

## DC Chair's Statement

### 1. Introduction

This Governance Statement sets out how the Trustees of the Arup UK Pension Scheme have met the legal requirements relating to the governance of the DC Section during the Scheme year from 1 April 2019 to 31 March 2020.

The Trustees, in conjunction with the Sponsoring Employer, have been considering the future of the Scheme and the needs of the membership and in August 2019 a decision was reached to transfer the Defined Contribution assets to a Master Trust, operated by Legal & General. The Trustees and Sponsoring Employer agreed the Master Trust will offer the membership greater flexibility and choice for members with an Arup defined contribution pension account. This transfer took place on 3 February 2020.

### 2. Default arrangement

There is no default arrangement because the DC Section of the Scheme closed to future contributions in June 2010, and therefore the statutory definition for the "default arrangement" under Regulation 1(2) of the Occupational Pension Schemes (Investment) Regulations 2005 is not met. The requirements of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 do not apply and so no default statement of investment principles has been attached to this Statement. This Statement has also been prepared on the basis that references in to the "default arrangement" in Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 do not apply.

The DC Section of the Scheme has not been, and is not intended to be, used as a qualifying scheme for automatic enrolment purposes.

### 3. Administration – processing financial transactions in the DC Section of the Scheme

The Trustees have a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the DC Section of the Scheme, transfers between different investments within the DC Section of the Scheme and payments to and in respect of members) are processed promptly and accurately.

The processing of core financial transactions is undertaken on the Trustees' behalf by the Scheme administrator, RPMI, and its investment manager, Legal & General.

RPMI and L&G regularly monitor core financial transactions and have implemented internal control procedures that help ensure that these transactions are processed promptly and accurately. This includes controls and procedures to manage payments of benefits, individual transfers out and investment switches managed as part of the life-styling arrangement or on a member request to switch self-select funds. For example, RPMI have detailed checklists for all member transactions. All cases are checked by a senior member of the team and a technical expert if required before being processed or implemented. A unit reconciliation is undertaken at the end of each Scheme year by the Scheme's auditors.

To help monitor that core financial transactions are processed dealt with promptly and accurately we undertake the following exercises with input from our administrator:

- Monitoring services against service level agreements which list the various tasks associated with the running of the DC Section of the Scheme and the intended turnaround time in working days and requires the administrator to meet a certain level of accuracy, for example investment switches and benefit requests are required to be processed within 5 working days
- Reviewing administration reports which describe the administrator's performance compared against the service level agreements, and which identify any areas where core financial transactions may not have been processed promptly or accurately on a quarterly basis.

The Trustees secured that core financial transactions were processed promptly and accurately during the Scheme year. No issues were identified during the Scheme year.

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### 4. Costs and charges

#### *Transaction costs and charges*

Transaction costs and charges borne by members may have a significant impact on their pension savings. We are required to make an assessment of these costs and charges and the extent to which these represent good value for members.

The level of charges and transaction costs to 31 March 2020 for each fund in which assets in the DC Section were invested is summarised below.

Investment Manager	Fund	Annual Management Charge (p.a.)	Indirect fees	Transactions Costs
LGIM	Global Equity	0.160%	0.02%	0.01%
LGIM	UK Equity Index	0.100%	0.03%	-0.02%
LGIM	Ethical UK Equity Index	0.200%	0.00%	0.01%
LGIM	Ethical Global Equity	0.300%	0.00%	0.00%
LGIM	World (ex UK) Index	0.220%	0.00%	-0.01%
LGIM	Index-Linked Gilts	0.100%	0.00%	0.11%
LGIM	Managed Property	0.700%	0.15%	-0.44%
LGIM	Cash	0.125%	0.00%	0.00%
LGIM	Active Corporate Bond	0.20%	0.11%	0.16%

#### *Good value for members*

The Trustees have assessed the extent to which the member-borne charges and transaction costs set out above represent good value for members. Although the DC section is closed to new contributions and total assets are relatively low, the investment management fees for each fund look good value for money when benchmarked to funds of similar asset types and styles within the DB section and the employer's open Group Personal Pension.

The Trustees note that the only charges and costs currently borne by the members are in respect of the investment manager charges and transaction costs as indicated above. All other costs including administration, member communications (including an annual benefit statement and newsletter) and investment governance are met by the Firm and the Trustees.

Taking this into account and having concluded that the Scheme's investment management costs are relatively low, the Trustees believe that the member charges are good value for money for all funds.

#### *Illustration*

The Trustees are required to provide a "pounds and pence" illustration of the cumulative effect of costs and charges on a member's pension benefits.

The following table provides an illustrative example of a projected pension pot in today's money and has been prepared having regard to the relevant statutory guidance.

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Fund choice	<i>L&amp;G Global Equity 70:30 Index Fund</i>	
Years	Before charges (£)	After all charges + costs deducted (£)
1	4097.56	4091.32
3	4299.88	4280.25
5	4512.19	4477.91
10	5089.96	5012.93
15	5741.71	5611.86
20	6476.92	6282.36
25	7306.27	7032.97
30	8241.82	7873.26
35	9297.16	8813.94
40	10487.63	9867.02

### Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £4,000. This is the rounded mean average pot size in the Scheme.
3. No future contributions are assumed as the DC Section is closed to new contributions.
4. Inflation is assumed to be 2.5% each year.
5. Values shown are estimates and are not guaranteed
6. The projected growth rate shown in this illustration is for the L&G Global Equity 70:30 Index Fund, in which 97% of the Scheme's assets are held, and has been projected at 2.5% above inflation.

## 5. Trustee knowledge and understanding (TKU)

The Trustees' combined knowledge and understanding, together with the advice which is available to them, enables them to properly exercise their functions as Trustees of the Scheme.

The Trustees themselves have experience and expertise which is supplemented with input from Ross Trustees as professional trustee.

In addition to the skills within our Trustee board, we have also appointed a number of professional advisers who provide specialist support and advice. This includes our scheme lawyers, auditors and investment consultants.

Upon appointment and subsequently, Trustees of the Scheme are required to maintain appropriate levels on trustee knowledge and understanding, both individually and collectively. This is managed in a number of ways including:

- All our Trustees are required to complete the Pensions Regulator's eLearning trustee toolkit within six months of becoming a Trustee. The toolkit is an online training course specifically tailored for trustees of occupational pension schemes. All Trustees have confirmed to the Scheme's pension manager that they successfully completed the toolkit before the start of the Scheme year.
- Trustee training sessions are provided at each Trustees' meeting, usually by the Scheme's professional advisers.
- Trustees regularly attend seminars and pensions events.
- All Trustee training is documented in a training log which is reviewed at each Trustee meeting. Trustees are invited to address any gaps in knowledge by requesting relevant training. The in-house

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- Trustees regularly attend seminars and pensions events.
- All Trustee training is documented in a training log which is reviewed at each Trustee meeting. Trustees are invited to address any gaps in knowledge by requesting relevant training. The in-house pensions team and the Professional Trustee will add to the log any relevant training required following changes in legislation or guidance issued by governing bodies.

No new Trustees were appointed during the Scheme year and so no induction process was necessary.

In particular, during the Scheme year, the Trustees have demonstrated:

- a working knowledge of the Scheme's Trust Deed and Rules and were required to demonstrate a working knowledge of these throughout the Scheme year as documented in the Trustee meeting minutes.
- a working knowledge of the current statement of investment principles (SIP) and statement of funding principles. The SIP was reviewed during Scheme year and included in meeting packs; The Trustees also received training on environmental, social and corporate governance (ESG) factors and legislation by their investment advisors.
- a working knowledge of all documents setting out the Trustees' policies. For example, during the year the Trustees attended a workshop which focused on data breach scenarios and cyber security.
- that they have sufficient knowledge and understanding of the law relating to pensions and trusts, and pension scheme funding and investment. For example, during the year the Trustees received formal training on:
  - Corporate Trustees from the Scheme's legal advisors
  - Liability management exercises from the Scheme's actuarial advisors



----- Chair of Trustees

18/09/20

----- Date