

Annual statement regarding governance of the Defined Contribution ('DC') funds in the CWT UK Pension Scheme (the 'Scheme')

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Trustees to prepare an annual statement regarding governance, which must be included in the annual Trustees' Report and Accounts and published online. These governance requirements apply to all DC pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement covers the DC section of the Scheme and the Additional Voluntary Contribution ('AVC') arrangements which are attached to the Defined Benefit section of the Scheme. The DC section has a Defined Benefit underpin which means that members receive at least a guaranteed minimum pension at retirement, however as we cannot guarantee that the underpin will 'bite' for all members, these benefits are treated as DC funds for the purposes of this statement.

This statement covers the period from 6 April 2023 to 5 April 2024. It covers the governance and charge disclosures in relation to the following:

1. The default arrangement
2. Net investment returns
3. Member borne charges and transaction costs for
 - i. DC section
 - ii. AVC arrangements, and
 - iii. Illustrations of the cumulative effect of costs and charges on these funds
4. Processing of core financial transactions
5. Value for members assessment
6. Trustee knowledge and understanding.

1. The Default Arrangement

Trustees are required to design the default arrangement in members' interests and keep it under review. The Trustees need to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

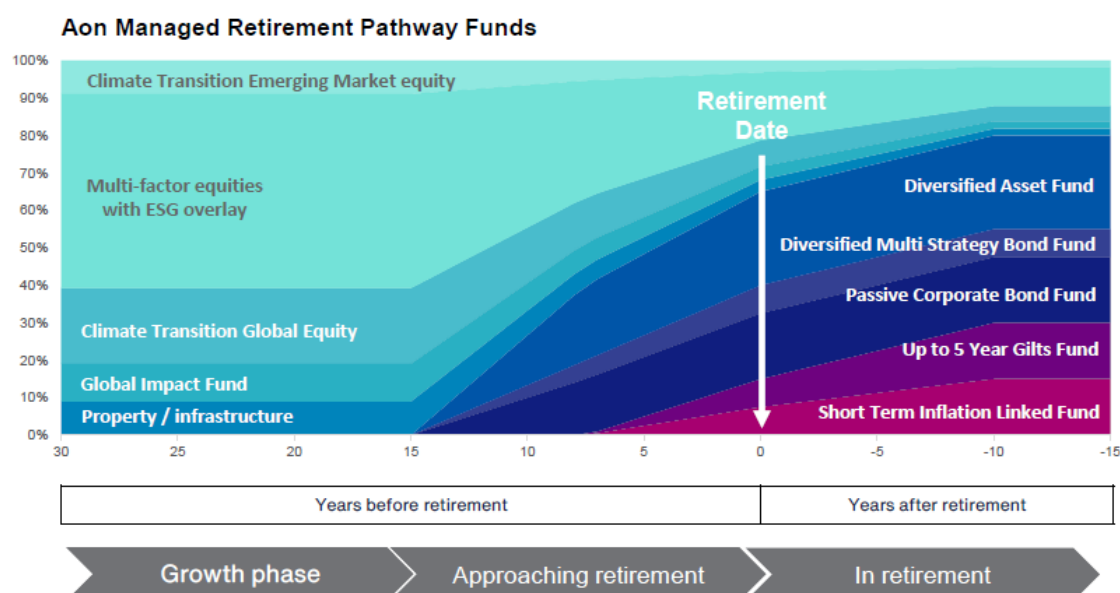
The Trustees are ultimately responsible for the investment governance of the Scheme's assets. The Statement of Investment Principles ('SIP') governs decisions about the Scheme's investments and sets out the Trustees' aims and objectives in relation to the investment strategy. The latest SIP for the DC section dated 13 July 2023, which has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, follows this statement.

The Trustees have decided to implement the DC section's investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds to Aon Investments Limited ('AIL').

The default arrangement for the DC section is the Aon Managed Retirement Series, which is a series of target date funds ('TDFs'), also referred to as the Retirement Pathway Funds. The default arrangement aims to provide an appropriate balance between return and risk over the lifetime of a typical member.

In the Aon Managed Retirement Pathway Funds, member's assets are invested in the fund with the target date closest to their retirement date, for example, a member due to retire in 2026 will be invested in the Retirement Pathway 2025-2027 Fund. The funds relating to different retirement years are known as "vintages".

The following chart shows how the type and composition of the assets varies with term to retirement.



Each Retirement Pathway Fund initially invests wholly in the Aon Managed Initial Growth Phase Fund until 15 years before the target date. From 15 years before the target date, lower risk investments are introduced, including protection and income generating investments, the balance of which depends upon the retirement benefit targeted.

For members of the DC section who were within 5 years of retirement as at 6 April 2021 and whose funds had therefore started de-risking in the previous lifestyle strategy, the default arrangement is the Aon Managed Retirement Pathway to Annuity Fund series. For all other members, the default arrangement is the Aon Managed Retirement Pathway Fund series, which assumes members will draw down income directly from their funds at retirement.

A default arrangement, the 'Investing by Age' strategy, was also created within the Utmost Life and Pensions ('Utmost') AVC arrangement by the transfer of funds from the Equitable Life With Profits Fund. None of the other AVC policies have default arrangements, as members have always been required to select an investment strategy for their AVC funds.

Investment strategy reviews

The Trustees aim to review the investment strategy for the DC section with reference to the membership demographics and how members access their benefits, as well as industry data and wider trends every three years. The investment strategy for the DC section was not formally reviewed during the period covered by this statement. The last review was completed on the 20 January 2021, therefore the next review is overdue.

During this reporting period, AIL announced a number of changes to the Aon Managed Retirement Pathway Funds

In the growth phase, the allocation to multi-factor equities is being reduced over the course of 2024. The proceeds will be invested in the existing UBS Global Equity Climate Transition Fund. This will reduce the tracking error while maintaining the expected return profile and enhancing the

Environmental, Social and Governance ('ESG') overlay with specific objectives related to the energy transition.

In the de-risking phase, as part of its dynamic approach, AIL is making changes to reflect the higher interest rate environment. These include introducing gilts earlier (from 15 years before retirement) and increasing the allocation to short-dated index-linked gilts at retirement. The allocation to short-dated index-linked gilts will also apply to members who stay invested after retirement date, and the allocation to equity and corporate bonds will be reduced for these members.

Performance monitoring

The Trustees monitor the performance of the funds held in the DC section against their benchmarks at each Trustee meeting. For this reporting period, performance reviews were carried out on 3 May 2023, 13 July 2023, 4 December 2023 and 21 March 2024. No changes were made to the investment strategy as a result of these performance reviews.

The Trustees have historically reviewed the performance of the AVC funds every three years. The last performance review was carried out as part of the wider review of the AVC arrangements, which was presented to the Trustees on 1 April 2021. The Trustees decided not to review performance of the AVC funds during this reporting period.

Specified performance-based-fees

Where a fee is calculated by reference to the returns from investments held by the Scheme and is not calculated by reference to the value of the member's rights under the Scheme, the Trustees must state the amount of any such performance-based fees in relation to each default arrangement. Neither the Scheme's DC section nor the AVC arrangements are subject to any such fees.

Asset allocation of the default arrangements

The Trustees are required to disclose the full asset allocations of investments for each default arrangement.

The three tables below show the percentage of assets allocated to specified asset classes through the Aon Managed Pathway to Retirement Fund targeting Drawdown, the Aon Managed Pathway to Retirement Fund Targeting Annuity and the Utmost Investing by Age Strategy respectively, assuming a normal retirement age of 65.

(i) Asset allocation of the Aon Managed Pathway to Retirement Fund targeting Drawdown

Asset class	Asset allocation (%) as at 31 March 2024 at age:			
	25	45	55	65 (NRA)
Cash	0.5	0.5	1.4	2.8
Bonds				
<i>Corporate bonds</i>	0.0	0.0	4.3	10.7
<i>Fixed interest government bonds</i>	0.0	0.0	1.4	8.3
<i>Index-linked government bonds</i>	0.0	0.0	2.2	20.3
<i>Other bonds</i>	0.0	0.0	2.9	7.5
Listed equities				
<i>UK equities</i>	2.9	2.9	2.4	1.2
<i>Developed markets equities (ex UK)</i>	78.0	78.0	65.6	31.2
<i>Emerging markets</i>	9.7	9.7	8.1	3.8
Private equity	0.0	0.0	0.0	0.0
Infrastructure	1.3	1.3	1.1	0.4
Property	7.6	7.6	6.1	2.3
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	4.5	11.5

(ii) Asset allocation of the Aon Managed Pathway to Retirement Fund targeting Annuity

Asset class	Asset allocation (%) as at 31 March 2024 at age:			
	25	45	55	65 (NRA)
Cash	0.5	0.5	1.4	25.0
Bonds				
<i>Corporate bonds</i>	0.0	0.0	4.3	47.2
<i>Fixed interest government bonds</i>	0.0	0.0	1.4	27.8
<i>Index-linked government bonds</i>	0.0	0.0	2.2	0.0
<i>Other bonds</i>	0.0	0.0	2.9	0.0
Listed equities				
<i>UK equities</i>	2.9	2.9	2.4	0.0
<i>Developed markets equities (ex UK)</i>	78.0	78.0	65.6	0.0
<i>Emerging markets</i>	9.7	9.7	8.1	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure	1.3	1.3	1.1	0.0
Property	7.6	7.6	6.1	0.0
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	4.5	0.0

(iii) Asset allocation of the Utmost Investing by Age Strategy

Asset class	Asset allocation (%) as at 31 March 2024 at age:			
	25	45	55	65 (NRA)
Cash	4.8	4.8	4.8	5.0
Bonds	27.6	27.6	27.6	51.6
Listed equities	66.8	66.8	66.8	42.6
Private equity	0.0	0.0	0.0	0.0
Infrastructure	0.0	0.0	0.0	0.0
Property	0.0	0.0	0.0	0.0
Private debt	0.0	0.0	0.0	0.0
Other	0.8	0.8	0.8	0.8

2. Net investment returns

The Trustees are required to report on net investment returns for each default arrangement and for each non-default fund which scheme members were invested in during the scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns shown in this statement have been prepared having regard to statutory guidance. The guidance states that, where the net returns vary with age, they should be shown for members aged 25, 45 and 55 at the start of the investment reporting period. The returns for the Aon Managed Retirement Pathway Funds shown in tables (i) and (ii) below are based on a member having a Target Retirement Age of 65.

The Trustees offer members of the DC section a small range of individual funds, but no members have chosen to invest in these funds.

It is important to note that past performance is not a guide to future performance.

(iv) DC section Aon Managed Pathway to Retirement Fund targeting Drawdown

Age of member at start of investment reporting period	Net investment return to 31 March 2024	
	1 year (%)	5 years (% p.a.)
25	20.7	12.4
45	20.7	12.4
55	15.6	7.7

Source: Aon Investments Limited

(v) DC section Aon Managed Pathway to Retirement Fund targeting Annuity

Age of member at start of investment reporting period	Net investment return to 31 March 2024	
	1 year (%)	5 years (% p.a.)
25	20.7	12.4
45	20.7	12.4
55	14.3	Not available

Source: Aon Investments Limited

(vi) DC section Aon Managed Retirement Pathway Funds targeting Cash

Age of member at start of reporting period	Net investment return to 31 March 2024	
	1 year (%)	5 years (% p.a.)
25	20.7	12.4
45	20.7	12.4
55	14.3	Not available

Source: Aon Investments Limited

(vii) AVC funds – Utmost Investing By Age Strategy

Age of member at start of reporting period	Net investment return to 31 March 2024	
	1 year (%)	5 years (% p.a.)
25	10.8	Not available
45	10.8	Not available
55	10.8	Not available

Source: Utmost

(viii) AVC funds – individual funds

Fund	Net investment return to 31 March 2024	
	1 year (%)	5 years (% p.a.)
Aviva		
Cash	4.1	1.7
Pacific Basin	3.1	3.6
Pre-Retirement Fixed Interest	0.6	-4.4
With-Profits ¹	5.0	3.5
Phoenix Life		
NPI Deposit	4.5	1.2
NPI Indexed Gilt	-9.6	-7.8
NPI Managed	8.6	5.5
NPI UK Equity Tracker	7.7	4.8
Prudential		
International Equity	14.8	8.5
With Profits Cash Accumulation ¹	1.5	1.2
Utmost		
Managed	9.4	4.7
Multi-Asset Cautious ²	6.0	Not available
Multi-Asset Moderate ²	10.8	Not available
UK Government Bond	0.0	-4.0

Source: AVC providers

Notes

¹ For the Aviva and Prudential With Profits Funds, the net investment returns shown above are the annualised bonus rates declared on the Funds over one and five years to the most recent bonus declaration date. Whilst in practice, we would expect a terminal bonus to increase returns to close to the returns on the underlying assets in the With Profits Fund over the period held (after all costs of running the Fund, including the costs of any guarantees have been taken into account), these amounts are unknown and are not guaranteed. Furthermore, a market value reduction which can reduce the return delivered to investors, may be applied on exit from the With Profits Fund at any time other than at maturity date, or in the event of death before retirement.

² The Utmost Life and Pensions Investing by Age strategy and the underlying Multi-Asset Moderate and Multi-Asset Cautious Funds were launched on 1 January 2020 therefore five-year returns are not yet available.

3. Member-borne charges and transaction costs

The Trustees need to report the level of charges and transaction costs borne by members through the investment funds. The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018, also require the Trustees to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values.

The charges and costs comprise:

- Explicit charges: these represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), which is the annual management charge plus any explicit additional expenses disclosed by the fund manager. The TER represents the total annual cost of investing in the fund.
- Transaction costs: these are incurred when the investment fund manager buys and sells assets within investment funds. These costs are not explicit but they are reflected in the returns on the fund.

The Trustees have set out the costs and charges that were incurred by members on their DC and AVC funds over the period covered by this statement, in so far as they are available.

The charges and transaction costs have been supplied by the Scheme's investment managers and providers (Aon Investments Limited, Aegon, Aviva, Phoenix Life, Prudential and Utmost Life and Pensions).

The investment managers calculate transaction costs on a quarterly basis and therefore the transaction costs reported here are for the 12-month period ending 31 March 2024, except where stated otherwise under the tables below.

DC section

(i) Default arrangements: Aon Managed Retirement Pathway Funds targeting drawdown / Aon Managed Retirement Pathway Funds targeting Annuity

The table below shows the member-borne TER and transaction costs for the funds members invested in during this reporting period.

The Employer pays the administration and investment costs for all funds in the DC section except the Aon Managed Liquidity Fund (so members invested in the Aon Managed Retirement Pathway Funds targeting Cash pay the administration and investment costs for the allocation to the Aon Managed Liquidity Fund). The member-borne TER is therefore comprised of the additional expenses and the annual management charge for the Cash Fund, where applicable. The transaction cost information has been supplied by Aegon, the platform provider for the Scheme's DC section.

The table below shows the costs and charges for the Aon Managed Retirement Pathway Funds:

	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Aon Managed Retirement Pathway Funds to Income Drawdown			
2022 - 2024	0.02	0.03	0.05
2025 - 2027	0.03	0.03	0.06
2028 - 2030	0.03	0.03	0.06
2031 or later	0.03	0.04	0.07
Aon Managed Retirement Pathway Funds to Annuity			
2022 – 2024	0.00	0.02	0.02
2025 – 2027	0.01	0.02	0.03
2028 - 2030	0.03	0.03	0.06

Source: Aon Investments Limited

(ii) Self-select Aon Managed Retirement Pathway Funds

The Aon Managed Retirement Pathway Funds that target Cash at retirement are available to members as self-select funds. The table below shows the costs and charges for these funds:

	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Aon Managed Retirement Pathway Funds to Cash:			
2022 – 2024	0.24	0.02	0.26
2025 – 2027	0.25	0.02	0.27
2028 – 2030	0.27	0.03	0.30

Source: Aon Investments Limited

(iii) AVC arrangements

The Scheme's AVC providers are Aviva, Phoenix Life, Prudential and Utmost Life and Pensions.

The charges and transaction costs borne by AVC members over the year to 31 March 2024 (or the most recent 12-month period available) are shown in the table below.

Phoenix Life has not provided any transaction costs for the funds held by members, despite this information being requested many times. The transaction costs for the Aviva and Prudential funds are to 31 December 2023. These are the latest available at the time of writing this statement. Aviva has given no explanation why it has not provided transaction costs to 31 March 2024 are not yet available. Prudential has explained that it is reliant on the underlying fund managers providing transaction cost data, as well as the third party it uses to calculate transaction costs in the prescribed format and is therefore unable to report transaction costs more quickly.

Fund	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Aviva			
Cash	1.0	0.01	1.01
Pacific Basin	1.0	0.17	1.17
Pre-Retirement Fixed Interest	1.0	0.05	1.05
With-Profits	1.0 ³ (estimated)	0.09	1.09
Phoenix Life			
NPI Deposit	0.75	Not available	Not available
NPI Indexed Gilt	0.91	Not available	Not available
NPI Managed	0.81	Not available	Not available
NPI UK Equity Tracker	0.75	Not available	Not available
Prudential			
International Equity	0.78	0.09	0.87
With Profits Cash Accumulation	1.11 ³ (estimated)	0.16	1.27
Utmost			
Managed	0.75	0.12	0.87
Multi-Asset Cautious ⁴	0.75	0.24	0.99
Multi-Asset Moderate ⁴	0.75	0.21	0.96
UK Government Bond	0.50	0.24	0.74

Source: AVC providers

Notes

³ The total expense ratio on the Aviva and Prudential With Profits Funds is not explicit, the costs of running the funds are taken into account when the annual bonus rate is declared. Aviva estimates the charges are similar to the charges on unit-linked funds available through the same contract i.e. 1% p.a. Prudential currently estimates the charges on the With Profits Cash Accumulation Fund to be 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.31% p.a.

⁴ This Fund forms part of the Investing by Age Strategy.

(iv) Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of relevant schemes. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, we have provided five illustrations to show the cumulative effect of costs and charges on the value of typical scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out at the end of this section.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Below we show the following illustrations:

- Illustrations A and B show projections for the youngest and the average example members invested in the Aon Managed Retirement Pathway Fund to Income Drawdown, which is the default strategy of the DC section for members who were more than 5 years from retirement as at 6 April 2021.
- Illustrations C, D and E show projections for the AVC arrangements with Phoenix Life, Prudential and Utmost Life and Pensions over the longest time we expect a member to hold AVCs in the Scheme. In accordance with the guidance, we have illustrated the funds with the highest charges and lowest charges during this reporting period for each provider.

No illustration is shown for the Aviva AVC arrangement as it has only one member so the member's personal annual benefit statement will provide a more informative projection.

Although we have provided an illustration for the Prudential With Profits Cash Accumulation Fund, the annual return members receive on this fund is determined by the annual bonus rate declared on the Fund rather than the underlying return. Fund values for the Prudential With Profits Cash Accumulation Fund between now and retirement will not therefore correspond with those shown in the table below. However, the final bonus should mean that at retirement members receive the returns on their share of the fund less charges and so the fund value at retirement should correlate with the projected fund value at retirement shown in the illustration below.

Illustration A: the youngest member of the DC section (age 40), with a retirement age of 65 and a current fund value of £7,400 invested in the:

Default - Aon Managed Retirement Pathway Fund (2049 – 2051):

Age	Projected Pension Account in today's money		
	Before costs & charges	After costs & charges	Effect of costs & charges
45	£8,430	£8,400	£30
50	£9,600	£9,540	£60
55	£10,930	£10,830	£100
60	£12,450	£12,290	£160
65	£14,180	£13,960	£220

Illustration B: an average member (age 53) with a retirement age of 65 and a current fund value of £17,600 invested in the:

Default - Aon Managed Retirement Pathway Fund (2034 – 2036):

Age	Projected Pension Account in today's money		
	Before costs & charges	After costs & charges	Effect of costs & charges
55	£18,290	£18,270	£20
60	£20,150	£20,060	£90
65	£22,190	£22,020	£170

Illustration C: the youngest member of the Phoenix Life AVC arrangement (age 50) with a retirement age of 65 and a current fund value of £3,400, invested in the Indexed Gilt Fund or the Deposit Fund.

Age	Indexed Gilt Fund (highest charges)			Deposit Fund (lowest charges)		
	Before costs & charges	After costs & charges	Effect of costs & charges	Before costs & charges	After costs & charges	Effect of costs & charges
55	£4,210	£4,030	£180	£3,320	£3,200	£120
60	£5,220	£4,780	£440	£3,240	£3,000	£240
65	£6,480	£5,670	£810	£3,160	£2,820	£340

Illustration D: the youngest member of the Prudential AVC arrangement (age 44), with a retirement age of 65 and a current fund value of £1,380 invested in the With Profits Cash Accumulation Fund or the International Fund.

Age	With Profits Cash Accumulation Fund (highest charges)			International Equity Fund (lowest charges)		
	Before costs & charges	After costs & charges	Effect of costs & charges	Before costs & charges	After costs & charges	Effect of costs & charges
45	£1,390	£1,370	£20	£1,410	£1,400	£10
50	£1,420	£1,320	£100	£1,590	£1,510	£80
55	£1,460	£1,270	£190	£1,800	£1,630	£170
60	£1,490	£1,230	£260	£2,030	£1,760	£270
65	£1,530	£1,180	£350	£2,290	£1,900	£390

Illustration E: the youngest member of the Utmost Life and Pensions AVC arrangement (age 48), with a retirement age of 65 and a current fund value of £3,425 invested in the 'Investing by Age' Strategy (the default arrangement), the Multi Asset Cautious Fund and the UK Government Bond Fund.

Age	Investing by Age Strategy (default)			Multi Asset Cautious Fund (highest charges)			UK Government Bond Fund (lowest charges)		
	Before costs & charges	After costs & charges	Effect of costs & charges	Before costs & charges	After costs & charges	Effect of costs & charges	Before costs & charges	After costs & charges	Effect of costs & charges
50	£3,530	£3,460	£70	£3,530	£3,460	£70	£3,530	£3,480	£50
55	£3,790	£3,540	£250	£3,790	£3,530	£260	£3,790	£3,630	£160
60	£4,080	£3,620	£460	£4,080	£3,610	£470	£4,080	£3,780	£300
65	£4,380	£3,710	£670	£4,380	£3,700	£680	£4,380	£3,940	£440

Assumptions and data for illustrations:

- Fund values shown are estimates and are not guaranteed.
- Fund values shown are in real terms and do not need to be reduced to allow for the effect of inflation.
- Inflation is assumed to be 2.5% p.a.
- No further contributions are paid, as the Scheme is closed to further contributions.
- The projected growth rates are consistent with those used in members' annual benefit statements which are determined by the statutory guidance for producing money purchase illustrations. These are now based on the historic volatility of the fund not expected future returns. Our advisers have determined the growth rate used for the Phoenix Life funds, growth rates for all other funds have been supplied by the fund managers.
- The transaction costs have been averaged over the longest period available (up to 5 years) in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time. Phoenix Life has only ever provided transaction costs in 2020, so it has not been possible to use an average for these costs.
- Data used to determine representative members is as at 5 April 2023 for the for the DC section, 5 April 2024 for the Prudential and Utmost Life and Pensions AVC arrangements and as 4 June 2021 for Phoenix Life AVCs.
- For the DC section Aon Managed Retirement Pathway Funds and the Utmost Life and Pensions Investing by Age strategy, the projections take into account the changing proportion invested in the different underlying funds. All funds shown in the table below are the underlying funds.

- The projected growth rates and costs and charges used for the illustrations are shown in the table below.

Fund	Total costs and charges (% p.a.)	Growth rate (%)
DC Section		
Aon Managed Retirement Pathway 2049 -2051	0.07	5.2
Aon Managed Retirement Pathway 2034 - 2036	0.07	4.5
AVCs		
Phoenix Life NPI Indexed Gilt Fund	0.95	2.0
Phoenix Life NPI Deposit Fund	0.76	7.0
Prudential With Profits Cash Accumulation	1.25	3.0
Prudential International Equity	0.92	5.0
Utmost 'Investing by Age' Strategy ⁴	1.02 – 1.04 ⁵	4.0
Utmost Multi Asset Cautious	1.04	4.0
Utmost UK Government Bond	0.65	4.0

Source: Aon Investments Limited, Aegon and AVC providers

Note

⁵ Depending upon age (up to age 65).

4. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the transfer of member funds out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.

Core financial transactions are undertaken on behalf of the Trustees by Aon, the Scheme administrator. The Trustees have a Service Level Agreement ('SLA') in place with Aon for the DC section, which covers all core financial transactions.

The SLA details a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed, as follows:

Core financial transaction	SLA is to achieve the following timescale at least 95% of the time
Transfer out	10 working days
Retirement	10 working days
Settlement of death benefits	5 working days
Settlement of benefits on divorce	20 working days

Over the period covered by this statement, there were only six core financial transactions for the DC/AVC arrangements. Five of these were completed within the SLA.

Aon operates a number of processes in order to minimise the risk of inaccurate or late payment of core financial transactions. Key processes include:

- Monthly unit reconciliations and daily monitoring of the Trustee bank account,
- A full member and Scheme reconciliation undertaken annually as part of the annual preparation of the Trustee Report & Accounts,
- Checks for all investment and banking transactions prior to processing,
- Documentation and operation in line with quality assurance policies and procedures; and

The Trustees do not have SLAs in place with the Scheme's AVC providers. This is in line with market practice for such arrangements. However, the quarterly reports produced by Aon include any cases which are awaiting a third-party response, and this will include the AVC providers. Any

delays to the AVC providers processing core financial transactions should therefore be visible to the Trustees by way of Aon's reporting.

The Trustees are satisfied that over this reporting period:

- the administrator was operating appropriate procedures, checks and controls but performance was slightly outside of the agreed SLA;
- the administrator prioritised core financial transactions during this period;
- there have been no material administration errors in relation to processing core financial transactions; and
- the majority of core financial transactions have been processed promptly and accurately during the Scheme year.

5. Value for members assessment

The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

As the Scheme has been operating for more than three years and its total assets are under £100m, the Trustees are required to carry out a more detailed value for members assessment. This involves comparing the costs and charges and the net investment returns to suitable funds in three other large schemes. The governance and administration aspects of the Scheme have been assessed in accordance with the statutory guidance by the Trustees with input from their professional advisers.

The three large schemes used as comparators are the Aon Master Trust, the Aegon Master Trust and NEST.

Costs and charges and net investment returns - the costs and charges borne by members have been identified as the TER and the transaction costs, as set out in section 3 of this statement. Net investment returns are as set out in section 2 of this statement.

Members of the DC section benefit from the fact that (other than for the Aon Managed Liquidity Fund), the employer pays the annual management charges for the DC section funds, with members therefore paying only additional expenses and implicit transaction costs. As a result of this and the net investment returns achieved, the DC section compares favourably to the comparator schemes.

For AVC funds, there are some limitations to the comparison the Trustees are required to make.

- The comparator schemes do not offer access to With Profits funds therefore the Scheme's With Profits funds have been compared to the default investment strategy for the comparator scheme, in accordance with the guidance.
- We have not been able to take account of the transaction costs on the Phoenix Life funds, as these have not been provided by Phoenix Life.

The costs and charges members pay from their AVC funds (where available) are higher than the costs and charges in the comparator schemes. There are a number of reasons for this – the AVC arrangements are older policies which typically have higher charges, members' AVCs are invested predominantly in actively managed funds, whereas the comparator schemes use mostly passively managed funds, which have lower charges and tend to have lower transaction costs than actively managed funds. The comparator schemes are also open to contributions which allows fund managers to minimise transaction costs using cashflows whereas the AVC funds members invest are legacy funds with very limited inflows.

The net investment returns on the AVC funds have been broadly in line with those on the comparator schemes over the longer term, therefore we conclude the AVC funds have provided

value when the features of these funds (i.e. active management and smoothed investment returns on the With Profits Funds) which are not covered by the prescribed assessment are taken into account. Furthermore, members are able to use their AVC funds in the Scheme as the first source of tax-free cash when they take retirement benefits (rather than giving up defined benefit pension for tax-free cash). This option is likely to be of value to members who wish to take tax-free cash and it could be lost if these funds were moved out of the Scheme. Although we have not tested this in practice, it is unlikely to be commercially viable for any of the comparator schemes to accept the Scheme's AVC funds in isolation. The Trustees investigated the feasibility of moving the AVC funds to the DC section in 2021, but the amount of work involved to do this was disproportionate to the number of members and assets under management involved.

The Trustees have also considered the benefits of Scheme membership under the following four categories: scheme governance, investments, administration and member communications. The conclusions of the assessment are set out below.

Scheme governance

The Trustees have governance arrangements in place, with structures to support effective management of risks. The Trustees also have processes in place to identify and manage any conflicts of interest.

Investments

The Trustees have suitable investment governance processes in place for the DC section. The DC section's investment strategy has been designed with the specific needs of members in mind, following advice from the Trustee's investment adviser and is monitored quarterly. Historically the Trustees reviewed the AVC arrangements every three years but there are no formal processes in place to monitor these funds.

Administration

The Trustees have formal processes and controls in place to monitor core financial transactions, wider administration service, member feedback and complaints, data quality and data security.

There are no service level agreements in place with the AVC providers, therefore the Trustees are reliant on the Scheme Administrator identifying any issues with administration, however this is in line with market practice for older contracts.

The complexity of the Scheme and the fact that all DC members are deferred means that the quality of data (specifically member addresses) is not as high as the Trustees would like, however data cleansing forms a key part of any project.

Member communications

As all members are deferred, it is more difficult to offer members communication preferences. The Trustees comply with their statutory obligations in respect of member communications, and members benefit from economies of scale through investment of the DC section in a delegated product.

Summary

The Trustees' assessment for this reporting period has concluded that overall, the Scheme does provide value for members. The DC section offers good value to members when assessed against the comparator schemes, and the wider governance and administration features of the Scheme. The Defined Benefit underpin also means that any shortfall in investment returns required to provide the Defined Benefit pension will be met by the Employer.

The value provided by the AVC arrangements is more difficult to evidence, particularly when these are assessed against the comparator schemes. However, we conclude that the AVC arrangements do provide value when all factors are taken into account.

6. Trustees' Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The comments in this section relate to the Scheme as a whole and not solely the DC section or the AVC arrangements.

The Trustee board is made up of six Trustees. Members of the Trustee Board have different professional backgrounds including Finance, Human Resources and Sales and therefore bring a variety of skills.

The Trustees are supported by a Secretary to the Trustees and two of the Trustees have served on the Board for over nine years. The Trustees are all very familiar with the governing documentation for the Scheme and its discretionary policies. All key Scheme documents and meeting papers are readily available to the Trustees via a secure website, Aon Pensions Organiser, which provides a facility for the Trustees to view and maintain a working knowledge of the Scheme's Trust Deed & Rules and other documents setting out the Scheme's policies and practices.

The Scheme's induction procedure requires all new Trustees to complete the Pensions Regulator's trustee toolkit within 6 months of appointment. No new Trustees were appointed during the period covered by this statement.

The Trustees have put arrangements in place to ensure that they take personal responsibility for keeping themselves up-to-date with relevant developments.

The Trustees engaged with their professional advisers regularly throughout this reporting period to ensure that they exercise their functions properly and take professional advice where needed. In particular, during the period covered by this statement, the Trustees:

- held four Trustee meetings which their advisers attended in order to provide specialist advice, updates on legislation, guidance and best practice developments and training on 'swaptions'.
- reviewed DC investment performance to assess fund performance against benchmarks, and fund performance against overall Scheme aims and objectives, as set out in the Statement of Investment Principles.
- reviewed administration reports to monitor service delivery against agreed service levels and assessed the member experience (by way of any reported feedback and complaints).
- reviewed and signed off the Trustees' Report and Accounts for the year ending 5 April 2023.
- Adhered to the governance processes in place to ensure the Scheme is run effectively.

The Trustees consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and that this has been demonstrated and evidenced by meetings and correspondence throughout the year, where training and advice has been provided, discussions held and decisions taken in relation to any matters material to the running of the Scheme. The Trustees are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustees of the Scheme.

Signed on behalf of the Trustees of the CWT UK Pension Scheme by the Chair of Trustees

Name_____

Signature_____

Date _____