The Trustee's Report (Cont)

The Investment Report (Cont)

The following table provides a breakdown of returns since 1 Jan 2013, when the current investment structure was put in place:

Asset class / Portfolio	Since inception return (% pa)
<i>Global equities:</i>	
Global equities (including Emerging)	8.1
<i>Alternative betas:</i>	
Diversifying Strategies	1.4
<i>Credit:</i>	
Global high yield ¹	5.5
Securitised credit ²	4.1
Emerging Market Debt ³	-1.4
Investment Grade Credit ⁴	0.5
<i>Private markets:</i>	
Infrastructure	10.0
REITs ⁵	0.9
Secure Income Assets ⁶	3.7
<i>Protection Strategies</i>	
Protection Strategies ⁷	6.1
<i>Matching assets:</i>	
Matching assets (excluding cash)	7.7
Cash	0.2
Long-term Core Credit ⁸	-15.0
Total Scheme	4.2

¹ Global High Yield inception date – 01/12/2015

² Securitised Credit inception date – 01/06/2016

³ Emerging Market Debt inception date – 30/11/2017

⁴ Investment Grade Credit inception date – 01/05/2020

⁵ REITs inception date – 01/11/2016

⁶ Secure Income Assets inception date – 01/12/2018 – performance as reported by the Scheme's performance measurer (State Street) is lagged as at 31 December 2022

⁷ Protection Strategies inception date – 01/05/2019

⁸ Long-term Core Credit inception date – 01/05/2022

The Trustee's Report (Cont)

The Investment Report (Cont)

DC Section

Performance

DC Section investment returns for the are summarised below:

Fund name	Annualised returns to 31 March 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Scottish Widows Cash CS7	1.70%	0.39%	0.29%
Scottish Widows Pension Portfolio Five CS7	1.59%	0.58%	0.50%
Scottish Widows Pension Portfolio Four CS7	-7.14%	3.46%	2.17%
Scottish Widows Pension Portfolio Three CS7	-6.27%	7.96%	4.07%
Scottish Widows Pension Portfolio Two CS7	-6.05%	10.37%	5.09%
Scottish Widows Pension Protector CS7	-24.11%	-9.54%	-4.40%
SW Money Market CS1	1.76%	0.28%	0.20%
SW Passive Annuity Purchase CS1	-20.98%	-10.33%	-3.91%
SW Passive Multi-Asset II CS1	-9.32%	1.83%	2.53%
SW Passive Multi-Asset III CS1	-5.69%	6.93%	4.54%
SW Passive Multi-Asset IV CS1	-4.08	10.70%	6.32%
SW Passive Multi-Asset V CS1	-2.56%	14.87%	9.08%
SW LGIM Future World Global Equity Index CS1	-4.07%	n/a	n/a
UPS Equity Growth	-3.21%	15.03%	9.45%
UPS Money Market	1.84%	0.34%	0.34%
UPS Pre-Retirement	-25.31%	-11.76%	-4.89%

Implementation Statements

Implementation statements have been included on page 47 for the DB Section and page 62 for the DC Section. These statements form part of the Trustee's Report.

The Trustee's Report (Cont)

Approval of Trustee's Report

The Trustee's report including the Implementation Statements on page 47 onwards is approved by the Trustee and signed for and on behalf of the Trustee:

Date: 21 September 2023

Signed on behalf of the Trustee:



Director



Director

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the Schedule.

Summary of Contributions payable in the year

During the year, the contributions payable to the Scheme under the Schedules of Contributions were as follows:

Defined Benefit Section

	£
Employer normal contributions	1,928,696
Employer deficit contributions	1,361,304
Members' normal contributions	414,368

Defined Contribution Section

Employer normal contributions	2,437,634
Members' normal contributions	1,376,101
Employer additional reserve fund	17,610

Total contributions payable under the Schedules of Contributions and reported on by the Scheme auditor	7,535,713
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During the year, the contributions not payable per the Schedules of Contributions were as follows:

Defined Benefit Section

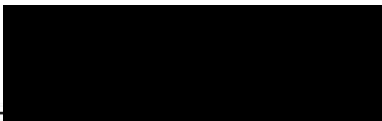

Members' Additional Voluntary Contributions	59,174
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Defined Contribution Section

Members' Additional Voluntary Contributions	69,484
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Total contributions reported in the financial statements	7,664,371
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Signed on behalf of the Trustee:

 Director	
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Date: 21 September 2023

Independent Auditor's Statement about Contributions to the Trustee of The University of Warwick Pension Scheme

We have examined the summary of contributions payable under the Schedules of Contributions to the University of Warwick Pension Scheme in respect of the Scheme year ended 31 March 2023 which is set out on page 19.

In our opinion contributions for the scheme year ended 31 March 2023 as reported in the Summary of Contributions and payable under the Schedules of Contributions have, in all material respects, from 1 April 2022 to 22 March 2023 been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 5 June 2020 and subsequently been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 23 March 2023.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 9, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedules of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee for our work, for this statement, or for the opinions we have formed.



Iryndeeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 22 September 2023

Independent Auditor's Report to the Trustee of The University of Warwick Pension Scheme

Opinion

We have audited the financial statements of The University of Warwick Pension Scheme ("the Scheme") for the year ended 31 March 2023 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Independent Auditor's Report (Cont)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee's Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or its delegates including Scheme Management) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of unlisted investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and unusual entries to cash.
- Assessing whether the judgements made in accounting estimates are indicative of potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and Scheme Management (as required by auditing standards), and discussed with the Trustee and Scheme Management the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee's meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report (Cont)

Secondly, the Scheme is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognizing the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 20 of the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee has responsibility for the other information, which comprises the Trustee's Report (including the Report on Actuarial Liabilities, Implementation Statement and the Summary of contributions), and the Actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 9, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Independent Auditor's Report (Cont)

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.



Iryndeeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 22 September 2023

The Financial Statements

Fund Account

for the year ended 31 March 2023

	Note	31 March 2023			31 March 2022
		Defined Benefit Section £	Defined Contribution Section £	Total £	Total £
Contributions and benefits					
Employer contributions		3,290,000	2,455,244	5,745,244	5,464,787
Employee contributions		473,542	1,445,585	1,919,127	1,873,944
Total contributions	5	3,763,542	3,900,829	7,664,371	7,338,731
Transfers in	6	-	112,443	112,443	24,943
Other income	7	114,459	113,858	228,317	29,017
		3,878,001	4,127,130	8,005,131	7,392,691
Benefits paid or payable	8	(6,601,683)	(424,301)	(7,025,984)	(6,644,014)
Payments to and on account of leavers	9	(355,437)	(383,643)	(739,080)	(270,393)
Administrative expenses	10	(586,065)	(156,644)	(742,709)	(664,420)
Other payments	11	(18,044)	(71,772)	(89,816)	(167,739)
		(7,561,229)	(1,036,360)	(8,597,589)	(7,746,566)
Net (withdrawals) / additions from dealings with members		(3,683,228)	3,090,770	(592,458)	(353,875)
Returns on investments					
Investment income	12	8,031,269	264	8,031,533	11,730,210
Change in market value of investments	13	(64,670,421)	(893,168)	(65,563,589)	(7,503,741)
Investment management expenses	14	(527,916)	(107,854)	(635,770)	(616,032)
Net returns on investments		(57,167,068)	(1,000,758)	(58,167,826)	3,610,437
Net (decrease) / increase in the fund during the year		(60,850,296)	2,090,012	(58,760,284)	3,256,562
Transfers between sections	23	(51,166)	51,166	-	-
Net assets of the Scheme					
At 1 April 2022		233,603,215	26,215,951	259,819,166	256,562,604
At 31 March 2023		172,701,753	28,357,129	201,058,882	259,819,166

The notes on pages 27 to 42 form part of these financial statements.

Statement of Net Assets

available for benefits as at 31 March 2023

	Note	31 March 2023			31 March
		Defined	Defined	Total	2022
		Benefit Section	Contribution Section		Total
		£	£	£	£
Investment assets:					
Pooled investment vehicles	16	166,407,061	28,016,245	194,423,306	257,051,634
Cash in transit	13	3,700,000	-	3,700,000	51,453
AVC investments	17	787,603	-	787,603	836,767
Total investments		170,894,664	28,016,245	198,910,909	257,939,854
Current assets	21	2,077,245	439,203	2,516,448	2,140,058
Current liabilities	22	(270,156)	(98,319)	(368,475)	(260,746)
Net assets of the Scheme at 31 March available for benefits		172,701,753	28,357,129	201,058,882	259,819,166

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section is dealt with in the Report on Actuarial Liabilities on pages 10 to 11 of the Annual Report and these financial statements should be read in conjunction with this report.

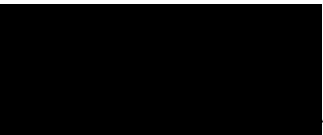
The notes on pages 27 to 42 form part of these financial statements.

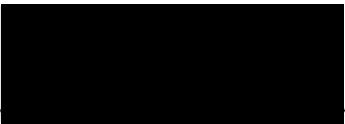
These financial statements were approved by the Trustee on

Date:

21 September 2023

Signed on behalf of the Trustee:

 Director

 Director

Notes to the Financial Statements

1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Scheme has adequate resources to meet obligations as they fall due for at least the next twelve months from the approval of these financial statements.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

3. Accounting policies

The principal accounting policies of the Scheme which are applied consistently are as follows:

Currency

- The Scheme's functional and presentational currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Contributions

- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and Trustee.
- Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.
- Employer normal contributions are accounted for in accordance with the Schedule of Contributions in force during the year.
- Employer additional contributions are accounted for in accordance with the agreement under which they are payable or, in the absence of an agreement, on a receipts basis.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

Expenses

- Expenses are accounted for on an accruals basis.
- Investment management expenses are also accounted for on an accruals basis.

Investment income

- Income from pooled investment vehicles is accounted for when declared by the fund manager.
- Income from cash and short term deposits is accounted for on an accruals basis.
- Receipts from annuity policies are accounted for as investment income on an accruals basis.
- Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".

Investments are included at fair value as stated below:

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.

Notes to the Financial Statements (Cont)

3. Accounting policies (Cont)

- Annuities purchased by the Trustee which fully provide the benefits for certain members are not included as assets of the Scheme as they are deemed not material. The cost of purchasing these annuities is reported under benefits payable within the Fund Account.
- With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

4. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund account

	Note	31 March 2022		Total £
		Defined Benefit Section £	Defined Contribution Section £	
Contributions and benefits				
Employer contributions		3,291,592	2,173,195	5,464,787
Employee contributions		490,912	1,383,032	1,873,944
Total contributions	5	3,782,504	3,556,227	7,338,731
Transfers in	6	-	24,943	24,943
Other income	7	-	29,017	29,017
		3,782,504	3,610,187	7,392,691
Benefits paid or payable	8	(6,405,846)	(238,168)	(6,644,014)
Payments to and on account of leavers	9	(59,436)	(210,957)	(270,393)
Administrative expenses	10	(570,977)	(93,443)	(664,420)
Other payments	11	(34,786)	(132,953)	(167,739)
		(7,071,045)	(675,521)	(7,746,566)
Net (withdrawals) / additions from dealings with members		(3,288,541)	2,934,666	(353,875)
Returns on investments				
Investment income	12	11,730,210	-	11,730,210
Change in market value of investments	13	(9,063,312)	1,559,571	(7,503,741)
Investment management expenses	14	(506,211)	(109,821)	(616,032)
Net returns on investments		2,160,687	1,449,750	3,610,437
Net (decrease) / increase in the fund during the year		(1,127,854)	4,384,416	3,256,562
Net assets of the Scheme				
At 1 April 2021		234,731,069	21,831,535	256,562,604
At 31 March 2022		233,603,215	26,215,951	259,819,166

Notes to the Financial Statements (Cont)

4. Comparative disclosures for the Fund Account and Statement of Net Assets (Cont)

Net Assets Statement available for benefits at 31 March 2022

	Note	31 March 2022		Total £
		Defined Benefit Section £	Defined Contribution Section £	
Investment assets:				
Pooled investment vehicles	16	231,155,240	25,896,394	257,051,634
Cash in transit	13	-	51,453	51,453
AVC investments	17	836,767	-	836,767
Total net investments		231,992,007	25,947,847	257,939,854
Current assets	21	1,796,802	343,256	2,140,058
Current liabilities	22	(185,594)	(75,152)	(260,746)
Net assets of the Scheme at 31 March 2022 available for benefits		233,603,215	26,215,951	259,819,166

5. Contributions

	Defined Benefit Section £	2023 Defined Contribution Section £	Total £
Employer contributions			
Normal	1,928,696	2,437,634	4,366,330
Deficit	1,361,304	-	1,361,304
Additional	-	17,610	17,610
	3,290,000	2,455,244	5,745,244
Employee contributions			
Normal	414,368	1,376,101	1,790,469
Additional voluntary contributions	59,174	69,484	128,658
	473,542	1,445,585	1,919,127
	3,763,542	3,900,829	7,664,371
2022			
Employer contributions			
Normal	2,043,883	2,156,794	4,200,677
Deficit	1,246,117	-	1,246,117
Additional	1,592	16,401	17,993
	3,291,592	2,173,195	5,464,787
Employee contributions			
Normal	439,325	1,290,994	1,730,319
Additional voluntary contributions	51,587	92,038	143,625
	490,912	1,383,032	1,873,944
	3,782,504	3,556,227	7,338,731

Notes to the Financial Statements (Cont)

5. Contributions (Cont)

Salary sacrifice contributions have been included within employee normal contributions.

Total employer contributions of £3.29m per annum are being paid to the DB Section of the Scheme until 31 March 2028 in accordance with a Recovery Plan to improve the Scheme's funding position. These contributions comprise normal contributions for active DB members, the provision of death in service benefits, the expenses of administering the Scheme (including PPF levies) and deficit shortfall contributions.

6. Transfers in

	Defined Benefit Section £	2023 Defined Contribution Section £	Total £
Individual transfers in from other schemes	-	112,443	112,443
2022			
Individual transfers in from other schemes	-	24,943	24,943

7. Other income

	Defined Benefit Section £	2023 Defined Contribution Section £	Total £
Claims on term insurance policies	114,459	113,858	228,317
2022			
Claims on term insurance policies	-	29,017	29,017

8. Benefits paid or payable

	Defined Benefit Section £	2023 Defined Contribution Section £	Total £
Pensions	5,320,387	-	5,320,387
Commutations and lump sum retirement benefits	1,252,192	249,606	1,501,798
Lump sum death benefits	29,104	174,695	203,799
	6,601,683	424,301	7,025,984
2022			
Pensions	5,076,711	-	5,076,711
Commutations and lump sum retirement benefits	1,310,395	205,244	1,515,639
Lump sum death benefits	18,740	32,924	51,664
	6,405,846	238,168	6,644,014

Notes to the Financial Statements (Cont)

9. Payments to and on account of leavers

	Defined Benefit Section	2023 Defined Contribution Section	Total
	£	£	£
Refunds to members leaving service	-	5,135	5,135
Individual transfers to other schemes	355,437	378,508	733,945
	355,437	383,643	739,080
		2022	
Refunds to members leaving service	-	6,133	6,133
Individual transfers to other schemes	59,436	204,824	264,260
	59,436	210,957	270,393

10. Administrative expenses

	Defined Benefit Section	2023 Defined Contribution Section	Total
	£	£	£
Administration and processing	262,834	109,662	372,496
Actuarial fees	174,472	-	174,472
Audit fee	15,960	15,960	31,920
Legal and other professional fees	38,999	28,357	67,356
PPF Levy	89,832	-	89,832
Miscellaneous	3,968	2,665	6,633
	586,065	156,644	742,709
		2022	
Administration and processing	253,948	53,910	307,858
Actuarial fees	221,127	-	221,127
Audit fee	12,300	12,300	24,600
Legal and other professional fees	8,058	18,802	26,860
PPF Levy	71,219	8,358	79,577
Miscellaneous	4,325	73	4,398
	570,977	93,443	664,420

The Scheme bears all other costs of administration. The administration fees payable to the University's HR Department were £94,440 (2022: £38,700).

Notes to the Financial Statements (Cont)

11. Other payments

	Defined Benefit Section	2023 Defined Contribution Section	Total
	£	£	£
Premiums on term insurance policies	18,044	71,772	89,816
2022			
Premiums on term insurance policies	34,786	132,953	167,739

A policy was held with Aviva Life & Pensions UK Ltd to cover the Scheme against lump sum payments in the event of a member's death during service until August 2022, when the policy moved to Unum Limited.

12. Investment income

	Defined Benefit Section	2023 Defined Contribution Section	Total
	£	£	£
Income from pooled investment vehicles	7,884,753	-	7,884,753
Annuity income	56,430	-	56,430
Currency gain / (loss)	85,111	-	85,111
Interest on cash deposits	4,975	264	5,239
	8,031,269	264	8,031,533
2022			
Income from pooled investment vehicles	11,768,551	-	11,768,551
Annuity income	57,180	-	57,180
Currency gain / (loss)	(95,521)	-	(95,521)
Interest on cash deposits	-	-	-
	11,730,210	-	11,730,210

Notes to the Financial Statements (Cont)

13. Reconciliation of investments

	Value at 31 March 2022 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 March 2023 £
Defined Benefit Section					
Pooled investment vehicles	231,155,240	274,225,077	(274,307,114)	(64,666,142)	166,407,061
AVC investments	836,767	59,174	(104,059)	(4,279)	787,603
	231,992,007	274,225,077	(274,411,173)	(64,670,421)	167,194,664
Cash in transit	-				3,700,000
	231,992,007				170,894,664
Defined Contribution Section					
Pooled investment vehicles	25,896,394	27,102,293	(24,089,274)	(893,168)	28,016,245
Cash in transit	51,453				-
	25,947,847				198,910,909

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Scheme.

The Defined Contribution Section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting. Defined contribution assets are allocated to members and the Trustee as follows:

	2023 £	2022 £
Members	27,659,929	25,382,490
Trustee	356,316	513,904
	28,016,245	25,896,394

14. Investment management expenses

	Defined Benefit Section £	2023 Defined Contribution Section £	Total £
Administration, management and custody	153,586	104,013	257,599
Advisory	374,330	3,841	378,171
	527,916	107,854	635,770
2022			
Administration, management and custody	162,947	103,531	266,478
Advisory	343,264	6,290	349,554
	506,211	109,821	616,032

Notes to the Financial Statements (Cont)

15. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

16. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2023	2022
	£	£
Defined Benefit Section		
Equities	51,709,722	51,036,282
Bonds	31,118,447	33,405,617
LDI	63,248,611	81,202,356
Cash	2,634,609	24,880,888
Multi-Asset	15,869,871	33,901,741
Property	1,825,801	6,712,079
Hedge funds	-	15,277
	<u>166,407,061</u>	<u>231,154,240</u>
Defined Contribution Section		
Multi-Asset	25,329,401	22,939,856
Bonds	1,197,724	1,527,491
Equities	1,164,425	1,146,288
Cash	324,695	282,759
	<u>28,016,245</u>	<u>25,896,394</u>

The Multi-Asset funds hold a variety of investments including equities, bonds, derivatives and commodities.

17. Defined Benefit Section AVC investments

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to the Scheme year end confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2023	2022
	£	£
Prudential Assurance Company Ltd - with-profits insurance policy	787,603	836,767

Notes to the Financial Statements (Cont)

18. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets have been fair valued using the above hierarchy levels as follows:

	As at 31 March 2023			Total £
	Level 1 £	Level 2 £	Level 3 £	
Defined Benefit Section				
Pooled investment vehicles	2,634,609	159,953,879	3,818,573	166,407,061
AVC investments	-	-	787,603	787,603
Cash in transit	3,700,000	-	-	3,700,000
	<u>6,334,609</u>	<u>159,953,879</u>	<u>4,606,176</u>	<u>170,894,664</u>
Defined Contribution Section				
Pooled investment vehicles	-	28,016,245	-	28,016,245
	<u>6,334,609</u>	<u>187,970,124</u>	<u>4,606,176</u>	<u>198,910,909</u>
	As at 31 March 2022			Total £
	Level 1 £	Level 2 £	Level 3 £	
Defined Benefit Section				
Pooled investment vehicles	24,880,888	195,883,218	10,391,134	231,155,240
AVC investments	-	-	836,767	836,767
Cash in transit	-	-	-	-
	<u>24,880,888</u>	<u>195,883,218</u>	<u>11,227,901</u>	<u>231,992,007</u>
Defined Contribution Section				
Pooled investment vehicles	51,453	25,896,394	-	25,947,847
	<u>24,932,341</u>	<u>221,779,612</u>	<u>11,227,901</u>	<u>257,939,854</u>

Notes to the Financial Statements (Cont)

19. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives.

The Trustee's risk management policy is documented in the Statement of Investment Principles. These investment objectives and risk limits are implemented through the agreements in place with the Scheme's DCIO and monitored by the Trustee through its reviews of the investment portfolio.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Defined Benefit Section

(i) Credit risk

The Scheme is subject to credit risk in three ways:

1. By investing in pooled investment vehicles, the Scheme is directly exposed to credit risk in relation to units (or equivalent) held in the pooled investment vehicles
2. The Scheme is also indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles, such as bonds and swaps.
3. By holding cash balances in a bank account.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of investments amongst a number of pooled arrangements.

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

A summary of the legal structure of the pooled investment vehicles held by the Scheme is shown below:

Legal structure	2023 £m	2022 £m
Open-ended investment company (OEIC)	3.8	9.4
Société d'investissement à Capital Variable (SICAV)	4.9	6.2
Irish Collective Asset-management Vehicle (ICAV)	63.2	83.2
Qualifying Investor Alternative Investment Fund (QIAIF)	48.0	33.4
Unit Linked Insurance Contracts	13.6	36.3
Investment Company with Variable Capital (ICVC)	0.8	6.4
Trust Company	3.7	1.0
Undertakings for the Collective Investment in Transferable Securities (UCITs)	2.6	24.9
Common Contractual Funds (CCF)	28.4	30.4
Cayman Islands Exempted Company	1.1	-
Total	170.1	231.2

There are specific limits in the Fiduciary Management Agreement with Towers Watson Ltd on maximum allocations to single manager pooled vehicles:

- A maximum of 25% of assets in any fund investing primarily in cash, investment grade bonds and liability hedging instruments
- A maximum of 20% of assets in any other collective investment schemes.

As DCIO, Towers Watson Ltd carries out due diligence checks on the appointment of new pooled investment managers and monitors incumbent managers on an ongoing basis, in particular where there are any changes to the regulatory and operating environment of the pooled manager.

Credit risk arising on bonds within a pooled investment vehicle is mitigated by investing predominantly in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Scheme also invests in non-investment grade bond pooled investment vehicles. This risk is managed by restrictions set in underlying manager documentation which aims to diversify the portfolio to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds pooled investment vehicles that invest in government bonds, OTC derivative contracts (e.g. Repurchase agreements, Interest rate swaps, inflation swaps and options contracts) and cash. These funds fulfil a specific purpose in the Scheme's investment strategy, which is either to match the characteristics of the Scheme's liabilities (Liability Driven Investments) or provide the Scheme with protection in a downside market event (Downside Risk Hedging). These investments are also discussed under interest rate risk.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by the manager ensuring there is sufficient collateral arrangements in place and diversification of counterparties.

Cash is held within financial institutions which are at least investment grade credit rated.

The DCIO is not permitted to participate in any securities lending on behalf of the Scheme except where lending takes place inside a pooled fund or through repurchase agreements as discussed above.

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

A summary of the investments subject to direct credit risk is shown in the table below:

Asset category	Investment grade	Un-rated	Total
Return - seeking	(£m)	(£m)	(£m)
Pooled investment vehicles	-	75.0	75.0
Liability matching	(£m)	(£m)	(£m)
Pooled investment vehicles	-	88.8	88.8
Cash	2.6	-	2.6
Total Scheme	2.6	163.8	166.4

A summary of the investments subject to indirect credit risk is shown in the table below:

Asset category	Investment grade	Non-investment grade	Total
Return - seeking	(£m)	(£m)	(£m)
Pooled investment vehicles	11.4	8.7	20.1
Liability matching	(£m)	(£m)	(£m)
Pooled investment vehicles	88.8	-	88.8
Cash	2.6	-	2.6
Total Scheme	102.8	8.7	111.5

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee limits overseas currency exposure by imposing a minimum allocation to Sterling of 50% within the Fiduciary Management Agreement.

(iii) Interest rate risk

The Scheme is subject to interest rate risk through its credit holdings, the Downside Risk Hedging and on the Liability Driven Investments (LDI) which comprises government bonds, cash, interest rate swaps, inflation swaps and repurchase agreements held in pooled vehicles. The purpose of the Scheme's LDI investments is to match the interest rate (and inflation) sensitivity of the Scheme's liabilities. Therefore when considering the Scheme's liabilities, these investments are risk reducing.

As at 31 March 2023, the capital allocated to the LDI represented c.36% of the total investment portfolio based on the fair value of the investments.

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes indirect investment in properties and other alternative investments via pooled vehicles. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Asset Class	Credit Risk			Market Risk	
	Indirect	Direct	FX risk	Interest rate risk	Other price risk
Equities	-	✓	✓	-	✓
Credit	✓	✓	✓	✓	✓
Property	-	✓	-	✓	✓
Listed infrastructure	-	✓	✓	-	✓
Diversifying strategies	-	✓	✓	-	✓
Protection strategies	✓	✓	✓	✓	✓
Liability Driven Investments (High quality bonds and cash equivalents)	✓	✓	-	✓	-
Cash	✓	✓	-	-	-

Defined Contribution Section

Investment strategy

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their Employer, will provide a retirement amount. The SIP outlines the investment objectives and strategy for the Defined Contribution (DC) assets of the Scheme.

The investment funds offered to members are white label funds provided by the investment provider as follows:

- Equity
- Bonds
- Cash
- Multi-assets

The Trustee has an investment management agreement in place with investment providers that sets out guidelines for the underlying investments held by the funds. The day to day management of the funds is the responsibility of the investment provider, including the direct management of credit and market risks. The investment provider may then itself delegate that responsibility to other providers. The Trustee monitors the underlying risks by quarterly investment reviews of the investment provider.

(i) Credit risk

The DC Section is exposed to credit risk through its holding in units of the funds provided by Zurich Assurance Limited. The investment provider is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the credit worthiness of the investment provider from time to time. The investment providers invest all the Scheme's funds in its own investment unit linked funds. In the event of default by the investment provider the Scheme is protected by the Financial Services Compensation Scheme. The DC section is also subject to indirect credit and market risk arising from the underlying investments held in the white label funds. Member level risk exposures will be dependent on the funds invested in by members. At the Scheme year-end, bond and cash funds were exposed to underlying credit risk. The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

(ii) Market risk

The Scheme's DC Section is subject to indirect interest rate and other price risk arising from the underlying financial instruments held in the funds managed by the investment provider.

- The equity fund is exposed to other price risk.
- The bond fund is exposed to interest rate risk.
- The cash fund is exposed to other price risk.
- The multi asset fund is exposed to interest rate and other price risk.

20. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year-end:

	2023		2022	
	£	%	£	%
Towers Watson LDI Solutions Plus ICAV	-	-	37,572,338	14.5
Towers Watson Secure Income Fund	28,355,952	14.1	30,421,435	11.7
Insight Liquidity Fund	-	-	24,880,877	9.6
Insight LDI Solutions Plus Long Fixed Fund	18,310,550	9.1	21,612,778	8.3
GPDK Robeco Global Sustainable	-	-	15,780,185	6.1
Scottish Widows Passive Multi-Asset IV CS1	-	-	13,928,717	5.4
Insight LDI Solutions Plus Short Real Fund	29,882,650	14.9	13,570,676	5.2
Towers Watson Diversifying Strategy Fund USD	-	-	13,079,476	5.0
Insight Liquidity holding Class 2 Shares Fund	12,940,208	6.4	-	-
Scottish Widows Pension Portfolio Two CS7	19,023,792	9.5	-	-
AMX Feeder AXA Long Sterling Dist B shares GBP	26,965,075	13.4	-	-

21. Current assets

	Defined	2023	Total
	Benefit	Defined	
	Section	Contribution	
	£	£	£
Contributions due from employer in respect of:			
Employers	274,167	219,804	493,971
Employees	35,639	138,758	174,397
Other debtors	8,581	-	8,581
Prepayments	433,961	-	433,961
Cash balances	1,324,897	80,641	1,405,538
	2,077,245	439,203	2,516,448

Notes to the Financial Statements (Cont)

21. Current assets (cont)

	2022		
Contributions due from employer in respect of:			
Employers	274,167	161,789	435,956
Employees	35,538	159,740	195,278
Other debtors	8,581	2,656	11,237
Due from DC Section	31,957	-	31,957
Cash balances	1,446,559	19,071	1,465,630
	<u>1,796,802</u>	<u>343,256</u>	<u>2,140,058</u>

Contributions due to the Scheme at the year-end have been paid subsequent to the year-end in accordance with the Schedule of Contributions.

Included in the DC Section bank balance is £6,098 (2022: £8,395) which is not allocated to members.

22. Current liabilities

	Defined Benefit Section	2023 Defined Contribution Section	Total
	£	£	£
Unpaid benefits	(113,761)	(78,372)	(192,133)
Accrued expenses	(156,395)	(19,947)	(176,342)
	<u>(270,156)</u>	<u>(98,319)</u>	<u>(368,475)</u>
		2022	
Unpaid benefits	(80,225)	(53,780)	(134,005)
Accrued expenses	(105,369)	(21,372)	(126,741)
	<u>(185,594)</u>	<u>(75,152)</u>	<u>(260,746)</u>

23. Transfers between sections

	Defined Benefit Section	2023 Defined Contribution Section	Total
	£	£	£
Reclassification of assets from DC to DB	(51,166)	51,166	-
		2022	
Reclassification of assets from DB to DC	-	-	-

The transfer of assets relates to DC benefits partially funded by the DB section in the year.

Notes to the Financial Statements (Cont)

24. Related party transactions

The Scheme has received contributions in respect of Trustee Directors (Quentin Compton-Bishop & Jennifer Davies) who are contributing Members of the Scheme. These transactions are made in accordance with the Scheme Rules.

Transactions with related parties of the Scheme have been disclosed in the Annual Report as follows:

- Contributions receivable from the Employer are disclosed in note 5.
- The Scheme is administered by the Employer's HR department and the fees payable are included in note 10 under Administration expenses.

25. Employer-related investments

There were no direct employer-related investments at the year-end.

Contributions are normally received by the Trustee in the subsequent month to that in which they are due. Under the accruals basis of accounting, these contributions are therefore shown as outstanding. However, as the contributions were received in line with the Schedule of Contributions after the year end, they do not become employer-related investments.

26. GMP equalisation

As explained on page 7 in the Trustee's Report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the issue will affect the Scheme and has formed a Data and GMP sub-committee and held meetings with its advisers to consider this further. Given the complexity of the topic it is still reviewing the data and options available.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements, it is not possible to estimate the value of any such adjustments at this time.

Certificate of Adequacy of Contributions

Actuarial Certification of Schedule of Contributions

Name of Scheme The University of Warwick Pension Scheme

Effective date of valuation 31 March 2022

Adequacy of rates of contributions

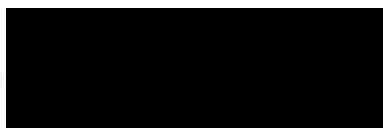
I hereby certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 31 March 2022 to be met by the end of the period specified in the recovery plan dated 23 March 2023.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, the Schedule of Contributions dated 23 March 2023 is consistent with the Statement of Funding Principles dated 23 March 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

Signature



Paul Fishleigh
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW company

Date: 23 March 2023

5 Wellington Place
Wellington Street
Leeds
LS1 4AP

Schedule of Contributions

Schedule of Contributions

Name of Scheme **The University of Warwick Pension Scheme**

In accordance with **Section 227 of the Pensions Act 2004** UPS Pension Trustee Limited ("the Trustee") has prepared the following **Schedule of Contributions** for The University of Warwick Pension Scheme ("the Scheme"), after obtaining the advice of **Paul Fishleigh**, the Scheme Actuary. The Trustee has discussed and agreed this **Schedule of Contributions** with the **University of Warwick**, on behalf of all participating employers (collectively referred to as "the University").

Contributions to be paid towards the Scheme from 1 April 2023 to 31 March 2028

Contributions payable under the previous **Schedule of Contributions** dated 5 June 2020 will continue to be payable until 31 March 2023.

Member Contributions – DB Section

Other than **voluntary** contributions, contributions of **5.5%** per annum, expressed as a percentage of **Pensionable Earnings**, are payable towards the **Scheme** by, or on **behalf of**, active members.

University Contributions – DB Section

The Trustee and the University have **agreed** that overall flat rate contributions of **£3.29m** per annum are **payable towards** the Scheme by the University in monthly instalments to 31 March 2027, which comprises contributions in respect of future accrual of **benefits** of active **DB Section** members, the provision of **death-in-service** benefits, the **expenses** of administering the **Scheme** (including **PPF** levies) and **deficit shortfall contributions**. From 1 April 2027, contributions are payable towards the Scheme by the University in monthly instalments in respect of future accrual of benefits of active **DB Section** members, the provision of **death-in-service** benefits and the expenses of administering the **Scheme** (including **PPF** levies).

The contributions in respect of future accrual of benefits of active **DB Section** members, the provision of **death-in-service** benefits and the expenses of administering the **Scheme** (including **PPF** levies), are **27.7%** per annum, expressed as a percentage of **Pensionable Earnings**. These are included within the overall flat rate contribution figure of **£3.29m** per annum set out above.

In accordance with the Recovery Plan dated 23 March 2023, the remaining contribution within the overall flat rate contribution figure of **£3.29m** per annum (after taking into account the regular contributions of **27.7%** per annum, expressed as a percentage of **Pensionable Earnings**, set out above) will be used to eliminate the funding deficit.

Member and University Contributions – Heritage DC Section

Active members of the Heritage DC Section can choose from Compulsory Contribution rates of **3%**, **4%** or **5%** of **Pensionable Earnings**.

The level of University contributions will depend on the rate of Compulsory Contributions the member chooses to pay as set out in the table below:

Member Compulsory Contribution rate (as a % of Pensionable Earnings)	University contribution rate (as a % of Pensionable Earnings)
3%	6%
4%	8%
5%	10%

Schedule of Contributions (Cont)

In addition to the **Compulsory Contributions** set out above, a member may, with the **Trustee's agreement**, also pay **additional voluntary contributions (AVCs)**. There are no **University matching contributions** in respect of any **AVCs**. **AVCs** are those **member only contributions** paid over the maximum **Compulsory Contribution** of 5%.

Member and University Contributions – Enterprise DC Section

Active members of the **Enterprise DC Section** must contribute at the rate of **5%** of **Qualifying Earnings**.

The level of **University contributions** will be **3%** of **Qualifying Earnings**.

In addition to the **Compulsory Contributions** set out above, a member may, with the **Trustee's agreement**, also pay **AVCs**. There are no **University matching contributions** in respect of any **AVCs** paid.

Reserve Account

The **Trustee** maintains a **Reserve Account** which, subject to adequacy, is available to be applied at the direction of the **Principal Employer**. The value of the **Reserve Account** shall never be less than zero. At this time, in line with the **Letter of Direction** dated 1 **December 2017**, the **Principal Employer** directs that the **Reserve Account** be used to meet **DC Section expenses including the provision of life assurance** and incapacity benefits.

In line with the **Letter of Direction** dated 1 **December 2017**, contributions to the **Reserve Account** in respect of the **Heritage DC Section** were set to nil with effect from 1 **January 2018**, with an annual review by **University management** to set **appropriate future contribution** levels.

In line with the **Letter of Direction** dated 1 **December 2017**, contributions to the **Reserve Account** in respect of the **Enterprise DC Section** were set to **0.5%** of **Pensionable Earnings** with effect from 1 **January 2018**, with an annual review by **University management** to set **appropriate future contribution** levels.

The **provisions** in respect of the use of the **Reserve Account** and any contributions to be made to it may be reviewed at any time, without **requiring** review of this schedule of contributions.

Paying contributions

All **contributions** set out within this **schedule** are **payable monthly** and are to be made on or before the 19th of the month immediately **following** the month to which they relate.

For members of any section participating in **Pensions Salary Sacrifice**, the **member's** contributions will be paid by way of salary **sacrifice** in accordance with the terms of **Pensions Salary Sacrifice**. The total **University** contribution rate for these members will be the sum of the **member's applicable** contribution rate and the respective **University contribution** rate.

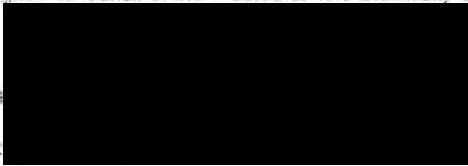
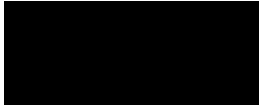
Schedule of Contributions (Cont)



Administration expenses

Administration expenses are met from the **Scheme's** assets. The Technical Provisions and contribution rates include an **allowance** for the expenses borne by the Scheme, including allowance for **PPF levies**.

This **Schedule** of Contributions has **been** agreed by the **Trustee** of The University of Warwick Pension Scheme

Signed on **behalf** of the **Trustee** of The University of Warwick Pension Scheme

Name:  Name: Hugh James Hunt 


Position:  Position: Trustee Chairman 

Date: 23 March 2023

Date: 23 March 2023

This **Schedule** of Contributions has been **agreed by** the University.

Signed on behalf of the University


Position: Director of Financial Strategy and Reporting - University of Warwick

Date: 23 March 2023

Implementation Statements (forming part of the Trustee's Report)

DB Section

The University of Warwick Pension Scheme – DB Section

Annual Implementation Statement (forming part of the Trustee's report) – Scheme Year ending 31 March 2023

Implementation Statements (Cont)

DB Section (Cont)

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Implementation Statement (Cont)

DB Section (Cont)

Section 1: Introduction and summary

This document is the Defined Benefit (“DB”) Annual Implementation Statement (“the Statement”), prepared by the Trustee of The University of Warwick Pension Scheme (the “Scheme”), corresponding to the Scheme’s DB Statement of Investment Principles (“SIP”), and covering the year from 1 April 2022 to 31 March 2023 (“the Scheme Year”).

The purpose of this Statement is to:

- Detail any reviews of the SIP the Trustee undertook over the Scheme Year, including the reasons for any changes made to the SIP over the year – see Section 2.
- Set out the extent to which, in the opinion of the Trustee, the Scheme’s SIP required under section 35 of the Pensions Act 1995 was followed during the Scheme Year – see Section 3. In summary, the Trustee considers that all the SIP policies and principles were adhered to during the year.
- Describe the voting behaviour by, or on behalf of, the Trustee over the Scheme Year – see Section 4.

A copy of this Statement will be made available on the following website:

<https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups>

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact. The Trustee confirms that the investments which the Scheme holds were chosen in line with the requirements of section 36 of the Pensions Act 1995.

To ensure that investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities to the Investment Sub Committee (“ISC”) and the Delegated Chief Investment Officer (“DCIO”). These responsibilities are set out in more detail in the SIP, but are mainly:

- **ISC:** Assisting the Trustee in developing an appropriate overall investment strategy (return target and risk budget) and the ongoing monitoring of the investment strategy and the activity and performance of the DCIO.
- **DCIO:** The Trustee has appointed a DCIO, Towers Watson Limited, to manage the Scheme’s assets. The Trustee has set the DCIO specific objectives and parameters within a bespoke Fiduciary Management Agreement, including the Scheme’s investment objectives and asset allocation limits. The Trustee believes in diversification and the Scheme’s portfolio is built using a diverse range of return-seeking and cashflow matching assets, as well as a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme’s liabilities to inflation and interest rates. The DCIO is responsible for implementing the Trustee’s agreed investment strategy, determining the asset allocation, selecting and de-selecting investment managers and reflecting Sustainable Investment (“SI”) considerations throughout the investment process. The DCIO considers the policies and principles set out in the Trustee’s SIP in addition to the specific Fiduciary Management investment guidelines set by the Trustee.

The Trustee considers that all SIP policies and principles were adhered to during the year.

Implementation Statement (Cont)

DB Section (Cont)

Section 2: SIP reviews/changes over the year

The version of the SIP in place at the start of the Scheme Year was dated April 2022. The SIP was reviewed by the Trustee at the end of the previous Scheme year, with minor changes made to the SIP in relation to the Trustee's responsible investing, stewardship and sustainability policy.

Implementation Statement (Cont)

DB Section (Cont)

Section 3: Adherence to the SIP

Below sets out the actions the Trustee has taken over the Scheme Year to adhere to the policies in the SIP and the ongoing monitoring of the policies as they are set out in the SIP.

Section 1: Introduction

This section provides the relevant introductory and background comments rather than setting out any policies.

Section 2: Division of responsibilities

This section primarily sets out the investment governance structure and responsibilities of the key parties in relation to the investment strategy and ongoing management of the Scheme's investments. Over the Scheme Year the Trustee:

- Held 3 ISC meetings - the topics covered include:
 - Review and consideration of an unconstrained approach to the return seeking portfolio
 - Updates on the impact of UK gilt market volatility on the Scheme and liability hedging arrangements
 - Updates on the impact of high inflation on the Scheme
 - An in-depth sustainable investment review
 - Review of investment consultant DB objectives
 - Cost and charges reporting
 - Portfolio turnover reporting
- Held 4 Trustee meetings and received updates from the DCIO and Scheme Actuary on the investment performance, progression of the Scheme's funding position and the outcomes from the ISC meetings.
- Received training on the following topics:
 - Inflation scenario analysis
 - LDI collateral management
 - Setting assumptions for the actuarial valuation as at 31 March 2022
 - Consultations on the new Defined Benefit funding regime and associated Code of Practice
 - The impact of high inflation on the application of member option terms
 - The Pension Regulator's annual DB funding statement
 - Bulk annuity transactions
 - Scheme governance and the new Single Code of Practice.
- Evaluated the performance of the DCIO against the objectives set and its broader performance as DCIO and concluded that it had met all of the objectives and had performed to a satisfactory standard.

The DCIO monitored the Scheme's underlying investment managers and Global Custodian and Performance Measurer on an ongoing basis.

Implementation Statement (Cont)

DB Section (Cont)

Section 3: Long-term objectives and investment strategy

- The Trustee has received advice on an investment strategy aimed at maximising the chances of achieving its objectives. The investment strategy was last formally reviewed in 2020, following the 2019 triennial actuarial valuation, and is next due to be reviewed in 2023.
- On a quarterly basis, the Trustee reviewed the Scheme's portfolio and performance of the DCIO via quarterly investment reports and updates from the DCIO covering:
 - Commentary on performance and portfolio changes
 - Performance of the underlying assets
 - Funding position of the Scheme
 - Risk and return statistics of the portfolio
 - Asset allocation
 - The DCIO's adherence to the investment guidelines set by the Trustee (No breaches were reported during the year).
- In order to ensure appropriate incentivisation and alignment of decision-making between the Trustee and the DCIO, the DCIO is subject to a number of obligations set out in its contractual arrangements with the Trustee and the DCIO is aware of and gives effect to the principles set out in the Trustee's SIP. The DCIO acted in accordance with these obligations throughout the year.
- The Trustee's investment strategy seeks to outperform a benchmark based on a projection of the Scheme's liability cashflows. The liability benchmark is updated following each actuarial valuation, and when there is any significant change to the structure of the Scheme's liabilities. The benchmark was last updated following the actuarial valuation in 2019.
- The DCIO monitored and reported on the Scheme's investments and managers on a regular basis to ensure that the investment strategy remained consistent with the Scheme's objectives.
- The DCIO monitored and reported on manager performance relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available. In addition, the DCIO assessed the performance of the Scheme's investment managers relative to peers and in the context of the prevailing market environment.
- The Trustee has implemented a dynamic risk management framework whereby the Scheme's funding position is monitored relative to agreed upside and downside triggers which are used to indicate if the Scheme is sufficiently ahead of or behind the journey plan to warrant reviewing or changing the Scheme's investment strategy. On a daily basis, using its proprietary software, Asset Liability Suite, the DCIO tracked an estimate of the Scheme's funding level relative to the Journey Plan and upside and downside triggers. Following the conclusion of the 2022 Actuarial Valuation in March 2023, the Scheme's funding level exceeded the upside trigger which resulted in the Trustee agreeing to de-risk the portfolio target return, as per the default dynamic risk management framework, from gilts + 1.5% p.a. to gilts + 1.3% p.a.
- The Trustee believes in diversification and the Scheme's portfolio is built using a diverse range of return-seeking and cashflow matching assets, as well as a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme's liabilities to inflation and interest rates, in line with the policies set out in the SIP. Throughout the year, implementation of this strategy including the realisation of investments was delegated to the DCIO who managed the balance of these investments.

Implementation Statement (Cont)

DB Section (Cont)

- The DCIO acted within guidelines set by the Trustee including asset allocation, manager and geographical diversification, and foreign currency exposure. In May 2022, the following changes were made to the guidelines:
 - Increased the maximum allocation to Secure Income Assets and assets that are not realisable within 1 year in order to further evolve the portfolio towards more cashflow matching assets, consistent with the long term strategic objective.
- The Trustee considers that the balance of investments held and the approach to managing risk is in the best interests of members in order to mitigate downside risk to the funding position of the Scheme whilst helping the Scheme to achieve its ultimate objective over an appropriate time horizon.

Section 4: Other investment policies

As set out above, the Trustee has delegated responsibility to the DCIO (within agreed investment guidelines and in accordance with the Trustee's SIP) to implement the Trustee's agreed investment strategy, including making certain decisions about investments in compliance with Sections 34 and 36 of the Pensions Act 1995. As such the DCIO is also responsible for:

- Choosing investments – including the selection and deselection of investments, and the ongoing management of relationships with asset managers.
- Sustainable and responsible investment – i.e. how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio in terms of both capital allocation and stewardship.
- Managing portfolio liquidity relative to the Scheme's requirements.

Choosing investments

- The DCIO considered past performance as one of several inputs into the assessment of investment managers, which relies predominantly on research views based on a range of qualitative and quantitative factors, including the consideration of SI/ESG factors as outlined below. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short term performance alone. Consistent with the Scheme's long investment time horizon, the Trustee seeks to be a long-term investor and the DCIO has appointed managers (in the majority of cases) with the expectation of a long-term relationship. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term. As at the end of the year, the Scheme was invested in 18 investment funds and the average tenure of the Trustee's investments in these funds was 5 years.
- As part of its manager selection and ongoing oversight processes, the DCIO considers the level of fees and the type of fee structures used by each manager (including a consideration of the alignment of interests created by certain fee structures). The DCIO considers a number of factors including the asset class / investment strategy, the way in which the strategy is implemented (e.g. active management or passive benchmark tracking), and fee benchmarking relative to peers. The majority of the Scheme's investment managers were paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The exceptions to this were in Secure Income Assets (SIAs) and Downside Risk Hedging assets, where some of the underlying managers' remuneration was partly based on performance over an appropriate time horizon. The use of performance fees for these types of investments (where manager skill is a key driver of expected returns) is quite common. The Trustee and DCIO recognise the incentives created by such fee structures and are comfortable with them given the highly active nature of these individual

Implementation Statement (Cont)

DB Section (Cont)

strategies, and in the context of the Scheme's wider investment portfolio where the aggregate use of these fee structures is limited.

- During the Scheme Year, the DCIO reviewed and reported to the Trustee on the total fees and costs incurred by the Scheme through its investments. As part of its review and reporting on the Scheme's costs, the DCIO also reported to the Trustee on the costs associated with portfolio turnover, including a consideration of whether experienced turnover within investment strategies was consistent with the individual manager's expectations and within the Fiduciary Manager's expectations given its knowledge and understanding of the asset class and peers. The Trustee and DCIO were comfortable that portfolio costs and level of portfolio turnover were consistent with expectations relative to the underlying investments.
- The DCIO is also responsible for managing the sustainability of the portfolio and how ESG factors are allowed for in the portfolio. The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed the DCIO who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the DCIO's performance in this area as part of its overall assessment of the DCIO's performance.
- The DCIO's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the DCIO engages with investment managers to improve their processes. Some examples of the impact these policies have had on the portfolio are disclosed in the next section.

Responsible investing, stewardship and sustainability

- In March 2023, the ISC carried out a detailed review of the DCIO's approach to Environmental, Social and Governance ("ESG") issues and how these are being incorporated by the DCIO into the portfolio. The review included:
 - A review of the Trustee's current SI policy to ensure it remains appropriate
 - Overview of updated regulations/guidance in relation to trustee stewardship disclosures
 - How the DCIO integrates sustainability and ESG into its ongoing process, including manager selection and research, portfolio construction and asset research
 - An assessment of the underlying investment managers and how sustainability and ESG factors are applied in the process for the managing of the assets. All of the Scheme's applicable mandates were rated either positive or neutral by the DCIO on ESG and stewardship metrics.
 - An overview of the Scheme's portfolio holdings applying an ESG lens, including:
 - How ESG considerations are explicitly integrated across the Scheme's investments, such as ESG factor tilts in the equity layer and investment into renewable energy in the Secure Income Assets layer.
 - A snapshot of the portfolio's SI credentials and exposures, including climate related exposures in line with the recommendations of the Taskforce for Climate-related Financial Disclosures.
- The ISC confirmed it was satisfied with the approach being taken by the DCIO on ESG and so was aligned with the Trustee's policies.

Implementation Statement (Cont)

DB Section (Cont)

- Over the Scheme Year the Trustee did not make any investment decisions based on non-financial matters.

The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in the annual implementation statement. This document is a statutory report and will be produced and published on an annual basis alongside the Scheme's Annual Reports and Accounts.

Liquidity and realisation of investments

- As part of the investment guidelines, the Trustee has also set liquidity limits that the DCIO must adhere to. The Trustee has a policy to ensure that the Scheme's cashflow requirements can be readily met without disrupting its investments.
- Throughout the Scheme Year, the DCIO regularly monitored the level of cash in the Scheme, and cashflows into/out of the Scheme to ensure that there were sufficient assets in readily realisable investments to meet the Scheme's requirements without disrupting its investments, including during the LDI crisis of September to October 2022.
- The Trustee monitored the liquidity of the Scheme's portfolio and cashflows into and out of the Scheme on a quarterly basis.
- The DCIO can make adjustments to the Scheme's allocation to cash when necessary within guidelines set by the Trustee.

Section 5: Risk management

Rather than setting out any policies, this section provides an overview of the broad range of risks recognised by the Trustee, risks which could ultimately lead to the Scheme accumulating insufficient assets to finance members benefits.

The Trustee has put in place an Integrated Risk Management Framework which seeks to identify, manage and monitor risks which could negatively impact the Scheme's ability to meet its funding objectives. This framework incorporates funding, covenant and investment factors and is ultimately used to help inform the Scheme's investment strategy. In relation to investment factors, the Trustee has identified a number of risks which it seeks to manage and monitor, in conjunction with the DCIO. Solvency and mismatch risk, investment manager risk, liquidity risk, and interest rate and inflation risks have been discussed above in the relevant sections on investment strategy and investment managers. The DCIO reported to the Trustee on each of these risks in meeting papers which were discussed at the Trustee's quarterly meetings. The Trustee also received an integrated investment and actuarial funding update on a quarterly basis at the Trustee meetings.

In addition to these risks, the Trustee also seeks to measure and manage:

Currency risk: This was managed through the use of currency hedged share classes for relevant foreign currency denominated investments by the DCIO, managing the overall foreign currency exposure in line with the investment guidelines set by the Trustee. Throughout the year, the DCIO left a small proportion of the Scheme's foreign currency exposure unhedged for reasons of diversification and return generation. The DCIO monitored the Scheme's unhedged exposures on a regular basis and reported this to the Trustee as part of its quarterly meeting papers.

Implementation Statement (Cont)

DB Section (Cont)

Custodial risk: Risk of the custodian becoming insolvent was addressed by investing in a diversified range of reputable pooled funds which have been researched from an Operational Due Diligence perspective and where the Scheme's assets are held by separate custodians appointed by the managers. In addition, any uninvested cash was swept into a pooled cash fund at the custodian where the assets are held off the custodian's balance sheet. In addition, the DCIO's specialist research team reviews the custodian on a regular basis.

Political risk: Risk arising from political regimes and actions, particularly in less established/ more opaque markets, was managed throughout the year by maintaining a well-diversified portfolio by geography and managed within geographical constraints specified in the investment guidelines. The DCIO considers political risk when determining whether to allocate capital to an investment and also in determining the relative sizing of an investment.

Sponsor risk: The Trustee received regular updates from the Sponsor to assess the level of ability and willingness of the Sponsor to support the continuation of contributions to the Scheme.

4: Voting and engagement

The Trustee has delegated the day to day ESG integration and stewardship activities (including voting and engagement) to its investment managers. The Trustee has not set any specific guidelines around manager voting.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was requested from the Scheme's equity and listed real assets managers (as here there is a right to vote as an ultimate owner of a stock) across the following five pooled funds:

- Adaptive capped ESG equity (LGIM)
- Multi-Factor equity (LGIM)
- Listed global prime property (LGIM)
- Listed infrastructure (LGIM)
- China A shares equity (FSSA)

Legal & General Investment Management ("LGIM")

The DCIO's view is that LGIM continues to demonstrate good practice vs. peers. In the past, LGIM has displayed a willingness to take visible stances on topics they believe are important. This is supported by an effective approach to conflict management, high transparency, and effective communications. Some of LGIM's strengths in this area are displayed publicly through its climate impact pledge program and through leading collaborative engagement efforts. However, the DCIO continues to engage with LGIM on the level of stewardship team resourcing as well as pushing for better/more effective fixed income engagement.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM which does not outsource any part of their strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The LGIM Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

Implementation Statement (Cont)

DB Section (Cont)

To ensure LGIM's proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what the DCIO considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure votes are fully and effectively executed in accordance with LGIM's voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

FSSA Investment Managers ("FSSA")

Corporate engagement and asset stewardship are a key part of the investment process for FSSA and has been a key part of the investment process across all of its investment strategies. The investment team's long-term investment horizon, approach of investing in companies with strong governance structures and history and experience of investing in local markets, supports the view that they are well-equipped to engage with company management with a view to improving outcomes for minority shareholders. The DCIO views FSSA's approach to SI as acceptable.

FSSA uses Glass Lewis as its proxy advisor. The Head of each asset class or their authorised signatory is responsible for ensuring that all company resolutions are reviewed such that an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. Once the proxy voting intentions have been confirmed, they must communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off date. FSSA will only vote in the best interests of its investors.

Manager voting data

The Trustee understands the importance of carrying out periodic reviews of the voting information and engagement policies of its investment managers to ensure they align with its own policies and principles. The table below provides a summary of the voting activity for the Scheme's relevant holdings over the year.

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment manager which is as noted above for the Scheme's equity and real assets managers. The DCIO has assessed the investment manager's voting policy as part of its overall assessment of the investment manager's capabilities. The DCIO considered the policy to be appropriate, and consistent with the Trustee's policies and objectives and ultimately therefore in the best financial interests of the members.

Implementation Statement (Cont)

DB Section (Cont)

	Votable Resolutions	% of votable resolutions voted on	% of votes with management	% votes against management	% of votes abstained
Adaptive capped ESG equity (LGIM)	38,231	99.8	77.9	20.7	1.4
Multi-Factor equity (LGIM)	25,927	99.8	79.7	19.5	0.8
Listed infrastructure (LGIM)	1,073	100.0	76.1	23.9	0.0
Listed global prime property (LGIM)	944	100.0	82.0	17.9	0.1
China A shares equity (FSSA)	1,106	100.0	96.6	3.2	0.0

Significant Votes

The Trustee has endeavoured to select “significant” votes which align with the DCIO’s identified priorities for voting and engagement – human and labour rights, and climate (and related topics) – where the data has allowed. The Trustee will review and update as appropriate its stewardship priorities during this Scheme Year.

The tables below give some examples of significant votes for the year to 31 March 2023:

Company name	Amazon.com, Inc.
Date of vote	25-May-2022
Summary of the resolution	This was a shareholder resolution to elect Daniel P. Huttenlocher as a director.
How LGIM voted	LGIM voted AGAINST the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics
Rationale for the voting decision	LGIM voted against the election of the director, as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings;
Outcome of the vote	Passed. 93.3% of shareholders voted for the resolution.
Implications of the outcome e.g lessons learned and likely future steps in response to the outcome	LGIM will continue to seek to engage with the company and monitor progress

Implementation Statement (Cont)

DB Section (Cont)

Company name	UBS Group AG
Date of vote	6-June-2022
Summary of the resolution	This was a shareholder resolution to approve a climate action plan.
How LGIM voted	LGIM voted AGAINST the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	While LGIM positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, LGIM have concerns with the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans of industry disruption.
Outcome of the vote	Passed. 77.7% of shareholders voted for the resolution.
Implications of the outcome e.g lessons learned and likely future steps in response to the outcome	LGIM will continue to engage with UBS on this topic, publicly advocate their position on this issue and monitor company and market-level progress.

Implementation Statement (Cont)

DB Section (Cont)

Company name	Amorepacific Corp.
Date of vote	17-March-23
Summary of the resolution	This was a shareholder resolution to approve the company's financial statements and allocation of income.
How LGIM voted	LGIM voted AGAINST the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	As part of LGIM's work on deforestation, engagement was undertaken in 2022 with companies that were at risk of not meeting LGIM's minimum expectations. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	There were two reasons for the voting decision. Firstly, the company had not provided accounts in time ahead of the shareholder meeting. Secondly, it was deemed that the company did not meet minimum standards with regards to LGIM's deforestation policy.
Outcome of the vote	Passed. 96.7% of shareholders voted for the resolution.
Implications of the outcome e.g lessons learned and likely future steps in response to the outcome	LGIM will continue to engage with the company and monitor progress.

Industry wide / public policy engagement

In addition to the above, the DCIO has partnered with EOS for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change.

The DCIO represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

Implementation Statement (Cont)

DB Section (Cont)

The DCIO is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Implementation Statement (Cont)

DC Section

The University of Warwick Pension Scheme: Defined Contribution Section Implementation Statement (forming part of the Trustee's Report)

Section 1: Introduction

This Implementation Statement has been prepared by UPS Pension Trustee Limited ("the Trustee") and relates to the defined contribution (DC) section ("the DC Section") of The University of Warwick Pension Scheme ("the Scheme"). It covers the Scheme year 1 April 2022 to 31 March 2023 and provides information on:

- The extent to which the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the Scheme year.
- A summary of changes (if any) to the Statement of Investment Principles (SIP) over the Scheme year and the reasons for the change.
- The extent to which, in the opinion of the Trustee, the DC Section of the Scheme's SIP has been followed during the Scheme year.
- A summary of the voting activity undertaken by the DC Section's pooled fund managers on behalf of the Trustee over the Scheme year, including information regarding the most significant votes.

A copy of this Implementation Statement will be made available on the following website:

<https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/>

Delegation of responsibilities

To ensure that decisions on implementing the investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates certain responsibilities to the Investment Sub Committee ("ISC") and, in respect of the DC Section, its bundled pension provider Scottish Widows.

These responsibilities are set out in more detail in the SIP, but are mainly:

- **ISC:** assisting the Trustee with developing an appropriate investment strategy for the DC Section and the ongoing monitoring of the investment strategy as well as the activity and performance of Scottish Widows.
- **Scottish Widows:** the DC Section's Default Option is structured as a 'governed' investment solution which is designed and implemented by Scottish Widows. Scottish Widows is responsible for the appointment and removal of the underlying investment managers used through the Default Option as well as the ongoing relationships with the investment managers.

DC Section review: important information

Over the Scheme year, the Trustee engaged with the University of Warwick (the "University") to carry out a review of the structure of the DC Section. A Working Group has been established, with representatives of the University and the Trustee to carry out this review and, as a result, it is likely that changes will be made to the DC Section in the near future. Further information setting out the impact of any changes will be provided at an appropriate point in the future.

Implementation Statement (Cont)

DC Section (Cont)

Section 2: Trustee's policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in place over the Scheme year describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustee delegates the exercise of rights (including voting rights) attached to the DC Section's investments to its investment managers. The Trustee expects Scottish Widows to monitor and report annually on the investment managers' approach to selecting investments, voting and engaging with companies with reference to Environmental Social & Governance (ESG) issues. The Trustee expects the investment manager(s) to vote and engage on behalf of the DC Section's holdings."

The Trustee reviews the stewardship and engagement activities of the underlying investment managers of the DC Section's investment options at least annually, through the reporting provided by Scottish Widows and as part of the preparation of this Statement.

Stewardship priorities

Following a change in regulation in June 2022, trustees are required to consider setting stewardship priorities or themes linked to their voting and engagement activity. In light of the work around the DC Section structure (noted above), at this time the Trustee has not set stewardship priorities but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. In doing so the Trustee will consider the degree to which its views are aligned with the themes identified by Scottish Widows as being central to its stewardship activity, namely; Climate and Environment, Human Rights and Cognitive Diversity on Boards.

Section 3: Review of, and changes to, the DC Section of the SIP

As at 1 April 2022, the version of the SIP in place was dated September 2020. There are two parts to the SIP, one covering the defined benefit (DB) section and one covering the DC Section and this reflects the operational differences between the two sections of the Scheme.

The DC Section of the SIP was reviewed once during the Scheme year and a revised version, dated June 2022, was published via the Scheme website (the link to this website is provided in Section 1). The revisions included:

- The addition of wording to further clarify the Trustee's arrangements with the DC Section's asset managers alongside the Trustee's appointment, engagement and monitoring practices.
- Amendments to reflect the introduction of a new default option (called the Scottish Widows Balanced Pension Investment Approach Targeting Flexible Access), the addition of a new range of Lifestyle Investment Options and changes to the range of self-select funds offered via the DC Section. This included information on the objective of each investment option, fees, and benchmark (where applicable).

Section 4: Adherence to the SIP

1. **Review of the Default Option.** Following a review undertaken in the Scheme year ending March 2021 and revisited by the ISC in the Scheme year ending March 2022 with support from the Trustee's professional advisers, the Trustee took the decision to implement Scottish Widows' proposed change to the DC Section Default Option. This involved moving away from the Scottish Widows Passive Interim Lifestyle Profile as the DC Section Default Option (now referred to as the Legacy Default Option) to the Scottish Widows Balanced Pension Investment Approach Targeted Flexible Access (the Default Option).

Implementation Statement (Cont)

DC Section (Cont)

In advance of the change, a communication was issued to all DC Section members which provided an overview of the impact of the change.

- For those members invested in the Legacy Default Option with more than 4 years to their Target Retirement Age (TRA), the switch to the Default Option was made automatically.
- For those members invested in the Legacy Default Option with 4 years or less to their TRA, no switch was made unless the member opted in. The decision not to automatically switch members in this group, reflected the difference in the types of investment held during this period of membership.

Throughout the process the Trustee monitored Scottish Widows progress and this included regular updates from Scottish Widows as well as monitoring of the transaction costs arising from the change. The process commenced in March 2022 and was completed in June 2022.

2. **Access to an appropriate range of self-select options.** Alongside the change to the DC Section Default Option, the Trustee implemented changes to the range of self-select investment options. These changes followed a review completed in September 2021 by the ISC, supported by the Trustee's professional advisers. The changes included:

- The introduction of a new self-select fund focussed on integrating Environmental, Social and Governance (ESG) factors into the investment management process (effective from February 2022).
- The inclusion of two additional lifestyle investment strategies which mirror the Default Option in terms of design but which target taking benefits as a cash lump sum or through the purchase of an annuity (effective from May 2022).
- The closure of three self-select funds to future contributions (effective from May 2022).
- The removal of two funds from the self-select range (effective from May 2022). Members and assets invested in these funds were automatically transferred to the Default Option.

3. **Quarterly monitoring of the investment options.** The Trustee reviews the performance of the DC Section's Default Option and wider range of investment funds each quarter. Scottish Widows provides quarterly investment performance reporting to support with this review.

The vast majority of the DC Section investment options are passively managed, and therefore these reviews consider whether the range of investment options and their underlying funds have performed in line with their stated benchmarks. However, the Default Option is managed in line with an inflation plus target and over the course of 2022 its performance had fallen short of this target.

The Trustee's queried the decision to use an inflation plus target with Scottish Widows at the November 2022 ISC meeting and the March 2023 Trustee meeting. Noting the challenging economic conditions experienced throughout 2022, the impact on the cost of living (through heightened inflation) and the long-term nature of the inflation plus target, the Trustee was satisfied that no changes were needed.

4. **Reviewing the investment managers' policies on responsible investing, stewardship and sustainability.** The ISC, on behalf of the Trustee, considers the responsible investment policies and practices of Scottish Widows and the underlying investment managers used through the DC Section.

Implementation Statement (Cont)

DC Section (Cont)

Scottish Widows was asked to update the ISC on activity in this area at the May 2022 ISC meeting and noted the publication of its Climate Action Plan in February 2022, which included four key actions that will allow it to reach Net-Zero by 2050 (with interim targets in 2025 and 2030). Scottish Widows operates exclusions across the majority of funds used by the Default Option (i.e. they do not invest in companies involved with, or that derive, a certain level of income from specific activities) and in early 2022 began directing its share of voting rights for the holdings in the BlackRock funds, with plans to expand this across other underlying managers. Scottish Widows remains committed to investing in companies focussed on reducing their environmental impact and improving people's wellbeing, and working with companies to help them evolve into more sustainable businesses.

The ISC concluded that the policies of Scottish Widows and the DC Section's pooled fund managers remain reasonable and continue to be broadly in line with the Trustee's own policies described in the SIP. As the bundled provider to the DC Section, the Trustee expects Scottish Widows to provide information and reporting on its ESG policies and practices as well as those of the DC Section's investment managers on an ongoing basis.

- 5. Non-financial matters.** In line with the policies outlined in the SIP, the Trustee did not make any allowance for non-financial matters and did not consider any member views for incorporation into its ESG policy over the Scheme year. Please note that members have not provided any views or opinions to the Trustee in the Scheme year 22/23 but the Trustee did conduct a survey in the Scheme year 23/24.
- 6. Communicating ESG and stewardship with DC Section members.** The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in the annual Implementation Statement. This document is a statutory report and will be produced on an annual basis alongside the Scheme's Annual Reports and Accounts.
- 7. The costs and charges applied through the DC Section.** The Trustee completes an annual assessment of the charges (Total Expense Ratios) and transaction costs levied by Scottish Widows, which are benchmarked by the Trustee's professional advisers. Such costs are reported to members in the Chairman's Statement on DC governance, available here:

<https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/>

Based on external advice, the Trustee believes that the charges and transaction costs applied to the DC Section's range of investment options are broadly competitive, taking into account the size of the arrangement and investment strategy of the DC Section.

Section 5: Voting and engagement

Over the Scheme year, the DC Section was invested exclusively in pooled investment vehicles managed by BlackRock, iShares (by BlackRock), State Street Global Advisers (SSgA), Aberdeen, Schroder and Legal & General Investment Management (LGIM). The majority of these funds are managed on a passive basis relative to a defined index, albeit there are a handful of funds held through the current DC Section Default Option that are actively managed.

Implementation Statement (Cont)

DC Section (Cont)

The role of Scottish Widows

Scottish Widows provides the platform through which the Trustee accesses the DC Section's range of pooled investment vehicles and is responsible for the appointment and removal of the underlying investment managers used through the Default Option, the range of alternative lifestyle options and the Legacy Default Option.

The voting and engagement entitlements of all of the DC Section's pooled investment vehicles lie with the investment managers as the legal owners of the securities. However, at the end of 2021, BlackRock announced it would enable pooled fund clients (such as Scottish Widows) to vote their own shares through the adoption of a choice of Institutional Shareholder Services' (ISS) voting policies. In 2021, Scottish Widows chose the ISS Socially Responsible Investment Policy¹, which it felt was most closely aligned with its approach to voting. This policy was implemented in April 2022. After a close engagement with SSgA, a similar approach will be adopted to the shares held through the SSgA funds for the Scheme year ending 31 March 2024. The ISC will continue to engage with Scottish Widows, at least annually, to understand how the application of its Responsible investment policies and practices continues to evolve.

Voting activity

The Trustee understands the importance of carrying out periodic reviews of the voting and engagement information of its investment managers to ensure they align with its own policies. The Trustee, together with its professional advisers, requested such information from Scottish Widows (as the bundled pension provider to the DC Section) for the period 1 April 2022 to 31 March 2023 and this was provided in June 2023.

Having reviewed the above in accordance with their policies, the Trustee is comfortable that the actions of the fund managers are broadly aligned with the DC Section's stewardship policies.

Manager voting data

The table below provides information, sourced from Scottish Widows, relating to the investment managers voting activity for the pooled investment funds provided through the DC Section over the Scheme year. This includes the underlying funds held by the Default Option, the Legacy Default Option, the wider range of lifestyle strategies and the range of self-select funds.

Please note that where information for funds held through the DC Section is not present in the table, data was either not provided by Scottish Widows or there are no voting rights attached to these assets. The Trustee, through its advisers, will continue to work with Scottish Widows and the DC Section's investment managers on the quality of data provided for future Statements.

Fund name	BlackRock ACS UK Equity Tracker Fund	BlackRock ACS World (Ex-UK) Equity Tracker Fund	BlackRock ACS Japan Equity Tracker Fund	BlackRock ACS Climate Transition World Equity Fund	BlackRock ACS US Equity Tracker Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour				

¹ In voting their shares, socially responsible institutional shareholders are concerned with sustainable economic returns to shareholders, good corporate governance and the ethical behaviour of corporations and the social and environmental impact of their actions.

Implementation Statement (Cont)

DC Section (Cont)

Fund name	BlackRock ACS UK Equity Tracker Fund	BlackRock ACS World (Ex-UK) Equity Tracker Fund	BlackRock ACS Japan Equity Tracker Fund	BlackRock ACS Climate Transition World Equity Fund	BlackRock ACS US Equity Tracker Fund
Number of company meetings the manager was eligible to vote at over the year	680	1,991	489	638	586
Number of resolutions the manager was eligible to vote on over the year	10,135	25,196	5,974	9,667	7,224
Percentage of resolutions the manager voted on	99%	95%	100%	93%	99%
Percentage of resolutions the manager abstained from	0%	0%	0%	0%	0%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	96%	93%	97%	95%	95%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	3%	6%	2%	4%	4%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0%	0%	1%	0%	0%

Fund name	BlackRock Aquila Connect Pac Rim Equity Fund	BlackRock ACS Continental European Equity Tracker Fund	iShares Emerging Markets Equity Index Fund	iShares Environment & Low Carbon Tilt Real Estate Index Fund*	LGIM Future World Global Equity Index Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour				
Number of company meetings the manager was eligible to vote at over the year	473	495	3,864	393	5,067
Number of resolutions the manager was eligible to vote on over the year	3,317	8,862	33,350	4,309	54,368
Percentage of resolutions the manager voted on	100%	86%	97%	84%	100%
Percentage of resolutions the manager abstained from	0%	1%	3%	0%	1%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	88%	88%	88%	95%	80%

Implementation Statement (Cont)

DC Section (Cont)

Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	11%	11%	11%	4%	19%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0%	0%	0%	0%	10%

* Note: the data provided by Scottish Widows for this fund covers the period 1 January 2022 to 31 December 2022

Fund name	SSgA Europe ex UK Screened (ex Controversies and CW) Index Equity Fund	SSgA Asia Pacific Ex-Japan Screened (ex Controversies and CW) Index Fund	SSgA AUT Emerging Market Screened Index Equity Tracker Fund	SSgA Emerging Markets ESG Screened Index Equity Sub-Fund	Aberdeen Global Corporate Bond Tracker Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour				
Number of company meetings the manager was eligible to vote at over the year	500	463	3,784	4,010	9
Number of resolutions the manager was eligible to vote on over the year	8,966	3,242	32,887	34,225	42
Percentage of resolutions the manager voted on	85%	100%	97%	97%	0%
Percentage of resolutions the manager abstained from	1%	1%	3%	2%	0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	89%	84%	82%	82%	0%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	11%	16%	18%	18%	0%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	7%	11%	7%	7%	0%

Notes:

- The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstentions as opposed to not returning a voting form or choosing to nominate a proxy.
- Given the fixed income focus of the Aberdeen Global Corporate Bond Fund limited voting information was provided.

Implementation Statement (Cont)

DC Section (Cont)

Proxy voting – BlackRock

BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform its voting decision. BlackRock's analysis is informed by its internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors at a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where BlackRock has engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention. In all situations the economic interests of its clients are paramount.

BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year. BlackRock's market-specific voting guidelines are available on its website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>

Proxy voting – LGIM

As with last year, for this year's Statement the Trustee has delegated to the investment manager(s) to define LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM does not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Proxy voting – SSgA

SSgA use a variety of third-party service providers to support its stewardship activities. Data and analysis from service providers are used as inputs to help inform its position and assist with prioritisation. However, all voting decisions and engagement activities are undertaken in accordance with SSgA's in-house policies and views, ensuring the interests of its clients remain the sole consideration when discharging its stewardship responsibilities. SSgA has contracted Institutional Shareholder Services (ISS) to assist with managing the voting process at shareholder meetings. SSgA use ISS to: (1) act as its proxy voting agent

Implementation Statement (Cont)

DC Section (Cont)

(providing State Street Global Advisors with vote execution and administration services), (2) assist in applying its voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances.

In addition, SSgA has access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement its in-house analysis of companies and individual ballot items. All final voting decisions are based on its proxy voting policies and in-house operational guidelines.

Significant votes

The Investment and Disclosure Regulations that came into force from October 2020 require information on significant votes carried out on behalf of the Trustee over the Scheme year to be included within this Statement. The guidance does not currently define what constitutes a “significant” vote, however recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes.

As noted earlier in this Statement, at this time the Trustee has not set stewardship priorities / themes for the DC Section. So, for this Implementation Statement, the Trustee, with support from its professional advisers has asked the investment managers to determine what they believe to be a significant vote. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Manager significant vote data

Each underlying fund manager provided significant vote data in a different format and the range of significant votes reported on was considerable. For the 9 BlackRock and iShares (BlackRock) funds noted above, **BlackRock** reported significant votes covering 93 shareholder resolutions (excluding duplication across the underlying funds) across 26 different companies. **SSgA** reported significant votes covering 346 shareholder resolutions across 242 different companies for the 3 underlying funds noted above. For the Future World Global Equity Index Fund, **LGIM** reported a total of 559 significant votes.

It is not feasible to detail each of these votes within this Statement and in the absence of agreed stewardship priorities / themes and common reporting the Trustee has elected to report a sample of the voting data, using the following criteria:

- For the BlackRock funds, the Trustee has selected 3 significant votes which, where possible, are broadly aligned with Scottish Widows’ 3 stewardship themes (noted in Section 2 above) and which were cited in Scottish Widows’ 2022 Stewardship report.
- For the SSgA funds, the Trustee has selected 3 significant votes which, where possible, are broadly aligned with Scottish Widows’ 3 stewardship themes (noted in Section 2 above) and which represent the largest holdings across the underlying funds.
- For the LGIM Fund, the Trustee has selected 3 significant votes which, where possible, are broadly aligned with Scottish Widows’ 3 stewardship themes (noted in Section 2 above) and which represent the largest holdings in the Fund.

All data provided in the tables below has been sourced from Scottish Widows and the underlying investment managers. Across the underlying managers the quality of data and format of reporting varies significantly and as a result there is some unavoidable inconsistency to the data included. Where no

Implementation Statement (Cont)

DC Section (Cont)

information was provided for specific items, this is noted as 'N/A'. The Trustee, through its advisers, will continue to work with Scottish Widows and the DC Section's investment managers on the quality of data provided for future Statements.

BlackRock	Vote 1; Amazon.com, Inc	Vote 2; ExxonMobil Corporation	Vote 3; Alphabet
Date of vote	25-May-22	25-May-22	01-Jun-22
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	N/A	N/A	N/A
Summary of the resolution	Report on Efforts to Reduce Plastic Use	Report on Low Carbon Business Planning	Report on Metrics and Efforts to Reduce Water Related Risk
How the manager voted	For	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		N/A	
Rationale for the voting decision	While BlackRock believed that Amazon's goals in relation to plastic recycling were clear, at the time of the AGM, the company did not explicitly disclose the total amount of plastic used, making it difficult for investors to determine how effectively it was managing this material risk and what progress it was making year on year. As a result, BlackRock supported this shareholder proposal, as having a better understanding, from enhanced disclosures, of how Amazon was addressing this material long-term business risk was aligned with investors' financial interests.	BlackRock did not support this shareholder proposal based on its assessment that it is overly prescriptive in nature and unduly constraining on management, and therefore not in its clients' long-term economic interests.	BlackRock supported this shareholder proposal as it believes it is in the best financial interests of its clients for Alphabet to enhance its disclosure on this material long-term business risk.
Outcome of the vote	N/A	N/A	N/A
Implications of the outcome	As a result of the vote, Amazon published an update to its packaging reduction strategy, detailing efforts to reduce and replace plastic packaging, among other initiatives, in December 2022. BlackRock will continue to engage with Amazon to discuss these issues and will	BlackRock believes ExxonMobil is making encouraging strides to improve its disclosure to provide shareholders with insight into its strategic business planning around the energy transition. ExxonMobil has a goal to achieve net zero emissions from its operated assets by 2050 with interim	N/A

Implementation Statement (Cont)

DC Section (Cont)

	monitor progress against stated plans	2030 targets and has increased planned investments to \$15 billion from 2022 through 2027.	
Criteria on which the vote is considered "significant"	Engaging on plastics pollution is an increasingly important topic for BIS	BlackRock did not believe this proposal was in the long-term economic interests of its clients	BlackRock believes that water management is a material risk for Alphabet given the significant volumes of water used to cool data centers
SSgA			
	Vote 1: Commonwealth Bank of Australia	Vote 3: Westpac Banking Corp.	Vote 3: Meltan
Date of vote	12-Oct-22	14-Dec-22	18-May-22
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.52%	2.01%	1.76%
Summary of the resolution	Report on Climate Change	Report on Climate Change	Elect Director
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSgA does not publicly communicate its vote in advance.		
SSgA Rationale for the voting decision	This proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	This proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	SSgA voted against the nominee due to the lack of gender diversity on the board.
Outcome of the vote	N/A	N/A	N/A
Implications of the outcome	Where appropriate SSgA will contact the company to explain its voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	Environmental Proposal	Environmental Proposal	Director Election

Implementation Statement (Cont)

DC Section (Cont)

LGIM	Vote 1: Amazon.com, Inc	Vote 2: NVIDIA Corporation	Vote 3: Alphabet Inc.
Date of vote	25-May-22	02-June-22	01-Jun-22
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.70%	1.20%	0.90%
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 1g - Elect Director Harvey C. Jones	Resolution 7 - Report on Physical Risks of Climate Change
How the manager voted	Against	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.		
LGIM Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	93.3% of shareholders supported the resolution.	0.8% of shareholders supported the resolution.	17.7% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Implementation Statement (Cont)

DC Section (Cont)

Fund level engagement

The table provides details of the engagement activity for the DC Section's pooled funds over the Scheme year. Please note that where funds are not present in the table, data was not provided by Scottish Widows.

Fund name	BlackRock ACS UK Equity Tracker Fund	BlackRock ACS World (Ex-UK) Equity Tracker Fund	BlackRock ACS Japan Equity Tracker Fund	BlackRock ACS Climate Transition World Equity Fund	BlackRock ACS US Equity Tracker Fund	BlackRock Aquila Connect Pac Rim Equity Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes	Yes
Total number of company engagements undertaken on behalf of the holdings in this fund in the year	3,132	1,599	293	711	662	207
Total number of individual companies engaged	1,982	936	193	401	385	141

Implementation Statement (Cont)

DC Section (Cont)

Fund name	BlackRock ACS Continental European Equity Tracker Fund	iShares Emerging Markets Equity Index Fund	iShares Environment & Low Carbon Tilt Real Estate Index Fund*	LGIM Future World Global Equity Index Fund	SSgA – firmwide engagements*
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes
Total number of company engagements undertaken on behalf of the holdings in this fund in the year	424	434	118	720	878
Total number of individual companies engaged	234	278	86	311	593

* SSgA does not report on fund level engagements and therefore figures quoted in the table above cover firmwide engagements.

Number of engagements by topic undertaken with holdings in the funds

The following table provides data on the number of engagements undertaken by BlackRock and LGIM segregated by broad ESG theme. Where funds are not present in the table, suitable data was not provided by Scottish Widows.

	BlackRock ACS UK Equity Tracker Fund	BlackRock ACS World (Ex-UK) Equity Tracker Fund	BlackRock ACS Japan Equity Tracker Fund	BlackRock ACS Climate Transition World Equity Fund	BlackRock ACS US Equity Tracker Fund	BlackRock Aquila Connect Pac Rim Equity Fund
Topic	Number of Engagements					
Environmental Issues	1,586	812	110	385	371	132
Social Issues	1,250	714	114	340	316	151
Governance Issues	2,809	1,450	278	686	586	193

	BlackRock ACS Continental European Equity Tracker Fund	iShares Emerging Markets Equity Index Fund	iShares Environment & Low Carbon Tilt Real Estate Index Fund*	LGIM Future World Global Equity Index Fund
Topic	Number of Engagements			
Environmental Issues	194	275	57	256
Social Issues	135	168	32	178
Governance Issues	385	391	116	252

Chair's Statement

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 2022 to 31 March 2023 ("the reporting period").
- 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.
 - 2.1.3. Over the Scheme year, the Trustee engaged with the University of Warwick (the "University") to carry out a review of the structure of the DC Section. A Working Group has been established, with representatives of the University and the Trustee to carry out this review and, as a result, it is likely that changes will be made to the DC Section in the near future. Further information setting out the impact of any changes will be provided at an appropriate point in the future.

3. The DC Section's default investment arrangement

Review of and recent changes to, the DC Section's default investment arrangement

- 3.1. The Trustee completed its last strategic review of the DC Section's default investment arrangements, the Scottish Widows Passive Interim Lifestyle Strategy ("the Legacy Default Option"), in the scheme year ending March 2021. This review considered Scottish Widows' future planned changes to the Legacy Default Option which would involve moving the vast majority of the DC Section's accrued assets and members into a new default investment option, called the Scottish Widows Balanced Pension Investment Approach (PIA). It also considered the degree to which these changes would be aligned to the needs of DC Section members as well as the Trustee's own investment beliefs. The review concluded that the changes being proposed by Scottish Widows should add value for members over the longer-term.
- 3.2. Whilst these changes had originally been planned for early 2021, Scottish Widows took the decision to delay their implementation in order to refine its approach. Scottish Widows presented its revised proposals to the Trustee in November 2021 and, with support from its professional advisers, the Trustee concluded that the change in approach did not materially impact the decisions made in 2020 and therefore the decision was made to go ahead.

Chair's Statement (Cont)

- 3.3. The Scottish Widows Balanced PIA was launched through the DC Section on 1 April 2022 for new members. Scottish Widows, on behalf of the Trustee, wrote to all existing investors in the Legacy Default Option in March 2022 to advise of the impact of these changes.
 - 3.3.1. For those members invested in the Legacy Default Option with more than 4 years to their Target Retirement Age (TRA), the transfer to the Scottish Widows Balanced PIA was made automatically.
 - 3.3.2. For those members invested in the Legacy Default Option with 4 years or less to their TRA, no change was made unless the member opted in. The decision not to automatically switch members with 4 years or less to TRA, reflected the difference in the types of investment held during this period of membership.
- 3.4. For impacted members, the transfer to the Scottish Widows Balanced PIA took place on 23 May 2022 and was completed by 13 June 2022. Throughout the process the Trustee monitored Scottish Widows' progress and this included regular updates from Scottish Widows as well as monitoring of the transaction costs arising from the change.
- 3.5. As a result of these changes, over the reporting period the DC Section had two default investment arrangements for the purposes of the regulations; the Legacy Default Option; and the Scottish Widows Balanced PIA ("the Default Option").
- 3.6. In line of the review of the DC section highlighted above, the next strategic review of DC Sections Default Options is due to be completed in the scheme year ending March 2024.

Design and objective of the DC Section's Default Option

- 3.7. The Default Option is a governed investment solution that is designed and implemented by Scottish Widows. It is a lifestyle investment strategy that invests in a range of multi-asset funds which vary in the amount of risk they will take depending upon how far each member is away from their Target Retirement Age (TRA).
 - 3.7.1. When a member is more than 15 years from TRA, the Balanced Pension Investment Approach Targeting Flexible Access will invest wholly in Pension Portfolio 2.
 - 3.7.2. From 15 years up to 5 years before each member's TRA, the investment solution looks to reduce the level of investment risk by automatically and gradually switching out of Pension Portfolio 2, initially into Pension Portfolio 3 and then into Pension Portfolio 4. At 5 years from TRA it will invest wholly in Pension Portfolio 4.
 - 3.7.3. Over the final 5 years to TRA, the Balanced Pension Investment Approach Targeting Flexible Access will switch a proportion of each member's investments out of Pension Portfolio 4 and into Pension Portfolio 5. At TRA it will target a portfolio that invests 25% in Pension Portfolio 5 and 75% in Pension Portfolio 4.
- 3.8. The objective of the Default is 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. In the approach to TRA It is designed to limit the extent to which members' benefits are exposed to large fluctuations in value. Up to five years before TRA it targets a portfolio that is designed to be broadly suitable regardless of how a member takes their benefits but is designed for those members targeting drawdown.

Design and objective of the DC Section's Legacy Default Option

- 3.9. Like the Default Option, the Legacy Default Option is a governed investment solution that is designed and implemented by Scottish Widows. It is a lifestyle investment strategy that invests in a range of multi-asset funds which vary in the amount of risk they will take depending upon how far each member is away from their TRA.
 - 3.9.1. When a member is a long way from TRA, the Legacy Default Option will hold investments that are designed to be higher risk (relative to other stages of the strategy) with the objective of providing potentially higher returns.

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- 3.9.2. Over the 42 years prior to a member's TRA the Legacy 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.
- 3.10. The objective of the Legacy Default Option is 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. It is designed to provide flexibility at each member's TRA by being broadly appropriate regardless of how each member takes their retirement income (e.g. cash, annuity purchase or drawdown).

Alternative investment strategies

- 3.11. Alongside the Default Options, the Trustee makes available two further lifestyle investment options which have been designed to allow members to target a specific retirement option. Like the Default Option, these form part of Scottish Widows' range of governed investment solutions and include;
- 3.11.1. The Balanced PIA Targeting Annuity Purchase: designed for those members who intend to purchase an annuity to provide a regular and secure income for life.
- 3.11.2. The Balanced PIA Targeting Encashment: designed for those members who intend to take their fund as cash.
- 3.12. Each of these lifestyle options holds the same underlying investment funds as the Balanced Pension Investment Approach Targeting Flexible Access in the early years of membership. However, in the final 5 years to TRA they are tailored to reflect the targeted benefit option.

Review of the self-select fund range and available options

- 3.13. Alongside the change to the DC Section Default Option, the Trustee implemented changes to the range of self-select investment options. These changes followed a review completed in September 2021 by the ISC, supported by the Trustee's professional advisers, they carried out a review of the range of self-select investment options provided through the DC Section. The changes included:
- 3.13.1. The introduction of a new self-select fund focussed on integrating Environmental, Social and Governance (ESG) factors into the investment management process (effective from February 2022).
- 3.13.2. The closure of three self-select funds to future contributions (effective from May 2022).
- 3.13.3. The removal of two funds from the self-select range (effective from May 2022). Members and assets invested in these funds were automatically transferred to the Default Option.
- 3.14. The self-select range now consists of 7 individual investment funds from which members are able to self-select.

Ongoing Monitoring of the DC Sections range of investment options

- 3.15. 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 reporting period year.

Further information on investments

- 3.16. Information on the range of investment options provided through the DC Section is available in the Statement of Investment Principles (SIP) which was reviewed and updated in the reporting period (June 2022). This is appended to this Chair's Statement and published online alongside. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment)

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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 detailed below:

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 to buy units by end of the following Business Day
Transfer out of the DC Section	Act on instruction to sell units within 2 Business Days Payment within 3 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 reporting period is outlined in the table below:

SLA area	Performance target	Performance in period*
Time Critical Processes	100%	87.25%
Manual Administration	95%	91.75%
Call Handling	97%	92.25%

*based on average of monthly SLA performance over the reporting period as opposed to the 'absolute' annual performance.

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- 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, the SLA for 'Manual Financial Transactions Accuracy' has been 100%.
- 4.2.5. If there are instances where there is a delay for Time Critical Processes, Scottish Widows will automatically apply a financial detriment calculation to ensure members are not financially disadvantaged because of delays caused by the provider and will apply additional units to rectify this.
- 4.3. 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.
- 4.4. Additional measures that help to monitor the accuracy of core financial transactions are the University's annual checks on data quality. The processes adopted by the administrator to help meet the SLA included daily monitoring of bank accounts, dedicated contribution processing team, and two individuals checking all investment and banking transactions.
- 4.5. 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, although Scottish Widows have confirmed that they have shown some improvement with Time Critical Processes (and continue to work through their backlog of outstanding queries). Scottish Widows have confirmed they have increased recruitment, assessed their training and processes, and made changes to improve efficiencies in customer contact with the aim of further improving their SLA performance. The Trustee will continue to monitor SLA performance.

AVC administration

- 4.6. The Trustee has delegated the administrative oversight of the separate AVC arrangement held with Prudential to Barnett Waddingham as the administrator of the Defined Benefit Section ("the DB Section") of the Plan.
- 4.7. Barnett Waddingham advise the secretary to the Trustee of any specific issues that arise relating to the administration of the AVC policies and performance is reported to the Trustee as part of the quarterly meetings.
- 4.8. During the previous reporting period the Trustee noted that some members of the Scheme had experienced delays in relation to queries raised with Prudential. Whilst there has been an improvement this reporting period regarding their core financial transaction timescales with disinvestment of funds being paid out in a more timely manner, there does however continue to be delays. For example, in producing annuity quotations (although this is not a common member request) and despite regular chasers the timescales given by Prudential have not been kept.
- 4.9. The Trustee and its professional advisers believe this to be as a result of the wider challenges that Prudential has faced connected to moving between administration platforms and lack of resourcing for staffing levels. Whilst there is little interaction with Prudential for the members (as only one fund is available) and members mostly deal with Prudential at retirement (via Barnett Waddingham as Scheme administrators), the Trustee will continue to monitor to ensure it does not have a material negative impact on members (e.g. delays paying benefits).

Trustee's view of core financial transactions

- 4.10. Taking the above into consideration, the Trustee is confident that all core financial transactions over the reporting period for Scottish Widows and Prudential have been processed promptly and accurately. Whilst there were some minor issues in relation to Time Critical processes, this has

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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.

5.1.3. Members pay both charges and transaction costs within the Scheme and there are no other costs borne by members.

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 2022 to 31 March 2023. This data has been sourced from Scottish Widows in line with statutory guidance, and there is no missing data:

Investment option	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs [1]
The Default Option and range of PIAs – underlying funds				
Scottish Widows Cash CS7	0.400%	0.100%	0.500%	0.020%
Scottish Widows Pension Portfolio Five CS7	0.400%	0.100%	0.500%	0.050%
Scottish Widows Pension Portfolio Four CS7	0.400%	0.100%	0.500%	0.070%
Scottish Widows Pension Portfolio Three CS7	0.400%	0.100%	0.500%	0.040%
Scottish Widows Pension Portfolio Two CS7	0.400%	0.100%	0.500%	0.050%
Scottish Widows Pension Protector CS7	0.400%	0.100%	0.500%	0.020%
SW Passive: Interim Lifestyle – underlying funds				
SW Money Market CS1	0.440%	0.150%	0.590%	0.02%
SW Passive Annuity Purchase* CS1	0.410%	0.085%	0.495%	0.01%
SW Passive Multi-Asset II* CS1	0.420%	0.103%	0.523%	0.10%
SW Passive Multi-Asset III CS1	0.420%	0.106%	0.526%	0.12%
SW Passive Multi-Asset IV* CS1	0.410%	0.105%	0.515%	0.12%

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Investment option	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs [1]
SW Passive Multi-Asset V CS1	0.410%	0.095%	0.505%	0.03%
Self-Select Fund Range*				
SW LGIM Future World Global Equity Index CS1	0.410%	0.175%	0.585%	0.030%
UPS Equity Growth	0.410%	0.085%	0.495%	0.02%
UPS Money Market	0.360%	0.140%	0.500%	0.02%
UPS Pre-Retirement	0.410%	0.089%	0.499%	-0.01%

Notes to the table:

Funds denoted with a * are also part of the Self Select Fund Range

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.

For members investing in the Default Option and the SW Passive: Interim Lifestyle the costs and charges that apply will depend upon how far each member is from their TRA.

AVC arrangement costs and charges – Prudential

- 5.3. Scheme members that hold AVC benefits with Prudential are invested exclusively 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
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 at the last review this was set to be 1%.	0.20%	31/12/2022

Impact of costs and charges

- 5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee (with support from Scottish Widows) has produced illustrations, and these are set out in Appendix 1. The Trustee has not included illustrations for the Prudential With Profits Fund as the holdings are not material relative to the DC Section. The estimated charges are relatively high for this fund, but the Trustee notes that it offers 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 (they apply only to 'guaranteed' elements of policy values and would not apply on death or normal retirement). Prudential confirmed that MVRs may apply if benefits taken at any time other than death or TRA and that members will be advised if this applies to their policy when they request a transfer-out or wish to access benefits early. However, an MVR will only apply if the value of the assets underlying an individual plan is less

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than the value of the plan including terminal bonuses. In practice this suggests MVRs would not apply to the AVC funds based on bonus records, but the amount of bonuses that apply to transfer values may be less than they were previously. The terminal bonus element of the fund can reduce with market conditions and as such the value of the With Profits Fund holdings is likely to represent market value.

- 5.6. The AVC arrangement only offers members access to the With Profits fund and so there are no alternative funds for members to access. Whilst the growth of the fund overall in recent years has not been substantial, the Trustee notes that the majority of AVC members are starting to approach retirement and alternative funds targeting this stage of investment timeframe would have fallen in value in the same period. Therefore even though the charges are relatively high and the fund's operation process opaque it is unlikely that a better option for this demographic could be found. Therefore, the Trustee will continue to monitor the situation.

6. Disclosure of net investment returns

- 6.1. From 1 October 2021, trustees of all relevant pension schemes, are required to calculate and state the annualised return, net of transaction costs and charges, of all of the investment options members were able to select, and in which members' assets were invested, during the reporting period.
- 6.2. Statutory guidance has been followed and recommends that trustees disclose net investment returns covering at least a five-year period. For the arrangements where the investment returns vary with age, such as for the Default Option, the investment returns are shown over 1 year, and 5 years for a member aged 25, 45 and 55 at the start of the period.
- 6.3. The following tables provide net investment return figures for the DC Section's investment options. The data has been sourced by Scottish Widows and the returns have been produced in line with the October 2021 statutory guidance entitled "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".
- 6.4.

Default Option*

Age at start of investment period	Annualised returns to 31 March 2023	
	1yr net return	5yr net return (p.a.)
25	-6.05%	5.09%
45	-6.05%	5.09%
55	-6.27%	4.07%

*Please note that as all the PIA's (the Default Option, the Balanced Pension Investment Approach Targeting Annuity Purchase and the Balanced Pension Investment Approach Targeting Encashment lifestyle strategies) have the same underlying funds and investment strategy, the performance will be identical up to 5 years prior to TRA and as such, the returns for all three strategies will be the same.

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Passive Interim Lifestyle Strategy

Age at start of investment period	Annualised returns to 31 March 2023	
	1yr net return	5yr net return (p.a.)
25	-2.99%	8.30%
45	-4.08%	6.32%
55	-5.69%	4.54%

Self-Select

Fund name	Annualised returns to 31 March 2023	
	1yr net return	5yr net return (p.a.)
Scottish Widows Cash CS7	1.70%	0.29%
Scottish Widows Pension Portfolio Five CS7	1.59%	0.50%
Scottish Widows Pension Portfolio Four CS7	-7.14%	2.17%
Scottish Widows Pension Portfolio Three CS7	-6.27%	4.07%
Scottish Widows Pension Portfolio Two CS7	-6.05%	5.09%
Scottish Widows Pension Protector CS7	-24.11%	-4.40%
SW Money Market CS1	1.76%	0.20%
SW Passive Annuity Purchase CS1	-20.98%	-3.91%
SW Passive Multi-Asset II CS1	-9.32%	2.53%
SW Passive Multi-Asset III CS1	-5.69%	4.54%
SW Passive Multi-Asset IV CS1	-4.08%	6.32%
SW Passive Multi-Asset V CS1	-2.56%	9.08%
SW LGIM Future World Global Equity Index CS1	-4.07%	n/a
UPS Equity Growth	-3.21%	9.45%
UPS Money Market	1.84%	0.34%
UPS Pre-Retirement	-25.31%	-4.89%

7. Value for members

- 7.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 7.2. 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 2023 and this is set out below.

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- 7.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.
- 7.4. 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.
- 7.5. 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

- 7.6. In relation to the DC Section, the member-borne charges and transaction costs relate to:
 - 7.6.1. investment services
 - 7.6.2. administration services
 - 7.6.3. communication services
- 7.7. The assessment considered:
 - 7.7.1. in relation to investment services:
 - 7.7.1.1. the investment strategy, e.g. the design of the default and range of alternative options
 - 7.7.1.2. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
 - 7.7.1.3. the investment governance arrangements
 - 7.7.2. in relation to administration services:
 - 7.7.2.1. the general administration arrangements
 - 7.7.2.2. arrangements in relation to financial transactions
 - 7.7.2.3. data and record keeping
 - 7.7.3. in relation to communication services:
 - 7.7.3.1. communication strategy
 - 7.7.3.2. pre-retirement communications
 - 7.7.3.3. at/post retirement communications
- 7.8. 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. The Trustee continues to monitor the administration performance although they note the measures put in place by Scottish Widows to improve SLA performance.
- 7.9. In reaching the conclusion the Trustee recognised the robust governance processes applied to the DC Section, the range and overall quality of administration services and engagement tools provided to members.

AVC benefits

- 7.10. In relation to the AVC arrangement with Prudential, the member-borne charges and transaction costs relate to:
 - 7.10.1. investment services
 - 7.10.2. administration services
 - 7.10.3. communication services

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- 7.11. 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.
- 7.12. The Trustee concluded that the AVC arrangement offers **reasonable value** in relation to the charges and transaction costs borne by members.
- 7.13. In reaching this conclusion, the Trustee recognised:
 - 7.13.1. 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.
 - 7.13.2. The charges are broadly aligned with similar types of arrangements offered elsewhere.
 - 7.13.3. Barnett Waddingham provides oversight of the benefits.

8. Trustee knowledge and understanding

- 8.1. Over the reporting period the Trustee comprised seven Trustee Directors, of whom one is the Chair. Three of the Trustee Directors are member-nominated, and four are employer-nominated, meeting statutory requirements for the composition of trustee boards.
- 8.2. 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

- 8.3. Trustee Directors 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

- 8.4. 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 reporting period and access to professional advice.
- 8.5. The Trustee Directors aim to achieve and maintain a 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 and taking professional advice.
- 8.6. 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. No new trustees were appointed over the scheme year.
- 8.7. 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.
- 8.8. 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 reporting period

- 8.9. Over the Scheme year, the Trustee engaged with the University of Warwick to carry out a review of the structure of the DC Section. A Working Group has been established, with representatives of the University and the Trustee to carry out this review and, as a result, it is likely that changes

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will be made in the near future. Further information setting out the impact of any changes will be provided at an appropriate point in the future.

- 8.10. Over the reporting period the Trustee took professional advice in the following areas:
- 8.10.1. The feasibility of discharging the Scheme's assets to a master trust arrangement
 - 8.10.2. Undertaking the annual value for member assessment
 - 8.10.3. Disclosure of costs, charges and investments
- 8.11. Over the reporting period, the Trustee reviewed the following Scheme documents:
- 8.11.1. The 2022 annual governance statement
 - 8.11.2. The Annual Report & Accounts
 - 8.11.3. The Risk Register
 - 8.11.4. Investment adviser objectives, including a review of performance against those objectives
 - 8.11.5. The Implementation Statement
 - 8.11.6. The Statement of Investment Principles
- 8.12. Over the reporting period, the Trustee received training on the following topics at Trustee meetings
- 8.12.1. Training on DC Strategy and Master Trusts (April 2022)
 - 8.12.2. Training on default investment arrangement compositions, CPI benchmarks and "Cost of Living" implications for pensions (November 2022)
 - 8.12.3. Wider regulatory environment, capturing recent and upcoming legislative changes (March 2023)

Assessment

- 8.13. 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:
- 8.13.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively
 - 8.13.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties
 - 8.13.3. 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

.....
21 September 2023

Date

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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 starting pot size of £2,000.
- 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. Future contributions are included within these illustrations as the DC Section remains open to contributions. For those members who are no longer active, illustrations have been produced which 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. For active members, gross contributions are assumed to be £175 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 have been determined by Scottish Widows and are in line with the 2022 Statutory Money Purchase Illustrations (SMPIs). These are outlined below:

Self-Select Funds

Fund	Projected Growth Rate (Average)
SW Passive Annuity Purchase CS1:	1.4% above inflation
UPS Equity Growth:	2.4% above inflation
Scottish Widows Cash CS7:	0.4% above inflation
SW Money Market CS1:	0.4% above inflation

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Default Option

Years to retirement	Projected Growth Rate (Average) for active illustration	Projected Growth Rate (Average) for deferred illustration
1	1.40% above inflation	1.40% above inflation
3	1.40% above inflation	1.40% above inflation
5	1.40% above inflation	1.40% above inflation
10	1.50% above inflation	1.50% above inflation
15	1.60% above inflation	1.70% above inflation
20	1.70% above inflation	1.90% above inflation
25	1.80% above inflation	2.00% above inflation
30	1.90% above inflation	2.10% above inflation
35	2.00% above inflation	2.10% above inflation
49	2.10% above inflation	2.20% above inflation

Default Option – 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 £175 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 16	
	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	4,110	4,090	4,120	4,110	4,140	4,120	4,140	4,120	4,140	4,120
3	8,430	8,350	8,480	8,400	8,590	8,500	8,590	8,500	8,590	8,500
5	12,800	12,600	12,900	12,700	13,200	13,000	13,200	13,000	13,200	13,000
10			24,600	23,900	25,600	24,900	25,900	25,100	25,900	25,100
15					38,700	36,900	40,200	38,400	40,200	38,400
20					52,300	49,200	55,700	52,400	56,400	53,000
25							71,400	66,100	74,600	69,000
30							87,600	79,700	95,200	86,600
35									118,000	105,000
49									183,000	155,000

Note on how to read this table: If an Active member aged 35 had £2,000 invested in this strategy, when they came to retire in 30 years, the fund could grow to £87,600 if no charges are applied but to £79,700 with charges applied.

Chair's Statement (Cont)

Default Option – 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 16	
	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	2,020	2,010	2,030	2,020	2,040	2,030	2,040	2,030	2,040	2,030
3	2,080	2,050	2,110	2,070	2,140	2,110	2,140	2,110	2,140	2,110
5	2,150	2,090	2,170	2,110	2,250	2,190	2,250	2,190	2,250	2,190
10			2,340	2,210	2,510	2,370	2,540	2,400	2,540	2,400
15					2,730	2,510	2,870	2,640	2,870	2,640
20					2,940	2,630	3,190	2,860	3,230	2,890
25							3,480	3,030	3,650	3,180
30							3,740	3,160	4,120	3,480
35									4,640	3,820
49									5,910	4,500

Note on how to read this table: If a Deferred member aged 35 had £2,000 invested in this strategy, when they came to retire in 30 years, the fund could grow to £3,740 if no charges are applied but to £3,160 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 £175 per month contribution and a starting pot size of £2,000.

Years	SW Passive Annuity Purchase CS1		UPS Equity Growth		Scottish Widows Cash CS7		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	4,110	4,100	4,140	4,120	4,080	4,070	4,080	4,060
3	8,430	8,360	8,590	8,500	8,290	8,210	8,290	8,190
5	12,800	12,700	13,200	13,000	12,500	12,300	12,500	12,300
10	24,600	23,900	25,900	25,200	23,300	22,600	23,300	22,500
15	37,100	35,700	40,200	38,600	34,300	33,000	34,300	32,700
20	50,700	48,000	56,400	53,300	45,700	43,300	45,700	42,900
25	65,300	61,000	74,600	69,400	57,300	53,500	57,300	52,900
30	80,900	74,600	95,200	87,200	69,200	63,800	69,200	62,900
35	97,800	88,800	118,000	106,000	81,400	74,100	81,400	72,900

Note on how to read this table: If an Active member had £2,000 invested in the UPS Equity Growth Fund, over the next 30 years, the fund could grow to £95,200 if no charges are applied but to £87,200 with charges applied.

Chair's Statement (Cont)

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 £2,000 and that no further contributions are made.

Years	SW Passive Annuity Purchase CS1		UPS Equity Growth		Scottish Widows Cash CS7		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	2,020	2,010	2,040	2,030	2,000	1,990	2,000	1,990
3	2,080	2,050	2,140	2,110	2,020	1,990	2,020	1,990
5	2,150	2,090	2,250	2,190	2,040	1,990	2,040	1,980
10	2,310	2,200	2,540	2,410	2,090	1,990	2,090	1,970
15	2,480	2,300	2,870	2,660	2,150	1,990	2,150	1,960
20	2,670	2,420	3,230	2,920	2,200	1,980	2,200	1,950
25	2,870	2,530	3,650	3,210	2,250	1,980	2,250	1,940
30	3,090	2,660	4,120	3,530	2,310	1,980	2,310	1,920
35	3,320	2,790	4,640	3,890	2,370	1,970	2,370	1,910

Note on how to read this table: If a Deferred member had £2,000 invested in the UPS Equity Fund, over the next 30 years, the fund could grow to £4,120 if no charges are applied but to £3,530 with charges applied.

DB Section Statement of Investment Principles

The University of Warwick Pension Scheme

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The University of Warwick Pension Scheme –
DB Section

Statement of Investment Principles

September 2020

DB Section Statement of Investment Principles (Cont)

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DB Section Statement of Investment Principles (Cont)

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Section 1: Introduction

Pensions Acts

- 1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles pursued by the UPS Pension Trustee Limited (the "Trustee") of The University of Warwick Pension Scheme DB Section ("the Scheme").
- 1.2 The Trustee has consulted the University of Warwick ("the Employer") on the principles set out in this statement and will consult the Employer on any changes to it. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.3 Before drawing up this statement, the Trustee has obtained and considered written advice from the Scheme's DB investment consultants (currently Willis Towers Watson). The Trustee will review this document regularly, at least every three years, and without delay following a significant change in investment policy.

Financial Services and Markets Act 2000

- 1.4 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for the selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Scheme details

- 1.5 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries ("Members").

DB Section Statement of Investment Principles (Cont)

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Section 2: Division of responsibilities

- 2.1 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.
- 2.2 In particular, the Trustee delegates a number of tasks to an Investment Sub Committee ("ISC") as well as a Delegated Chief Investment Officer ("DCIO"), the latter function being carried out by Willis Towers Watson.

Trustee roles and responsibilities

- 2.3 The Trustee's primary investment role and responsibility is to set the overall strategic investment objectives for the Scheme, including a risk budget, return target, sustainable investment policy, broad strategic asset allocation policy, and broad risk-management framework for the Scheme (taking advice from the ISC and DCIO), and ensuring that these objectives remain appropriate over time.
- 2.4 The Trustee delegates a number of responsibilities to the ISC and DCIO (as set out below). However, the Trustee reserves the right to make decisions on all such matters subject to informing the ISC and DCIO as soon as practicable after a decision has been taken.

ISC roles and responsibilities

- 2.5 The ISC's roles and responsibilities include:
- Assisting the Trustee in developing an appropriate overall investment risk budget, return target, sustainable investment policy, broad strategic asset allocation policy, and broad risk-management framework for the Scheme.
 - Monitoring the overall progress of the Scheme and the underlying investment risk/return balance relative to the Trustee's strategic objectives and parameters, and reporting to the Trustee on an agreed frequency.
 - Monitoring the activity and performance of DCIO for the services provided as set out in DCIO's agreement with the Scheme, and reporting to the Trustee on an agreed frequency.

DCIO roles and responsibilities

- 2.6 The Trustee has delegated responsibility to the DCIO to implement the Trustee's agreed investment strategy, including making certain decisions about investments (as set out in the Fiduciary Management and Investment Consulting Services Agreement (the Agreement) with effective date of 1 April 2012) in compliance with Sections 34 and 36 of the Pensions Act. In particular, as part of the Agreement, the Trustee sets out (and updates as and when deemed appropriate) specific Investment Guidelines for the DCIO within which to operate. The DCIO considers the Agreement, Investment Guidelines and the Trustee's policies set out within this statement when carrying out its role and responsibilities, which ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.
- 2.7 The DCIO's roles and responsibilities include:

DB Section Statement of Investment Principles (Cont)

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- Assisting the ISC (and, where appropriate, the Trustee) in the development of an overall investment risk budget, return target, sustainable investment policy, broad strategic asset allocation policy, and broad risk-management framework for the Scheme.
- Within the constraints of the agreed investment guidelines:
 - determining asset allocation
 - liability hedging design and implementation
 - reflecting Environmental, Social and Governance and broader sustainable investment considerations in the portfolio risk management process, including both capital allocation and stewardship/engagement
 - selecting and de-selecting investment managers
 - implementing all asset transitions (including rebalancing).
- Leading and completing negotiations of investment manager agreements, including
 - agreeing investment and commercial terms
 - obtaining, considering and acting on legal advice as appropriate
 - executing agreements on the Scheme's behalf under a Power of Attorney.

Underlying Investment Managers

2.8 Each underlying investment manager's responsibilities include

- Discretionary management of the portfolio, including implementation (within agreed guidelines) of changes in the asset mix and selecting securities within each asset class.
- Providing regular statements of the assets they manage.
- The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Scheme.

Global Custodian and Performance Measurer

2.9 The Scheme currently contracts a global custodian, whose responsibilities include

- Registering the Scheme's investment holdings.
- Providing independent transaction activity and valuation reporting on a monthly basis.
- Providing performance measurement services

Professional Advisors

2.10 The Trustee currently uses a single firm for both actuarial advice and investment advisory and fiduciary management services as it believes this arrangement has certain advantages for the Scheme, such as common models being used for investment and funding purposes as well as ease of communication.

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between lead advisers, both of which ultimately facilitate joined up funding and investment journey planning.

Scheme Actuary

2.11 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Scheme and advising on the appropriate contribution levels for the future.
- Liaising with the investment consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

DB Section Statement of Investment Principles (Cont)

Section 3: Long-term objectives and investment strategy

Scheme objectives

- 3.1 The long-term objective of the Trustee is for the Scheme to be fully funded on a gilt + 0.25% basis (which is taken to be the same basis as that underlying the technical provisions but using a gilt + 0.25% discount rate to assess the liabilities) by the year 2029
- 3.2 The Trustee will review this performance objective regularly and amend as appropriate.

Investment strategy

- 3.3 The Trustee takes advice to determine an appropriate investment strategy for the Scheme consistent with the above long-term funding objective. This includes a risk budget and return target and a range of investment parameters, which are set out in a set of Investment Guidelines. The DCIO then implements the agreed strategy by managing the Scheme's portfolio in line with the agreed Investment Guidelines.
- 3.4 The investment strategy makes use of:
 - a range of instruments that seek to match changes in liability values
 - a diversified range of return-seeking assets, including a spectrum from index-tracking to actively managed portfolios
 - a range of sustainable investment practices (see below), recognising that this is part of good financial risk management
- 3.5 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's funding and investment objectives
- 3.6 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate

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Section 4: Other investment policies

The Trustee also faces other requirements relating to investment, be they legislative or considered best practice.

Choosing investments

- 4.1 The Trustee has delegated responsibility for the selection and deselection of investments, and the ongoing management of relationships with asset managers to the DCIO within Investment Guidelines set by the Trustee. The DCIO will ensure that, in aggregate, the portfolio is consistent with the policies set out in this statement and that the investment objectives and guidelines of any individual manager/mandate are also consistent with those policies relevant to the mandate in question. The Trustee considers the DCIO's performance in carrying out these responsibilities as part of its ongoing oversight of the DCIO.
- 4.2 The Trustee expects the DCIO to appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the Trustee expects the DCIO to focus on longer-term outcomes, commensurate with the Trustee's position as a long term investor. Consistent with this view, the Trustee does not expect that the DCIO would terminate a manager's appointment based purely on short term performance but recognises that a manager may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team. The Trustee adopts the same long term focus as part of its ongoing oversight of the DCIO.
- 4.3 For most of the Scheme's investments, the Trustee expects the DCIO to appoint managers with a medium to long time horizon, consistent with the Scheme. In particular areas such as equity and credit, the Trustee expects the DCIO to work with managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that the DCIO may invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.
- 4.4 The Trustee expects the DCIO to assess the alignment of the Scheme's underlying managers' approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. In addition, the Trustee expects the DCIO to review the managers' approach to sustainable investment (including engagement) on a regular basis and engage with the manager to encourage further alignment as appropriate. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and the managers' engagement activities. If, following engagement, the DCIO considers that the degree of alignment remains unsatisfactory, the Trustee expects the DCIO to deselect the manager.
- 4.6 The Trustee expects the DCIO to consider the fee structures of asset managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the appointment of an asset manager and on an ongoing basis. Asset managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the DCIO to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee expects the DCIO to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

DB Section Statement of Investment Principles (Cont)

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Responsible investing, stewardship and sustainability

- 4.6 At the time of writing the Trustee is at a relatively early stage in developing its policy with regards to the new regulatory requirements on responsible investing, stewardship and sustainability. As developments occur, the Trustee will review its policy in this area and amend it from time to time.
- 4.7 The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:
- an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship
 - ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect the value of investments and should improve long-term member financial outcomes.
- 4.8 Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process. The Trustee may consider non-financial matters as part of its overall decision-making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.
- 4.9 The Trustee will consider ESG and stewardship using information from their advisers, investment managers and industry specialist bodies and in doing so, consider whether to review its own policy and procedures. The Trustee will report on ESG and stewardship at least annually, making this available to members.
- 4.10 The Trustee seeks to apply the principles outlined above via the selection and monitoring of the DCIO (and its associated approach to ESG and broader sustainability issues, as set out below). In particular, the Trustee has delegated:
- investment manager selection, de-selection and monitoring to the DCIO
 - the selection, retention and realisation of investments to the DCIO and in turn to the Scheme's investment managers (in accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers)
 - responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's investment managers.
- 4.11 The DCIO:
- has a dedicated Sustainable Investment resource and a network of subject matter experts
 - considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures, which the DCIO takes into account in the assessment
 - has appointed Hermes EOS to undertake public policy engagement on its behalf

DB Section Statement of Investment Principles (Cont)

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- engages with underlying managers where appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings
- fully embeds the consideration of ESG issues in the investment manager selection and portfolio management process, with oversight undertaken on an ongoing basis:
 - whilst noting there may be limitations for each investment manager and asset strategy, the DCIO expects investment managers to have ESG processes that align with the investment risk and return characteristics of the strategy
 - where an investment manager's processes are deemed insufficient by the DCIO and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment
 - the DCIO encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes, in keeping with good practice, subject to the extent of materiality for certain asset classes
- is itself a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

Liquidity and realisation of investments

- 4.12 The Scheme's administrator (currently Barnett Waddingham LLP) assesses the likely benefit outgo on a regular basis and ensures that sufficient cash reserves are available.
- 4.13 The Trustee's policy is that there should be sufficient secure investments in liquid or readily-realizable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy.

DB Section Statement of Investment Principles (Cont)

Section 5: Risk management

5.1 The Trustees recognise a number of risks involved in the investment of the assets of the Scheme

- Solvency risk and mismatching risk
 - are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities under current and alternative investment policies
 - are managed through assessing the progress of the actual growth of the assets relative to liabilities under current and alternative investment policies.
- Manager risk
 - is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy
 - is managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment manager as well as a number of qualitative factors supporting the manager's investment process.
- Liquidity risk
 - is measured by the level of cashflow required by the Scheme over a specified period
 - is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Currency risk
 - is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.
 - is managed by reducing the translation risk of investing overseas by hedging a proportion of the overseas investments' currency translation risk for those overseas currencies that can be hedged efficiently
- Custodial risk
 - is measured by assessing the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody
 - is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- Political risk
 - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
 - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy

DB Section Statement of Investment Principles (Cont)

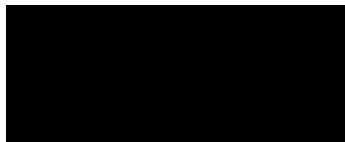
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– Sponsor risk

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit
- is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

5.2 The Trustee continues to monitor these risks alongside the DCIO.



28/9/20

Signed for and on behalf of
UPS Pension Trustee Limited as Trustee of the Scheme
September 2020

DC Section Statement of Investment Principles

The University of Warwick Pension Scheme

Defined Contribution Section and Additional Voluntary
Contribution arrangement – Statement of Investment Principles

DC Section Statement of Investment Principles (Cont)

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DC Section Statement of Investment Principles (Cont)

1. Introduction

- 1.1 This Statement of Investment Principles ("the Statement") has been prepared by UPS Pension Trustee Limited ("the Trustee") and relates to the defined contribution (DC) benefits ("the DC Section") provided through The University of Warwick Pension Scheme ("the Scheme"). The Statement sets out the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of
- the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, incorporating changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2 In preparing this statement the Trustee has consulted the University of Warwick, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).
- 1.4 The Trustee will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement or the demographic and profile of members.
- 1.5 The investment powers of the Trustee are set out in Section 10 of the DC Trust Deed and Rules, dated March 2010. This statement is consistent with those powers.

2. Choosing investments

- 2.1 The Trustee carefully considers its Investment Objectives, shown in the Appendix, when designing the range of investment options to offer to its members. The Trustee also acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile of the DC Section.
- 2.2 The Trustee's policy is to offer a range of lifestyle investment arrangements and a core range of investment funds that are suitable for the DC Section's membership profile and into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in the Appendix. In doing so, the Trustee considers the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.
- 2.3 The DC Section is a bundled arrangement that is insured and invested with Scottish Widows. The day-to-day management of the DC Section's assets is delegated to Scottish Widows and through Scottish Widows

DC Section Statement of Investment Principles (Cont)

the Trustee can access pooled funds from a range of other investment managers as well as Scottish Widows' own funds

- 2.4 The DC Section's Default Option (outlined in the Appendix) is structured as a 'governed' investment solution which is designed and implemented by Scottish Widows. Scottish Widows is responsible for the selection and deselection of the underlying investment managers used through the Default Option as well as the ongoing relationships with the investment managers. The Trustee understands that Scottish Widows will appoint investment managers to be used by the Default Option with an expectation of a long-term partnership, which encourages active stewardship of the Scheme's assets.
- 2.5 The DC Section's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.6 The Trustee reviews the appropriateness of the DC Section's investment strategy on an ongoing basis and is supported in this regard by its Investment Sub-Committee (ISC). The ISC has a 'terms of reference' which sets out its roles, responsibilities and powers. This ongoing review includes consideration of the continued competence of Scottish Widows and its ongoing management of the Default Option as well as any other investment managers utilised through the DC Section with respect to their performance against their stated objectives and benchmarks.
- 2.7 The Trustee will consult the employer before amending the investment strategy.

3. Investment objectives

- 3.1 The Trustee has discussed and agreed key investment objectives in light of an analysis of the DC Section's membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out in the Appendix.

4. Kinds of investments to be held

- 4.1 The DC Section is permitted to invest in a wide range of assets including equities, bonds, cash, commercial property and alternatives.

5. The balance between different kinds of investments

- 5.1 Members can choose to invest in any of the funds detailed in the Appendix or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustee will invest these contributions according to the default investment option set out in the Appendix.
- 5.2 The Trustee considers the merits of both active and passive management for the various elements of the DC Section's portfolio and may select different approaches for different asset classes or strategies.

DC Section Statement of Investment Principles (Cont)

- 5.3. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

6. Risks

- 6.1. Risk in a defined contribution scheme lies with the members themselves. The Trustee has considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustee risk register, however, the main investment risks affecting all members are:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Compression risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available through the DC Section (see Appendix), the Trustee changes the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategies.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the investment options offered to ensure member outcomes can be maximised. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.
Investment manager risk	The Trustee monitors the performance of the DC Section's investment managers on a regular basis in addition to having meetings with them from time to time as necessary.
Concentration risk Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment manager and custodian will be assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

DC Section Statement of Investment Principles (Cont)

7. Expected return on investments

- 7.1 The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors on these matters, whom it has deemed to be appropriately qualified. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

- 8.1 The Trustee has delegated the responsibility for buying and selling investments to its investment managers.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

- 9.1. At the time of writing the Trustee is at a relatively early stage in developing its policy with regards to the new regulatory requirements on responsible investing, stewardship and sustainability. As developments occur, the Trustee will review its policy in this area and amend it from time to time.
- 9.2. The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:
- 9.2.1. An investment's ability to meet the Trustee's objectives can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship
- 9.2.2. ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect the value of investments and should improve long-term member financial outcomes.
- 9.3. Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process.
- 9.4. The Trustee may consider non-financial matters as part of its overall decision making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.
- 9.5. As the DC Section's investments are held in pooled funds, ESG considerations are implemented by the investment managers of each fund. The Trustee monitors how ESG, climate change and stewardship are integrated within the investment process adopted by the investment managers and considers these issues with reference to its own beliefs as part of the criteria when reviewing the suitability of the DC Section's investment options.

DC Section Statement of Investment Principles (Cont)

- 9.6 The Trustee delegates the exercise of rights (including voting rights) attached to the DC Section's investments to its investment managers. The Trustee expects Scottish Widows to monitor and report annually on the investment managers' approach to selecting investments, voting and engaging with companies with reference to ESG issues.
- 9.7 The Trustee considers it to be part of the role of their investment managers to assess and monitor how the companies in which they are investing are managing developments around ESG related issues on behalf of the DC Section.
- 9.8 When selecting investments to be used by the Default Option, the Trustee expects Scottish Widows to appoint managers with an expectation of a long-term partnership, which encourages active ownership of the DC Section's assets. The Trustee expects Scottish Widows to actively engage with the investment managers to drive improved performance over the medium to long-term within the wider context of long-term sustainable investment. The Trustee also expects Scottish Widows to assess each investment manager's approach to sustainable investment (including engagement) prior to its inclusion within the Default Option and to monitor each manager's approach to sustainable investment (including engagement) on a regular basis.
- 9.9 In selecting and reviewing its investment managers to the DC Section, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives, they will use another investment manager for the mandate.
- 9.10 The Trustee carries out a strategy review at least every 3 years to assess the continuing relevance of the Default Option and self-select funds in the context of the DC Section and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to sustainable investment and ESG on an annual basis using information provided by Scottish Widows. This monitoring considers the performance of the DC Section's investment managers over medium and long-term time periods consistent with the Trustee's investment aims, beliefs and constraints.
- 9.11 The Trustee expects Scottish Widows to report regularly on the costs incurred in managing the DC Section's assets and this includes the costs associated with portfolio turnover. The Trustee formally reviews the reported portfolio turnover costs, at least annually, as part of the preparation of the Chair's Annual Statement.
- 9.12 For the open-ended pooled funds in which the DC Section invests, there are no predetermined terms of agreement with the investment managers. The suitability of the DC Section's investments and their ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the specific funds used, is assessed.
- 9.13 The Trustee will consider ESG and stewardship using information from their advisers, investment managers and industry specialist bodies and in doing so, consider whether to review its own policy and procedures. The Trustee will report on ESG and stewardship at least annually, making this available to members.

DC Section Statement of Investment Principles (Cont)

- 9.14. The DC Section's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

10. Monitoring

- 10.1. **Investment Performance:** The Trustee reviews the performance of each investment option offered through the DC Section against the stated performance objective and, in doing this, the Trustee receives a performance monitoring report at least quarterly. This monitoring takes into account both short-term and long-term performance. The investment manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.
- 10.2. **Objectives:** The Trustee monitors the suitability of the objectives for the DC Section (as detailed in the Appendix) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.
- 10.3. **Investment Choices:** The Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.
- 10.4. **Engagement and Stewardship:** the Trustee monitors the engagement and stewardship activities undertaken by the investment managers on an annual basis using information provided by the DC Section's bundled provider, Scottish Widows.

11. Agreement

- 11.1. This Statement was agreed by the Trustee, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the employer, the investment manager, the actuary and the Scheme auditor upon request.

Signe  _____

Date: 25/9/2023

On behalf of the Trustee of The University of Warwick Pension Scheme

DC Section Statement of Investment Principles (Cont)

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated August 2020

1. The balance between different kinds of investment

The Trustee's main investment objectives are:

- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC Section;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different investment needs and objectives;
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.

The Trustee is responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

The Trustee has made available a range of funds to suit the individual needs of the DC Section's members. For example, a range of funds with greater equity bias is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Funds that hold greater degrees of investment in bonds or cash are offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustee has made available a range of lifestyle arrangements, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to lower risk assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

The lifestyle arrangements are constructed from some of the funds mentioned above that are offered to members wanting to manage their own asset allocation decisions.

2. Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the membership profile of the DC Section,

DC Section Statement of Investment Principles (Cont)

the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

The default option is called the **Passive Interim Lifestyle Strategy** and is a governed solution which is designed and implemented by Scottish Widows. It invests in a range of risk targeted multi-asset funds depending upon how far each member is away from their Normal Retirement Age (TRA).

- When a member is more than 42 years from NRA, the Passive Interim Lifestyle Strategy will invest wholly in the Multi-Asset V Fund.
- From 42 years up to 7 years before each members NRA, the 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.
- Over the final 7 years to NRA, the 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.

This process is illustrated in the graph below:



The objective of the Passive Interim Lifestyle Strategy is 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. In the approach to NRA it is designed to limit the extent to which members' benefits are exposed to large fluctuations in value. It targets a portfolio that looks 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).

DC Section Statement of Investment Principles (Cont)

3. Alternative investment options

Acknowledging the challenge of identifying the best solution for different groups of members, the Trustee focuses on the default option. Alongside the default investment option, the Trustee makes available three further lifestyle investment options which have been designed to allow members to target a specific retirement income option. Like the Passive Interim Lifestyle Strategy, these form part of Scottish Widows' range of governed investment solutions so have been designed and implemented by Scottish Widows:

- **Passive Flexible Retirement Lifestyle:** designed for those members that intend to drawdown income in retirement.
- **Passive Immediate Spend Lifestyle:** designed for those members that intend to take their retirement fund as cash.
- **Passive Securing Lifelong Income Lifestyle:** designed for those members that intend to provide retirement income through annuity purchase.

Each of these Lifestyle options holds the same underlying investment funds as the Passive Interim Lifestyle Strategy in the early years of membership. However, in the final 7 years to NRA they are tailored to reflect the target retirement income option.

Members can also self-select individual funds to invest in. These consist of the constituent funds of the lifestyle programmes (referred to above) as well as four further funds, details of which are set out in the section below.

4. Choosing investments

The Trustee has appointed Scottish Widows to carry out the day-to-day investment of the DC Section. As the default option and range of lifestyle strategies are designed and implemented by Scottish Widows, Scottish Widows is responsible for selecting the underlying fund managers. The Trustee selects the fund managers for all other funds offered through the DC Section.

The investment managers to the DC Section are currently BlackRock and Columbia Threadneedle, both of which are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund are given below:

Investment Manager	Fund Name	Benchmark	Objective
BlackRock	SW Multi-Asset V	SW Passive Multi Asset V Composite Benchmark	Provide capital growth over the long term.
	SW Multi-Asset IV	SW Passive Multi Asset IV Composite Benchmark	Provide capital growth over the long term.
	SW Multi-Asset III	SW Passive Multi Asset III Composite Benchmark	Provide capital growth over the long term.

DC Section Statement of Investment Principles (Cont)

	SW Multi-Asset II	SW Passive Multi Asset II Composite Benchmark	Provide capital growth over the long term
	SW Multi-Asset I	SW Passive Multi Asset II Composite Benchmark	Provide capital growth over the long term
	SW Passive Annuity Purchase	50% iBoxx Sterling Non-Gilts Index 50% FTSE UK Gilts Over 15 Years Index	Reflect to some degree the changes in the cost of purchasing a level annuity
	UPS Balanced Growth	60% FTSE All-World Developed Ex-UK Index 25% iBoxx Sterling Non-Gilts Over 15 Years Index 15% FTSE All-Share Index	To provide a moderate to higher return over the longer-term
	UPS Equity Growth	80% FTSE All-World Developed ex-UK Index 20% FTSE All-Share Index	To provide a higher return over the longer-term (compared to the other UPS funds available)
	UPS Pre-Retirement	67% iBoxx Sterling Non-Gilts Over 15 Years Index 33% FTSE UK Gilts Over 15 Years Index	To provide returns linked to the bond markets that reflect to some extent movements in the price of buying an annuity
	UPS Money Market	7 Day Sterling LIBID	To provide a greater degree of capital stability than other assets
Columbia Threadneedle	SW Money Market	N/A	To provide stability of capital and a modest level of return

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

DC Section Statement of Investment Principles (Cont)

5. Fee agreements

The annual fee arrangements with the investment managers are summarised below

Passive Multi-Asset V	0.410%	0.093%	0.503%
Passive Multi-Asset IV	0.410%	0.094%	0.504%
Passive Multi-Asset III	0.420%	0.097%	0.517%
Passive Multi-Asset II	0.420%	0.094%	0.514%
Passive Multi-Asset I	0.410%	0.093%	0.503%
Passive Annuity Purchase CS1	0.410%	0.085%	0.495%
Money Market CS1	0.440%	0.156%	0.596%
UPS Balanced Growth	0.410%	0.086%	0.496%
UPS Equity Growth	0.410%	0.084%	0.494%
UPS Money Market	0.360%	0.140%	0.500%
UPS Pre-Retirement	0.410%	0.087%	0.497%

The Trustee reviews these charges periodically as part of the Value for Member assessments.

6. Additional Voluntary Contributions (AVCs) for the Defined Benefit (DB) Section

The Trustee offers members of the DB Section the ability to accrue additional retirement payments through an AVC policy. This AVC policy is managed by Prudential and all AVC benefits are invested in the Prudential With Profits Fund.

A With Profits Fund is a pooled investment vehicle, which combines the assets of all investors to provide exposure to a range of asset classes. The fund is managed in line with its published Principles and Practices of Financial Management (PPFM) however the provider does have some discretion over how this is achieved.

The value of a With Profit fund is not directly linked to the value of the underlying assets. Instead, returns over the period are smoothed by retaining some profits in periods of higher growth and paying out more during periods of lower profits. This smoothing is achieved through a combination of regular bonuses and final bonuses.

DC Section Statement of Investment Principles (Cont)

Regular bonuses are paid annually and represent the amount that the with profit fund manager believes appropriate to be passed on to members. There is usually no guarantee that regular bonuses will be paid. Once paid however, they cannot be taken away providing the member keeps their investment in the policy until retirement or death.

Final bonuses (also known as terminal bonuses) may be added when benefits are paid. These are not guaranteed and will depend on a variety of factors including the fund performance over the period, bonuses already paid, expenses etc.