

# Medical Defence Union (MDU) Pension and Life Assurance Scheme

## Annual statement regarding the governance of the Defined Contribution Section and Group AVC arrangement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees to prepare an annual statement regarding governance, which should be included in the annual Trustees' report and accounts. The governance and charges requirements apply to the Scheme's money purchase arrangements and aim to help members achieve a good outcome from their retirement savings. These include the Defined Contribution ("DC") Section and the Group Additional Voluntary Contribution ('AVC') arrangements.

This statement is made by the Trustees of the Scheme and signed by the Chair. It covers governance and charge disclosures under the headings set out below, for the period 1 April 2023 to 31 March 2024 (the 'Scheme year'):

1. The Default arrangement
2. Net investment returns
3. Member borne charges and transaction costs
  - i. Default arrangement
  - ii. Self-select funds
  - iii. Group AVC arrangements
  - iv. Illustrations of the cumulative effect of costs and charges over time
4. Value for Members' assessment
5. Processing of core financial transactions
6. Trustees' knowledge and understanding

### 1. The default arrangement

**The 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 Scheme is used as a Qualifying Scheme for auto-enrolment purposes.

#### **Standard Default arrangement**

The standard default arrangement – the Default Lifestyle - is used for members who do not choose an investment option for their contributions. It is suitable for members who are looking to take their retirement savings through income drawdown in retirement.

The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements. Details of the objectives and the Trustees' policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' (SIP), which accompanies this statement. The aim of the Default Lifestyle is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to the

Global Equity Fund and then to gradually diversify their investments in the years approaching retirement.

The asset allocation throughout the Default Lifestyle and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

### **Additional default arrangement**

Additional default arrangements are created when members' monies are moved without their involvement (this is called 'mapping'). There is one additional default arrangement in the Scheme – the Cash Fund.

Following the temporary suspension in trading of the Property Fund in March 2020, all new contributions were subsequently paid into the Cash Fund. This decision was made without member consent, given the urgency of the situation, and thus resulted in the Cash Fund being classified as a default arrangement and having the same statutory requirements apply as the Default Lifestyle. The Cash Fund remains a default arrangement for the Scheme albeit not used for members who do not make an investment decision.

For the purpose of this reporting year the Trustees can confirm that the level of member borne charges for the Cash Fund did not exceed the regulatory charge cap of 0.75% p.a.

### **Investment strategy review**

The Trustees, with assistance from its investment advisers, undertook the triennial investment review in the Scheme year. As part of the review the Trustees considered the membership demographics and the appropriateness of the current investment offerings including formally reviewing the Default Lifestyle. The review was completed on 14 June 2023. The Trustees concluded the following:

- the current investment offerings remain appropriate for the membership
- the drawdown targeting strategy remains appropriate as the current standard default arrangement
- the current structure of the glidepath designs of the lifestyle strategies, as well as the underlying funds within each lifestyle strategy, remain appropriate for members
- the self-select fund range continues to offer a good mix of funds and there were no concerns with the existing range.

The default arrangements are reviewed at least every 3 years. The next formal review is due to take place by 14 June 2026.

### **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. There is no such fee payable under the Scheme.

### **Performance Monitoring**

The Trustees review the performance of the Default Lifestyle, and the self-select fund range, against their aims and objectives as part of the investment strategy review and on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance of the funds is reviewed against benchmarks and, where relevant, targets that have been agreed with the investment managers.

The reviews that took place in the Scheme year concluded that the Default Lifestyle is performing broadly as expected.

### Default arrangements asset allocations

The Trustees are required to disclose their full asset allocations of investments for each default arrangement. The information below shows the percentage of assets allocated in the default arrangements to specified asset classes as at 31 March 2024.

The table illustrates the asset allocations at defined ages for the **Default lifestyle** which targets drawdown at retirement:

	Asset allocation as at 31 March 2024 (%)			
Asset class	25 years old	45 years old	55 years old	65 years old
Cash	1.0	1.0	1.0	1.9
Bonds	0.0	0.0	0.0	45.7
Listed equities	99.0	99.0	99.0	52.4
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	0.0	0.0	0.0	0.0

The asset allocations for the **Cash Fund (additional default)** is split 87% Cash and 13% Bonds. The cash holding in this Fund is made up of Sterling based short-term deposits, debt and money market instruments issued by government, high quality banks and companies.

## 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 investment returns on funds minus all member-borne transaction costs and charges.**

The tables show performance, net of all charges and transaction costs, of funds available to members in the Scheme year.

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

### (i) Lifestyle arrangements: Default Lifestyle (Drawdown), Annuity Lifestyle and Cash Lifestyle

Performance to 31 March 2024	Annualised net returns (%)	
Age of member	1 year	5 years
25	25.7	12.5
45	25.7	12.5
55	25.7	12.5

*Performance has been calculated based on a fixed weighted average of underlying fund performance in the current lifestyle strategies, with the weightings as at the ages shown.*

The net returns for the Lifestyle arrangements are based on a member having a Target Retirement Age of 65. As each of these lifestyle strategies have the same type and composition of assets until 10 years before retirement (until age 55 where the Target Retirement Age is 65), the net returns are the same up until this age, and can vary thereafter as the type and composition of assets changes to better match how members are expected to take their benefits in retirement (drawdown, annuity, cash).

**(ii) Self-select investment funds**

<b>Performance to 31 March 2024</b>	<b>Annualised net returns (%)</b>	
<b>Fund name</b>	<b>1 year</b>	<b>5 years</b>
UK Equity Fund	8.4	5.5
Overseas Equity Fund	24.1	13.2
Global Equity Fund	25.7	12.5
Fixed Government Bond Fund	-4.8	-8.3
Long Duration Inflation-linked Government Bond Fund	-7.9	-6.8
<b>Cash Fund (additional default)</b>	5.1	1.6
Diversified Growth Fund	4.3	3.4
Emerging Market Equity Fund	5.6	3.4
Corporate Bond Fund	6.1	-0.5
Property Fund	0.6	0.4
World Low Carbon Target Equity Fund	24.3	12.2
Short Duration Inflation-linked Government Bond Fund	4.2	4.2

Source: Managers.

**(iii) Additional Voluntary Contributions - Aviva**

<b>Performance to 31 March 2024</b>	<b>Annualised net returns (%)</b>	
<b>Fund name</b>	<b>1 year</b>	<b>5 years</b>
Blackrock UK Equity Index Tracker	12.2	7.6
BlackRock European Equity Index Tracker	4.8	8.3
Managed	9.9	5.4
Property	0.6	1.5
Global Equity	16.9	9.3
Stewardship Managed	14.8	8.6
Pacific Basin	4.0	4.9
Cash	5.2	1.7

Source: Aviva.

**(iv) Additional Voluntary Contributions - Utmost Life, Investing by Age strategy**

<b>Performance to 31 March 2024</b>	<b>Annualised net returns (%)</b>
<b>Age of member</b>	<b>1 year</b>
25	10.8
45	10.8
55	10.8

Source: Utmost Life and Pensions and Financial Express Analytics.

The Utmost Investing by Age strategy invests solely in the Utmost Multi-Asset Moderate Fund until members reach age 55. The Utmost Multi-Asset Moderate Fund was launched 1 January 2020. Therefore, performance over 5 years to 31 March 2024 is not available.

### 3. Member Borne Charges and Transaction costs

The Trustees should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- **Charges:** these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- **Transaction costs:** these are not explicit, and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.

The Trustees are also required to confirm that the total costs and charges paid by any member in the default arrangement have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustees set out the costs and charges that are incurred by members in respect of each investment fund available in the Scheme year. These comprise the Total Expense Ratio (TER) and Transaction Costs (TCs).

Transaction costs are largely the result of buying and selling investments in a fund therefore actively managed funds, such as the Diversified Growth Fund, which will carry out more frequent trading, are likely to see higher transaction costs than passively managed funds, all else being equal. Any performance quoted for a fund will take account of transaction costs, which will vary from year to year, depending on trades in the fund. This can, on occasion, result in a negative cost (profit) as a result of the underlying trades. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustees to avoid potentially understating the total level of costs and charges.

The TER is usually a fixed annual charge, and this along with the transaction costs for the Scheme year is shown in the tables below.

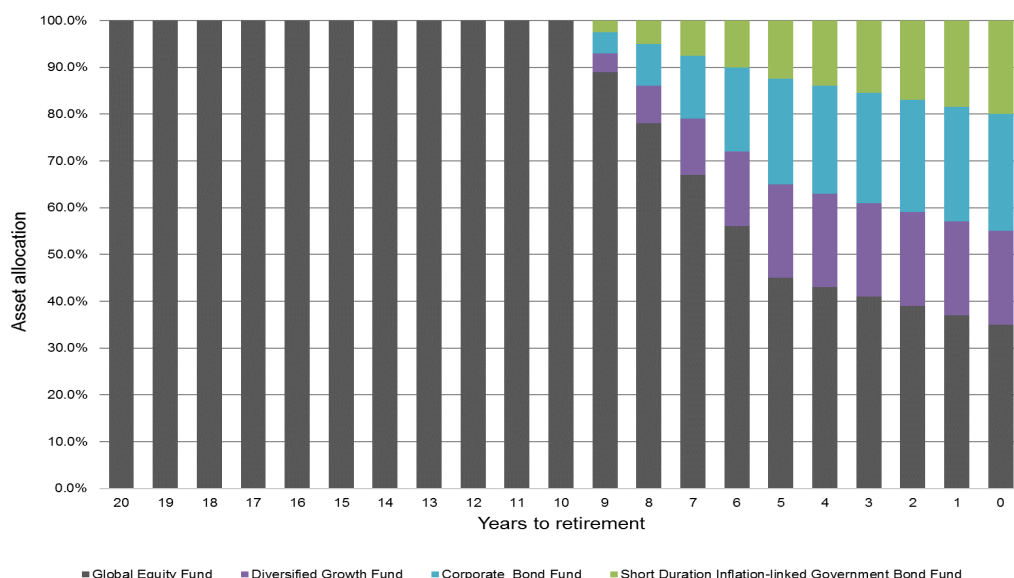
#### (i) Standard Default arrangement

The Default Lifestyle is used for members who do not make an investment decision. A lifestyle strategy allows members assets to be automatically moved between different investment funds as they approach their retirement date. This is either the member's selected retirement date, or if none has been selected, their normal retirement date, which is the member's 65<sup>th</sup> birthday.

The Default Lifestyle is made up of the following underlying funds:

- Global Equity Fund
- Diversified Growth Fund
- Corporate Bond Fund
- Short Duration Inflation-linked Government Bond Fund

Contributions are invested in global equities until 10 years before retirement age. Assets are then gradually moved into short duration inflation linked government bonds, corporate bonds and diversified growth funds, with a portion remaining in equities. At retirement the aim is to be invested in a broad mix of asset classes as illustrated in the chart below.



The TER that a member pays depends on their term to retirement. The TER and TC ranges for the Default Lifestyle targeting drawdown, are shown below:

Strategy	(A) TER % p.a.	(B) TC % p.a.	(A) + (B) Total Costs % p.a.
Default Lifestyle	0.20-0.30	0.05-0.07	0.25-0.37

The TERs and TCs, along with the total costs, for the Default Lifestyle are shown in the table below. As can be seen, the TER is within the 0.75% p.a. legislative charge cap for schemes that are used for auto-enrolling their employees.

Term to retirement	TER	TC	Total
10+	0.20	0.05	0.25
9	0.22	0.05	0.27
8	0.24	0.06	0.30
7	0.26	0.06	0.32
6	0.28	0.07	0.35
5	0.30	0.07	0.37
4	0.30	0.07	0.37
3	0.29	0.07	0.36
2	0.29	0.07	0.36
1	0.29	0.07	0.36
0	0.29	0.07	0.36

On 31 March 2020 the Cash Fund became a default arrangement due to the suspension of trading in the Property Fund and the temporary re-direction of impacted members' contributions to the Cash Fund. The costs and charges for the Cash Fund are shown below.

## (ii) Self-select strategies and funds

In addition to the Default Lifestyle members also have the option to invest in two lifestyle strategies, targeting annuity or cash at retirement, and 12 Scheme specific funds. The TERs and TCs for each of these are shown in the following tables:

Lifestyles	TER % p.a.	TC % p.a.	Total costs % p.a.
Annuity Lifestyle	0.11 - 0.30	0.03 - 0.08	0.14 - 0.38
Cash Lifestyle	0.13 - 0.30	0.00 - 0.08	0.13 - 0.38

Scheme specific fund name*	Underlying fund(s)	TER % p.a.	TC % p.a.	Total costs % p.a.
UK Equity Fund	LGIM UK Equity Index Fund	0.10	0.00	0.10
Overseas Equity Fund	LGIM World (ex UK) Equity Index Fund	0.22	0.02	0.24
Global Equity Fund	50% LGIM World Developed (ex-Tobacco) Equity Index Fund 50% LGIM World Developed (ex-Tobacco) Equity Index Fund– GBP Hedged	0.20	0.05	0.25
Fixed Government Bond Fund	LGIM Over 15 Year Gilt Index Fund	0.10	0.00	0.10
Long-Duration Inflation-linked Government Bond Fund	LGIM Over 5 Year Index-Linked Gilt Index Fund	0.10	0.04	0.14
Cash Fund ( <b>additional default</b> )	Sterling Liquidity Fund	0.13	0.00	0.13
Diversified Growth Fund	Nordea DGF	0.80	0.26	1.06
Emerging Market Equity Fund	LGIM World Emerging Market Equity Index Fund	0.38	0.11	0.49
Corporate Bond Fund	LGIM Investment Grade Corporate Bond All Stocks	0.15	0.00	0.15
Property Fund	Threadneedle Pensions Property Funds	0.75	0.09	0.84
Short Duration Inflation-linked Government Bond Fund	LGIM Under 5yr Index-Linked Gilt Fund	0.10	0.01	0.11
World Low Carbon Target Equity Fund	LGIM MSCI World Low Carbon Target Index Fund	0.22	0.02	0.24

\*This is the name of the fund that you will see in Trustee communications to you. This is known as the White labelled fund name. The next column shows the actual fund(s) that your monies are invested in.

There can arise on occasion transactions that do not lead to a cost but instead a profit. As the requirement is to report on costs, where the overall result of transactions over the Scheme year resulted in a net profit, TCs are shown as a 0% p.a. cost in the table above.

### (iii) Additional Voluntary Contributions

Funds	TER % p.a.	TC % p.a.	Total Cost % p.a.
<b>Utmost Life and Pensions</b>			
Investing by Age strategy	0.50 - 0.75	0.02 - 0.24	0.52 – 0.99
<b>Aviva</b>			
Blackrock UK Equity Index Tracker	0.50	0.17	0.67
BlackRock European Equity Index Tracker	0.50	0.03	0.53
Managed	0.50	0.15	0.65
Property	0.50	0.10	0.60
Global Equity	0.50	0.10	0.60
Stewardship Managed	0.50	0.15	0.65
Pacific Basin	0.50	0.11	0.61
Cash	0.50	0.01	0.51

Source: Utmost Life and Pensions and Aviva.

### (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 a relevant scheme. 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, the Trustees have provided four illustrations of their cumulative effect 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 below.

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.

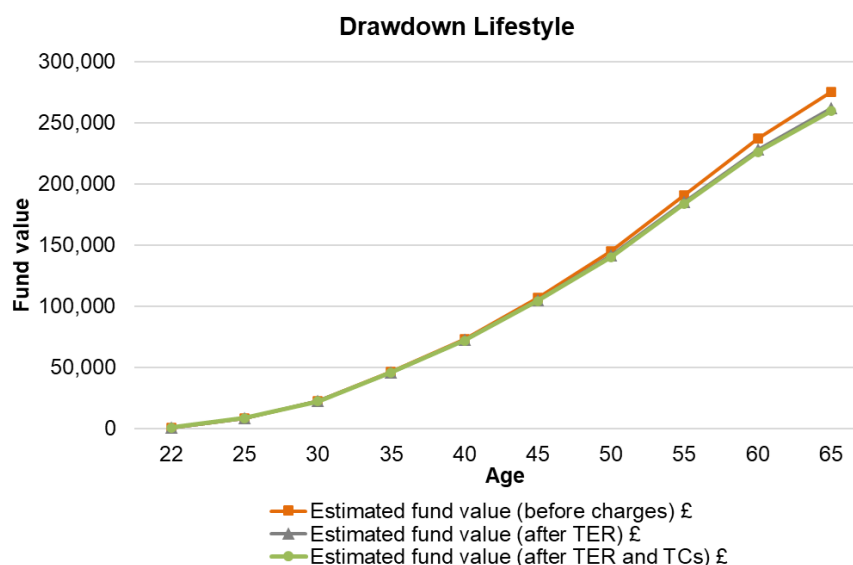
#### The illustrations provided

Each illustration, A, B, C and D is shown for a different type of member invested in the Drawdown Lifestyle, which is the Default that targets drawdown in retirement. Each illustration is shown as a chart and a table as follows:

- Chart: This shows a projection of the member's retirement savings at normal retirement age of 65, with and without costs and charges applied
- Table: As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included comparison figures with some other investment funds as follows:
  - the highest charging fund – the Diversified Growth Fund
  - one of the lowest charging funds – the Fixed Government Bond Fund
  - the additional default arrangement – the Cash Fund

All projected retirement savings are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

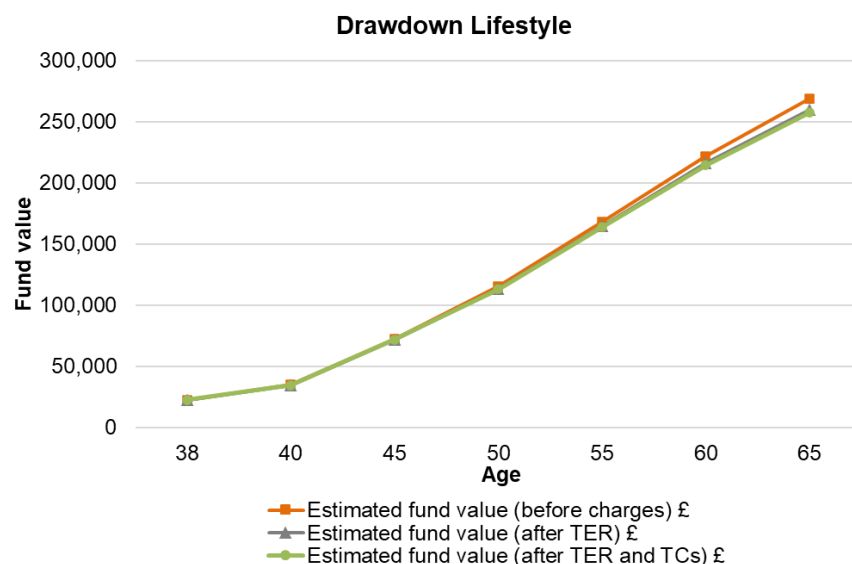
**Illustration A:** A contributory member in the Drawdown Lifestyle (Default) who is 43 years from their retirement age of 65. The member starts with a fund value of £1,100 and a salary of £30,700. Contributions are initially £2,456 p.a.



Projected Pension Account in today's money												
Age	Drawdown Lifestyle (Default)			Cash Fund (additional default)			Diversified Growth Fund			Fixed Government Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£	£	£	£
22	1,100	1,100	0	1,100	1,100	0	1,100	1,100	0	1,100	1,100	0
25	8,730	8,690	40	8,170	8,150	20	8,450	8,310	140	8,730	8,710	20
30	22,740	22,510	230	19,280	19,180	100	20,930	20,090	840	22,740	22,590	150
35	46,590	45,920	670	36,910	36,640	270	41,400	39,090	2,310	46,590	46,170	420
40	73,510	72,030	1,480	53,290	52,760	530	62,370	57,620	4,750	73,510	72,580	930
45	107,090	104,340	2,750	71,430	70,550	880	86,930	78,710	8,220	107,090	105,360	1,730
50	144,970	140,380	4,590	88,280	86,970	1,310	112,090	99,290	12,800	144,970	142,070	2,900
55	190,920	183,760	7,160	106,850	105,030	1,820	140,940	122,380	18,560	190,920	186,400	4,520
60	236,780	225,880	10,900	124,110	121,710	2,400	170,510	144,910	25,600	242,760	236,040	6,720
65	275,060	259,260	15,800	140,140	137,100	3,040	200,800	166,910	33,890	301,240	291,630	9,610

*We have assumed that the example member is employed with MDU until normal retirement age, where they remain invested for the entire period. Using the example of the member invested in the Drawdown Lifestyle, the example member's fund is expected to increase to £259,260 with approximately £184,000 of this coming from new contributions paid into the Scheme. The remainder of the increase is from the assumed investment returns.*

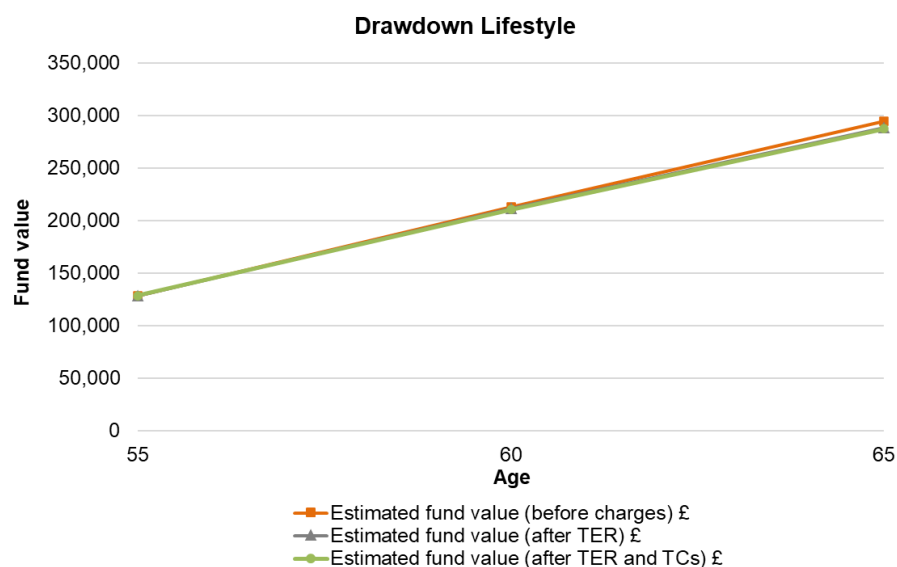
**Illustration B:** A contributory member in the Drawdown Lifestyle (Default) who is 27 years from their retirement age of 65. The member starts with a fund value of £22,700 and a salary of £42,300. Contributions are initially £5,499 p.a.



Projected Pension Account in today's money												
Age	Drawdown Lifestyle (Default)			Cash Fund (additional default)			Diversified Growth Fund			Fixed Government Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£	£	£	£
38	22,700	22,700	0	22,700	22,700	0	22,700	22,700	0	22,700	22,700	0
40	34,950	34,810	140	32,740	32,670	70	33,840	33,290	550	34,950	34,860	90
45	72,730	71,920	810	60,630	60,270	360	66,390	63,450	2,940	72,730	72,220	510
50	115,340	113,310	2,030	86,530	85,740	790	99,750	92,890	6,860	115,340	114,060	1,280
55	167,850	163,860	3,990	114,610	113,260	1,350	138,150	125,750	12,400	167,850	165,340	2,510
60	221,570	214,400	7,170	140,710	138,660	2,050	177,500	157,830	19,670	227,080	222,770	4,310
65	269,060	257,290	11,770	164,940	162,100	2,840	217,830	189,130	28,700	293,900	287,080	6,820

*We have assumed that the example member is employed with MDU until normal retirement age, where they remain invested for the entire period. Using the example of the member invested in the Drawdown Lifestyle, the example member's fund is expected to increase from £34,950 to £269,060 with approximately £182,000 of this coming from new contributions paid into the Scheme over the period. The remainder of the increase is from the assumed investment returns.*

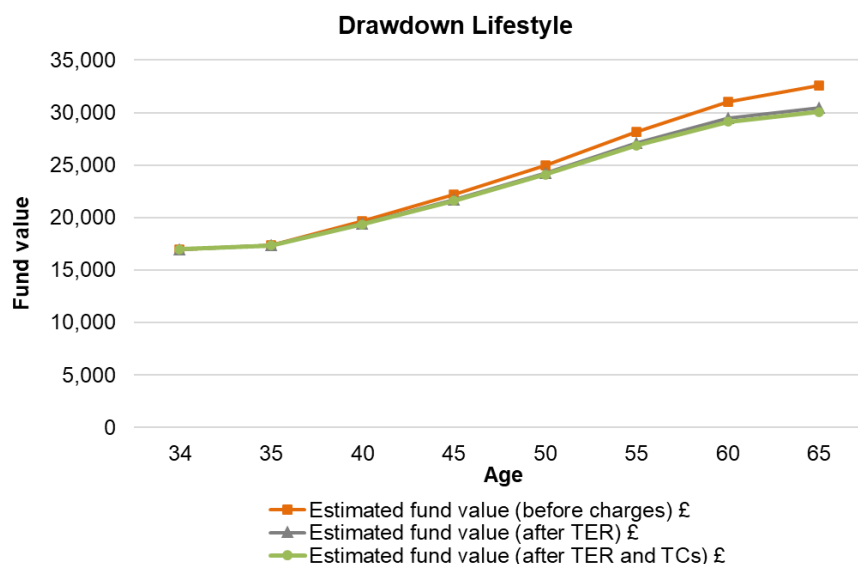
**Illustration C:** A contributory member in the Drawdown Lifestyle (Default), who transferred their membership from the Defined Benefit (DB) section of the Scheme, and is 10 years from their retirement age of 65. The member starts with a £128,300 fund and a salary of £82,200. Contributions are initially £13,974 p.a.



Projected Pension Account in today's money												
Age	Drawdown Lifestyle (Default)			Cash Fund (additional default)			Diversified Growth Fund			Fixed Government Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£	£	£	£
55	128,300	128,300	0	128,300	128,300	0	128,300	128,300	0	128,300	128,300	0
60	213,050	210,540	2,510	185,710	184,730	980	201,320	193,410	7,910	216,750	216,750	1,320
65	294,390	287,300	7,090	239,050	236,810	2,240	276,140	256,960	19,180	315,810	315,810	3,520

*We have assumed that the example member is employed with MDU until normal retirement age where they remain invested for the entire period. Using the example of the member invested in the Drawdown Lifestyle, the example member's fund is expected to increase to £294,390 with approximately £140,000 of this coming from new contributions paid into the Scheme over the period. The remainder of the increase is from the assumed investment returns.*

**Illustration D:** A non-contributory (“deferred”) member in the Drawdown Lifestyle (Default) who is 31 years from their retirement age of 65. The member has a fund value of £17,000.



Projected Pension Account in today's money												
Age	Drawdown Lifestyle (Default)			Cash Fund (additional default)			Diversified Growth Fund			Fixed Government Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£	£	£	£
34	17,000	17,000	0	17,000	17,000	0	17,000	17,000	0	17,000	17,000	0
35	17,410	17,370	40	16,750	16,730	20	17,080	16,920	160	17,410	17,390	20
40	19,640	19,370	270	15,560	15,440	120	17,500	16,510	990	19,640	19,470	170
45	22,160	21,600	560	14,460	14,250	210	17,930	16,120	1,810	22,160	21,810	350
50	25,000	24,090	910	13,430	13,150	280	18,380	15,730	2,650	25,000	24,420	580
55	28,200	26,860	1,340	12,470	12,140	330	18,830	15,350	3,480	28,200	27,350	850
60	31,000	29,120	1,880	11,590	11,200	390	19,290	14,990	4,300	31,810	30,630	1,180
65	32,560	30,050	2,510	10,760	10,340	420	19,770	14,630	5,140	35,880	34,310	1,570

*We have assumed that the example member is invested until normal retirement age. Using the example of the member invested in the Drawdown Lifestyle, their fund is expected to increase from £17,410 to £32,560. As the member is not a contributing member, there are no new contributions paid. The full increase in the fund value is from the assumed investment returns.*

### Assumptions and data for illustrations:

*The following assumptions have been made for the purposes of the above illustrations:*

- *Annual salary growth and inflation is assumed to be 2.5% per annum*
- *For a contributory member of the Scheme, allowance has been made for the following total future contributions: 8% p.a. until age 30; 13% p.a. until age 40; 15% p.a. until age 50; 17% p.a. until age 65.*
- *The projected annual returns on assets are:*
  - *Global Equity Fund* 5.0 % p.a.
  - *Short Duration Inflation-linked Government Bond Fund* 1.0 % p.a.
  - *Cash Fund* 1.0 % p.a.
  - *Diversified Growth Fund* 3.0 % p.a.
  - *Corporate Bond Fund* 3.0 % p.a.
  - *Fixed Government Bond Fund* 5.0 % p.a.
- *The TERs for the self-select funds and the funds underlying the Drawdown Lifestyle (Default) are as shown above. TCs have been averaged over a period of up to 5 years based on information received from the asset managers.*
- *Asset allocations for members invested in the Drawdown Lifestyle (Default) are assumed to be rebalanced annually.*

*The assumptions used for projecting fund values are those set out in Actuarial Standards Technical Memorandum version 5.0. This specifies the actuarial assumptions and methods to be used in the calculation of Statutory Money Purchase Illustrations.*

*Members are advised to consider the level of costs and charges, the expected return on assets and the risk profile of the strategy in making investment decisions, and not in isolation.*

## 4. 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.**

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with our advisers, Aon, the Trustees have developed their cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Scheme relative to the costs and charges they pay.

The costs have been identified as TERs and TCs and are set out in section 3 of this statement. The Trustees have considered the benefits of membership under the following four categories: Scheme governance, investments, administration, and member communications and engagement. Benchmarking relative to other pension arrangements and industry best practice guidelines is also undertaken.

The Trustees beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

- **Scheme governance**

The Trustees believe in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.

The Trustees operate in accordance with their governance framework which covers the legislative and best practice standards set out by the Pensions Regulator. This ensures that the Trustees operate in a way that helps deliver better member outcomes.

- **Investments**

The Trustees believe in provision of a Default arrangement that delivers suitable risk /return outcomes and a range of alternative investment options suitable for the needs of the membership.

The Scheme offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The strategies and funds available have been selected, and designed, following advice from the Scheme's investment adviser, taking account of how members are likely to take their retirement savings and consideration of wider industry trends.

The latest formal triennial investment review was undertaken in June 2023. As part of the review, the Trustees concluded that the standard default arrangement remained broadly appropriate for the membership, and no changes are planned as a result.

- **Administration**

The Trustees consider that good administration and record keeping play a crucial role in ensuring that Scheme members receive the pension pot or income that is due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement.

The Trustees appointed Aon to provide administration services to the Scheme and is satisfied that Aon has the right processes and checks in place to monitor and report on the standard of the administration service. The Trustees gain insight in connection with the member experience through their direct interactions and quarterly administration reporting.

- **Member communications and engagement**

The Trustees consider impactful member communications and delivery of the right type of support essential to help members improve their outcomes.

The Scheme provides effective communications that are accurate, clear, informative and timely. The Scheme uses a variety of communication media, including provision of regular wake up packs and access to well-developed online tools around retirement planning via the Scheme's member website.

In addition to being directed towards Pension Wise and receiving strong recommendations to take Independent Financial Advice at retirement, members also have access to an Independent Financial Adviser at a negotiated rate.

The assessment takes into account available research on the costs and features of other similar schemes for comparison purposes. As such the Trustees have undertaken market benchmarking against the costs levied to members' funds and in respect of the four core benefit categories.

Under the Trustees' assessment framework, the Trustees believe that the costs and charges represent good Value for Members relative to the benefits of Scheme membership.

## **5. 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 investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.**

The bulk of the core financial transactions are undertaken on behalf of the Trustees by the administrator, Aon. The Trustees have a Service Level Agreement ('SLA') in place with Aon that

covers the accuracy and timeliness of all core financial transactions. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. Under the current SLA, Aon aims to accurately complete all financial transactions generally within 5 working days. During the Scheme year, Aon met the SLA requirements with 92% of activities completed within 5 working days.

The Company is responsible for ensuring that contributions are paid over to the Scheme promptly, and the timing of such payments is monitored through regular reports submitted by Aon.

The Trustees have also reviewed the key processes adopted by Aon in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes to help meet and monitor SLAs include, but are not limited to, the below:

- Provision of quarterly administration reports – enabling the Trustees to check core financial transactions and review processes relative to any member complaints made
- Monthly contribution checks and daily reconciliation of the Trustees' bank account
- Checks for all investment and banking transactions prior to processing
- Straight-through processing for many tasks therefore, avoiding the need for manual intervention and, in turn, significantly reducing the risk of error
- Annual data reviews leading to identification of missing or potentially incorrect data
- Documentation and operation in line with quality assurance policies and procedures
- Operation in line with the Business continuity plan and confirmation that Aon has prioritised core financial transactions during this period
- Controls around administration and the processing of transactions are documented in the risk register which is regularly reviewed

The Trustees are satisfied that over the period:

- Aon was operating appropriate procedures, checks and controls and operating to the agreed SLA,
- there have been no material administration errors in relation to processing core financial transactions, and
- Core financial transactions have been processed promptly and accurately during the Scheme year.

The Trustees are pleased to report there have been no administration service issues with respect to core financial transactions which need to be reported.

## **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 Trustees as a body in dealing with the whole Scheme and, unless specifically mentioned, are not restricted to the DC section of the Scheme.

The Trustees comply with the Pensions Regulator's Trustee Knowledge and Understanding (TKU) requirements. In particular, during the period, the Trustees:

- Held quarterly main board and Sub Committee Trustee meetings

- Maintained a regime for proper governance of the Scheme (progressing with the work in connection with the Pensions Regulator's General Code)
- Ensured that an audit of the Trustees' Report and Accounts was carried out for the Scheme year ended 31 March 2024
- Reviewed the Scheme's investment strategy (e.g. performance, aims and objectives of investment funds on offer). The Trustees determined the current offering remained appropriate for members
- Maintained a TKU training log for each Trustee
- Reviewed the SIP (demonstrating the Pensions Regulator's requirement to understand the principles relating to the investment of occupational DC schemes and to have a working knowledge of the SIP)

The Trustees have put in place arrangements including a training policy for ensuring that they take personal responsibility for keeping themselves up to date with relevant developments and carry out a self-assessment of training needs. An annual review of training logs is undertaken, and advisers deliver specific training at trustee meetings.

Over the Scheme year, the Scheme was managed by five Trustees of which two Trustees are Fellows of the Institute and Faculty of Actuaries, and other Trustees have varying backgrounds including administration and investments. With effect from 31 March 2024, one Trustee who is a Fellow of the Institute and Faculty of Actuaries, resigned. The Trustees are also supported by a Secretary to the Trustees. Approximately half of the Trustees have served for at least 8 years and are very familiar with the governing documentation for the Scheme and its discretionary policies. The Trustees also received regular training at meetings and several Trustees also attended external seminars and conferences.

The Trustees receive advice from professional advisors regularly throughout the Scheme year to ensure that they run the Scheme and exercise their functions properly. The Trustees are conversant with the Trust Deed and Rules and the SIP Principles and have consulted these documents in connection with updates during the Scheme year due to legislative change.

Considering the activities completed by the Trustees together with the professional advice available to them, the Trustees consider that they meet the Pensions Regulator's TKU requirements and are confident that their combined knowledge and understanding, together with the input from their professional advisers, enables them to properly exercise their functions in respect of the Scheme.

Signed on behalf of the Trustees of the Medical Defence Union Pension and Life Assurance Scheme.

\_\_\_\_\_ Date \_\_\_\_\_

Harold Clarke, Chair of Trustees