APPENDIX II – CHAIR'S STATEMENT

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 2024 to 5 April 2025. 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. 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 July 2024, 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 AIL.

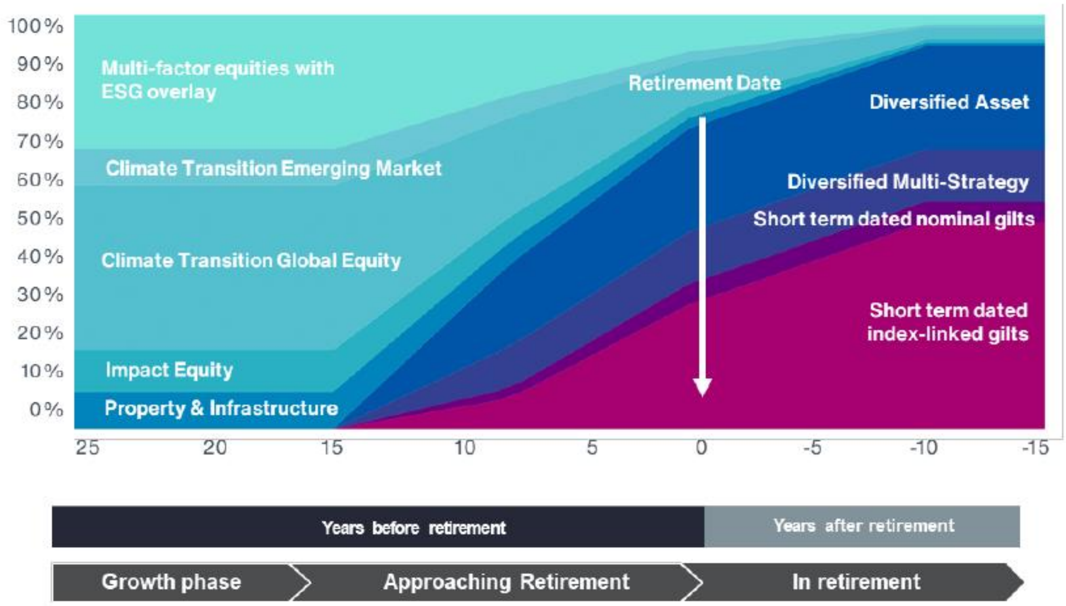
The default arrangement for the DC section is the Aon Managed Retirement Series, which is a series of target date funds ('TDFs'), also referred to as the Retirement Pathway Funds. The default arrangement aims to provide an appropriate balance between return and risk over the lifetime of a typical member.

APPENDIX II – CHAIR'S STATEMENT

1. The Default Arrangement (continued)

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 how far the member is from 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 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.

APPENDIX II – CHAIR'S STATEMENT

1. The Default Arrangement (continued)

Investment strategy reviews

The Trustees aim to review the investment strategy for the DC section every three years. This review takes account of the membership demographic, how members are accessing their benefits, industry data and wider trends. The most recent investment strategy for the DC section was completed in December 2023.

A number of changes were made to the strategic asset allocation of the Aon Managed Retirement Pathway Funds as a result of this review:

- Government bonds were introduced from 15 years before retirement, rather than 7.5 years before retirement;
- The allocation to short-dated inflation-linked government bonds was increased at and during retirement;
- Exposure to corporate bonds and equities was reduced;
- The corporate bond portfolio was adjusted to invest entirely in actively managed bond funds.
- Performance monitoring

These changes were made over the first six months of 2024. They are expected to significantly reduce risk for members closer to retirement, whilst keeping the strategy on track to deliver the long-term return objectives for members.

During Q1 2024, AIL made some changes to the Aon Managed Global Equity Fund, which makes up 90% of the 'growth phase' of the Aon Managed Retirement Pathway Funds. The Global Equity Fund's allocation to Multi-Factor equities was reduced with a corresponding increase in exposure to Climate Transition equities. This change was implemented over a twelve-month period, with the revised allocation expected to be in place by 28 February 2025. The changes to the Aon Managed Global Equity Fund are expected to reduce performance variability versus the benchmark, whilst maintaining the expected return/risk profile over the long term.

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 17 July 2024, 13 November 2024 and 27 March 2025.

The default arrangement delivered returns above its inflation-linked targets over both the since-inception and five-year periods for members in the growth phase (15 or more years from retirement) and the pre-retirement phase (less than 15 years from retirement). For members at retirement, returns were broadly in line with the inflation linked objectives. Although the strategy underperformed the inflation-linked objectives over the three-year period, this was primarily due to the historically high inflation rates witnessed over this period. Funds and the underlying investment managers continued to perform as expected considering the market environment and no significant concerns were raised regarding the investment strategy over the Scheme Year.

The Trustees do not currently have a formal process in place to monitor the performance of the AVC funds.

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.

APPENDIX II – CHAIR’S STATEMENT

1. The Default Arrangement (continued)

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 2025 at age:			
	25	**45**	**55**	**65 (NRA)**
Cash	0.3	0.3	1.5	2.6
Bonds				
Corporate bonds	0.0	0.0	0.7	1.3
Fixed interest government bonds	0.0	0.0	2.5	6.4
Index-linked government bonds	0.0	0.0	4.8	26.3
Other bonds	0.0	0.0	5.1	9.7
Listed equities				
UK equities	3.0	3.0	2.4	1.3
Developed markets equities (ex UK)	78.9	78.9	62.7	33.3
Emerging markets	9.0	9.0	7.1	3.8
Private equity	0.0	0.0	0.0	0.0
Infrastructure	1.4	1.4	1.0	0.4
Property	7.6	7.6	5.7	2.5
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	6.5	12.5

APPENDIX II – CHAIR'S STATEMENT

1. The Default Arrangement (continued)

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

Asset class	Asset allocation (%) as at 31 March 2025 at age:			
	25	45	55	65 (NRA)
Cash	0.3	0.3	1.5	19.3
Bonds				
Corporate bonds	0.0	0.0	0.7	39.5
Fixed interest government bonds	0.0	0.0	2.5	22.5
Index-linked government bonds	0.0	0.0	4.8	1.0
Other bonds	0.0	0.0	5.1	1.7
Listed equities				
UK equities	3.0	3.0	2.4	0.4
Developed markets equities (ex UK)	78.9	78.9	62.7	10.9
Emerging markets	9.0	9.0	7.1	1.2
Private equity	0.0	0.0	0.0	0.0
Infrastructure	1.4	1.4	1.0	0.2
Property	7.6	7.6	5.7	0.9
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	6.5	2.4

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

Asset class	Asset allocation (%) as at 31 March 2025 at age:			
	25	45	55	65 (NRA)
Cash	3.0	3.0	2.4	0.4
Bonds	78.9	78.9	62.7	10.9
Listed equities	9.0	9.0	7.1	1.2
Private equity	0.0	0.0	0.0	0.0
Infrastructure	1.4	1.4	1.0	0.2
Property	7.6	7.6	5.7	0.9
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	6.5	2.4

APPENDIX II – CHAIR'S STATEMENT

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 2025	
	1 year (%)	5 years (% p.a.)
25	3.4	11.0
45	3.4	11.0
55	4.0	10.5

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 2025	
	10 year (%)	5 years (% p.a.)
25	3.4	11.0
45	3.4	11.0
55	4.0	10.5

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 2025	
	1 year (%)	5 years (% p.a.)
25	3.4	11.0
45	3.4	11.0
55	4.0	10.5

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 2025	
	1 year (%)	5 years (% p.a.)
25	4.9	6.8
45	4.9	6.8
55	4.9	6.2

Source: Utmost

APPENDIX II – CHAIR'S STATEMENT

2. Net investment returns (continued)

(viii) AVC funds – individual funds

Fund	Net investment return to 31 March 2025	
	1 year (%)	5 years (% p.a.)
Aviva		
Cash	5.2	2.6
Pacific Basin	6.8	7.7
Pre-Retirement Fixed Interest	(2.0)	(5.5)
With-Profits[1]	5.0	3.5
Phoenix Life		
NPI Deposit	3.7	1.4
NPI Indexed Gilt	4.0	6.9
NPI Managed	11.7	11.9
NPI UK Equity Tracker	10.1	11.6
Prudential		
International Equity	4.7	12.8
With Profits Cash Accumulation[1]	2.5	1.4
Utmost		
Managed	6.4	8.7
Multi-Asset Cautious	3.7	2.5
Multi-Asset Moderate	4.9	6.8
UK Government Bond	(0.8)	(6.1)

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.

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.

APPENDIX II – CHAIR'S STATEMENT

3. Member-borne charges and transaction costs (continued)

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.

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

The investment managers calculate transaction costs on a quarterly basis and therefore the transaction costs reported here are for the year ended 31 March 2025 in the tables below, unless specified otherwise.

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. 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			
2025 - 2027	0.03	0.08	0.11
2028 - 2030	0.03	0.08	0.11
2031 – 2033	0.03	0.08	0.11
2034 or later	0.03	0.07	0.10
Aon Managed Retirement Pathway Funds to Annuity			
Annuity Perpetual	0.00	0.00	0.00
2024 – 2026	0.00	0.00	0.00
2025 – 2027	0.01	0.02	0.03

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 however no members invested in these funds during this reporting period.

APPENDIX II – CHAIR'S STATEMENT

3. Member-borne charges and transaction costs (continued)

(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 2025 are shown in the table below.

Fund	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Aviva			
Cash	1.0	0.01[2]	1.01
Pacific Basin	1.0	0.10[2]	1.10
Pre-Retirement Fixed Interest	1.0	0.05[2]	1.05
With-Profits	1.0[3] (estimated)	0.09[2]	1.09
Phoenix Life			
NPI Deposit	0.75	0.01	0.76
NPI Indexed Gilt	1.14	0.14	1.28
NPI Managed	0.81	0.06	0.87
NPI UK Equity Tracker	0.79	0.03	0.82
Prudential			
International Equity	0.76	0.15	0.91
With Profits Cash Accumulation	1.07[3] (estimated)	0.10	1.17
Utmost			
Managed	0.75	0.09	0.84
Multi-Asset Cautious[4]	0.75	0.39	1.14
Multi-Asset Moderate[4]	0.75	0.31	1.06
UK Government Bond	0.50	0.20	0.70

Source: AVC providers

Notes

[2] At the time of writing this statement Aviva had not provided transaction costs for the 12-month period ending 31 March 2025, therefore the transaction costs shown are for the 12 month period ending 31 December 2024. We have reminded Aviva of our requirement to receive transaction costs in a timely manner for this statement and hope that these will be provided in time for next years' statement.

[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 0.76% 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.

APPENDIX II – CHAIR'S STATEMENT

3. Member-borne charges and transaction costs (continued)

(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 (2055 - 2057):

Age	Projected Pension Account fund value in today's money		
	Before costs & charges	After costs & charges	Effect of costs & charges
45	£8,510	£8,470	£40
50	£9,780	£9,710	£70
55	£11,250	£11,120	£130
60	£12,930	£12,730	£200
65	£14,860	£14,580	£280

APPENDIX II – CHAIR'S STATEMENT

3. Member-borne charges and transaction costs (continued)

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 (2037 - 2039):

Age	Projected Pension Account fund value in today's money		
	Before costs & charges	After costs & charges	Effect of costs & charges
55	£18,330	£18,300	£30
60	£20,280	£20,170	£110
65	£22,450	£22,240	£210

Illustration C: the youngest member of the Phoenix Life AVC arrangement (age 51) with a retirement age of 65 and a current fund value of £2,300, invested in the Indexed Gilt Fund or the Deposit Fund.

Age	Projected AVC fund value in today's money					
	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	£2,730	£2,610	£120	£2,260	£2,190	£70
60	£3,390	£3,050	£340	£2,200	£2,060	£140
65	£4,200	£3,570	£630	£2,150	£1,930	£220

Illustration D: the youngest member of the Prudential AVC arrangement (age 44), with a retirement age of 65 and a current fund value of £1,400 invested in the With Profits Cash Accumulation Fund or the International Fund.

Age	Projected AVC fund value in today's money					
	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	£1,420	£1,400	£20	£1,450	£1,440	£10
50	£1,530	£1,420	£110	£1,710	£1,630	£80
55	£1,640	£1,440	£200	£2,030	£1,840	£190
60	£1,770	£1,470	£300	£2,400	£2,090	£310
65	£1,900	£1,490	£410	£2,830	£2,370	£460

APPENDIX II – CHAIR'S STATEMENT

3. Member-borne charges and transaction costs (continued)

Illustration E: the youngest member of the Utmost Life and Pensions AVC arrangement (age 49), with a retirement age of 65 and a current fund value of £3,400 invested in the 'Investing by Age' Strategy (the default arrangement), the Multi Asset Cautious Fund and the UK Government Bond Fund.

Age	Projected AVC fund value in today's money								
	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	£3,450	£3,420	£30	£3,450	£3,410	£40	£3,450	£3,430	£20
55	£3,710	£3,500	£210	£3,710	£3,490	£220	£3,710	£3,570	£140
60	£3,990	£3,580	£410	£3,990	£3,560	£430	£3,990	£3,720	£270
65	£4,290	£3,650	£640	£4,290	£3,640	£650	£4,290	£3,870	£420

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. 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.
- Data used to determine representative members is as at 5 April 2023 for the for the DC section, 5 April 2025 for the AVC arrangements.
- 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.

APPENDIX II – CHAIR'S STATEMENT

3. Member-borne charges and transaction costs (continued)

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 2055 - 2057	0.08	5.4
Aon Managed Retirement Pathway 2037 - 2039	0.08	4.6
AVCs		
Phoenix Life NPI Indexed Gilt Fund	1.23	7.0
Phoenix Life NPI Deposit Fund	0.76	2.0
Prudential With Profits Cash Accumulation	1.21	4.0
Prudential International Equity	0.90	6.0
Utmost 'Investing by Age' Strategy[4]	1.03 – 1.05[5]	4.0
Utmost Multi Asset Cautious	1.07	4.0
Utmost UK Government Bond	0.67	4.0

Source: AIL, 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

Based upon the SLA performance available, Aon completed c90% of all administration tasks within SLA. SLA performance reported for core financial transactions was 80% (ten of the fifty one core financial transactions related to the DC section).

APPENDIX II – CHAIR'S STATEMENT

4. Processing of Core Financial Transactions (continued)

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, which is in line with market practice for such arrangements.

Utmost reports how well it has met its internal target timescales for all schemes over the previous calendar year on its website. Over 2024, Utmost aimed to make 95% of all payments within 5 working days and to complete 90% of all general servicing requests within 10 working days. It met these targets throughout 2024. The Scheme's other AVC providers do not report service levels (to the Trustees or more widely) but the Trustees are not aware of any issues that impacted members over this reporting period.

The Trustees therefore conclude 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 by the Trustees with input from their professional advisers in accordance with the statutory guidance.

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

APPENDIX II – CHAIR'S STATEMENT

5. Value for members assessment (continued)

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. Members therefore pay 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 the AVCs invested in With Profits, it is not possible to do a like for like comparison as the comparator schemes do not offer access to With Profits funds. The Scheme's With Profits funds have therefore been compared to the default investment strategy for each comparator scheme, in accordance with the guidance on this matter.

The costs and charges members pay from their AVC funds 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 returns achieved by the DC section funds and the Utmost Investing by Age strategy were within the range reported for the comparator schemes. The Aon Managed Retirement Pathway Funds targeting annuity underperformed the comparators for a member at retirement, but this is due to differences in asset allocation and market conditions.

The net returns achieved by the unit-linked AVC funds were also within the range reported for the comparator schemes, although often it was not possible to compare like for like funds.

The annualised bonus rates on the With Profits funds were significantly lower than returns achieved by the comparator scheme default arrangements over the longer term, although the Aviva With Profits Fund bonus rate over the year was higher. This is a consequence of the way in which With Profits Funds deliver smoothed returns.

In 2021 the Trustees investigated the feasibility of moving the AVC funds to the DC section, but the amount of work involved to do this was disproportionate to the number of members and assets under management involved. The Trustees are now exploring the feasibility of consolidating the AVCs to one policy in the Scheme. 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.

APPENDIX II – CHAIR’S STATEMENT

5. Value for members assessment (continued)

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 performance is monitored quarterly. There are no formal processes in place to monitor the AVC 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. The Trustees are therefore reliant on the Scheme Administrator or members 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. For this reason, data cleansing forms a key part of any project. Furthermore, the work underway to prepare for pensions dashboards is expected to improve the quality of member data.

Member communications

As all members are deferred, it is more difficult to offer members communication preferences than for an open scheme. 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 members’ Defined Benefit pension will be met by the Employer.

The outcome of the assessment of the AVC arrangements is less clear but we conclude the AVC arrangements provide value when all aspects of holding AVCs for members 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

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 to the Board. The Trustees are supported by the Secretary to the Trustees.

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

APPENDIX II – CHAIR'S STATEMENT

6. Trustees' Knowledge and Understanding (continued)

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 Trustees have put arrangements in place to ensure that they take personal responsibility for keeping themselves up-to-date with relevant developments. At the start of each Trustee meeting a short quiz is held which tests the Trustees on pension-related matters. During this reporting period, the Trustees received training on the General Code of Practice and Pensions Dashboards, as well as legislation updates at each meeting in the form of the Aon In Sight publication. The Trustees also received training with regards to investment strategy, in particular hedging of underpins.

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:

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 investment performance of the DC section 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 2024.
- Adhered to the governance processes in place to ensure the Scheme is run effectively.

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. The Trustees also believe that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements throughout this reporting period.

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

Name __Elaine Angelini____________________

Signature __Elaine Angelini____________________

Date _____03/11/2025____________________