

UNIVERSITY OF READING

**PENSION  
SCHEME**

# **THE ANNUAL GOVERNANCE STATEMENT BY THE CHAIR OF TRUSTEES**

**SCHEME YEAR ENDING 31 JUL 2022**

## INTRODUCTION

Welcome to the annual governance report for the University of Reading Pension Scheme (URPS). The Scheme is required to meet a number of governance standards, and these are in place to help make sure that members achieve good outcomes in relation to their pension savings. The Trustees produce an annual report, called the Chair's Statement, to show how the requirements have been met and this is included below with other information about the Scheme that we hope you find useful.

The Statement sets out what we, the Trustees, achieved during the period from 1 August 2021 to 31 July 2022 and how we have met the required governance standards. It also details how third parties have assisted us in fulfilling our duties. You do not need to take any action but if you have any questions, please contact the University's Pensions Team at **[pensions@reading.ac.uk](mailto:pensions@reading.ac.uk)**. A paper copy of this statement can be provided on request.



# HIGHLIGHTS

The Trustees work in the best interest of all members of the Scheme and assess whether the Scheme is providing good value to members. The Trustees held Board meetings quarterly on the following dates during the year:

**20 October 2021**

**9 February 2022**

**28 April 2022**

**12 July 2022**

**20 July 2022** – Investment only meeting to discuss the current default investment arrangement (more detail can be found in section 1).

Meetings of the URPS Governance Sub-Committee were held on (more information about what these meetings are can be found in section 5):

**17 November 2021**

**14 June 2022**

Information about the Scheme and some of the things we have achieved in the last 12 months:

- **Membership:** By the end of the Scheme year there were 1,345 active members of the Scheme and 2,464 members who had left but still have benefits with URPS. In total there were £18,108,153 in funds under management for members. Members have a choice of six investment funds and three investment strategies from which to select.

During the year six members retired and took benefits totalling £129,905 from the Scheme. Another fifty members who had left the Scheme, transferred their pension savings totalling £390,991, to other pension schemes.

We dealt with four deaths of members during the year and one from the previous scheme year: a total of £6,300 in return of pension savings and £110,472 in life assurance benefits (not paid from the scheme) have been paid out to beneficiaries.

- **Value for members:** The Trustees work hard to make sure that the Scheme delivers good value for its members. Good value is not just about costs or charges, it also encompasses features like investment choice, security of members' savings, the support available to members, such as tools and guidance, and the overall quality of the administration services. Value for members is also a key area of focus for The Pensions Regulator who oversees the performance of the Trustees and the governance of the Scheme. The Trustees commissioned an independent report to assess the value that the Scheme delivered to its members during the year and are pleased to report that the assessment concluded that the Scheme provides good value overall. Where suggested improvements were identified, we will assess these in conjunction with Aviva (the administrator) and our professional advisers to see whether changes can be made for the better during the current Scheme year.

- **Administration:** The Trustees appointed Aviva as the administrator for the Scheme. Aviva's performance is monitored in our quarterly Trustee meetings where we receive presentations and reports about the previous quarter's activities.

During the year, the Trustees formally assess Aviva's performance to ensure it remains satisfactory and meets requirements.

- **Communications and Engagement:** The Trustees monitor member engagement at each quarterly meeting, and we are always looking at ways to improve the experience members have when accessing information about or taking action in respect of their pension. During the year, the Trustees have approved the use of the MyWorkplace App which will allow members quick access to their pension through a free App. This will enable members to manage their pension savings account online more easily. This is now in the process of being rolled out by Aviva who have agreed to provide onsite help and support. Further details will be available soon.





# ANNUAL CHAIR’S STATEMENT FOR YEAR ENDED 31 JULY 2022

As Trustees we are committed to making sure we achieve high standards of governance. We try to ensure the Scheme is run in accordance with the Scheme Rules and that it meets regulatory and legislative requirements.

In this statement we are giving you information on five key areas:

- 1 Investment**, and in particular the default investment arrangements;
- 2 Administration** including the controls and processing of core financial transactions;
- 3 Charges and Transaction Costs** with a focus on member borne charges and costs;
- 4 Value for Members Assessment** an independent report to determine good value;
- 5 Trustee Knowledge and Understanding** including Trustees’ compliance with the statutory knowledge and understanding (TKU) requirements.

## DASHBOARD

This dashboard provides a summary of how well we think the Scheme is performing in relation to the five key areas.

1	<b>The default arrangement investment strategy and funds:</b>	Is the default investment strategy appropriate and has it been reviewed? Are funds performing as expected?	Yes
2	<b>The processing of core financial transactions:</b>	Have core financial transactions been processed promptly and accurately?	Yes
3&4	<b>Member borne costs and Value for Money considerations:</b>	Does the Scheme provide good value for members?	Yes
5	<b>The Trustees’ compliance with the statutory knowledge and understanding (TKU) requirements</b>	Do the Trustees, together with available advice, have sound knowledge so that they can manage the Scheme well?	Yes

# 1 DEFAULT INVESTMENT OPTION AND FUNDS

The Trustees are responsible for setting the investment strategy and objectives to meet the needs of members.

The Scheme is used as a Qualifying Scheme for auto-enrolment. Members can choose which funds their money is invested in from a range of options. For those members who do not select an option, the Trustees must establish a default investment arrangement. After taking advice, we have decided that the default should be a lifestyle arrangement and we have chosen the Annuity Investment Programme. Currently, most of the Scheme’s members have some or all their funds invested in the default option.

Details of the objectives and the Trustees’ policies regarding the default arrangement can be found in a document called the Statement of Investment Principles (SIP). The SIP covering the default arrangement is attached to this annual statement regarding governance. The aims and objectives of the Default Investment Arrangement are:

- The default investment arrangement is suitable for a typical member of the Scheme.

- The default investment arrangement is invested in a wide range of assets designed to achieve growth over the long term but where risk is gradually reduced in the 8 years prior to a member’s planned retirement age.
- At retirement age the default investment arrangement is appropriate for members looking to convert their pension savings into an annuity providing a guaranteed income.

Hub Financial Services have been appointed by the Trustees to act as an annuity broker for the Scheme. This is to help members who choose to purchase an income with their pension savings get the best possible annuity rates for their circumstances.

Members are not locked into the default option; there are two alternative lifestyling programmes available whereby assets are invested in line with a pre-determined strategy. The strategy changes as a member gets closer to accessing their retirement savings and takes into account the way in which they expect to access the savings. These alternative programmes target income drawdown or cash withdrawal.

## 1.1 THE STATEMENT OF INVESTMENT PRINCIPLES

We are responsible for investment governance: this means setting and monitoring the investment strategy for the Scheme's default arrangement. The SIP documents the principles governing our decisions about investments, both in relation to the default funds and to the wider range of investment funds available to members. The strategy is designed to ensure that the Scheme's assets are invested in the best interests of members and their beneficiaries.

The most recent copy of the SIP which was updated to incorporate the latest disclosed transaction costs is dated 14 February 2022 and is included later in this Statement. The SIP is reviewed in full at least every three years or immediately if there is any significant change in the strategy or member profile.

Following discussion at the 20 July 2022 Trustee Board Meeting a copy of the SIP dated 14 February 2022 was reviewed. This concluded that the SIP accurately reflected the current default arrangement as, although an investment strategy review was taking place, no investment changes had yet been made and thus no updates to the SIP were required at that time.

## 1.2 INVESTMENT REVIEW

In addition to the full SIP review the Trustees also review the performance of the Scheme's investment arrangements against their objectives at each quarterly Trustee meeting. This review includes an analysis of fund performance, manager performance and updates and takes account of the current market conditions and anticipated risks. It allows the Trustees to raise any questions and for the Investment Consultant to bring matters of interest to the attention of the Trustees.

During the year, the Trustees reviewed the Implementation Statement. This describes how the Trustees have followed the investment policies laid out in the SIP. The Implementation Statement can be read here: <https://vfm.aviva.co.uk/university-of-reading>.

Contributions paid into the Scheme are invested in accordance with the investment strategy which is documented in the SIP. Contributions are invested in

The Trustees regularly monitor the performance of the default arrangement and will formally review both this and the strategy at least every three years. The last completed review of the default investment strategy took place in July 2020. A subsequent detailed review has been started and will be completed in the 2022-2023 Scheme year. However, any changes coming about as a result of that review are unlikely to be fully implemented during the 2022-2023 scheme year.

During the year to July 2022, the Trustees took quarterly advice from Barnett Waddingham LLP at each Board Meeting. Barnett Waddingham is the Trustees' appointed investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority (FCA) and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

The day-to-day management of the Scheme's assets is delegated to Aviva. Aviva selects the Scheme's investment managers. The choice of Annuity Investment Programme as the default arrangement continues while the current review is being undertaken and the Trustees continue to monitor the retirement choices of members reaching retirement age.

pooled funds, which means that the Trustees do not own the assets or shares directly and cannot vote at the AGMs of the companies that the fund invests in. Instead, the fund managers do this on their behalf and the Trustees monitor the fund manager's performance against their own requirements, including those relating to environmental, social and governance (ESG) factors. The Trustees expect the fund managers to promote good governance and environmental and social practice and to use their votes appropriately to ensure good corporate performance as this is essential in generating good long-term returns for members.

In addition, the Trustees also pay regard to Aviva's Global Responsible Investment annual review, which describes the work done by Aviva's Investment Managers regarding ESG. Aviva is authorised and regulated by the Financial Conduct Authority.

## 2 ADMINISTRATION AND CORE FINANCIAL TRANSACTIONS

The Trustees must ensure that "core financial transactions" are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Scheme by members and their employer;
- Transfers into and out of the Scheme of assets relating to members;
- Switches of members' investments between different funds within the Scheme; and
- Payments from the Scheme to or in respect of members (e.g. payment of death benefits).

The Trustees have appointed Aviva to carry out the administration of the Scheme including the processing of core financial transactions.

The Trustees agree a Payment Schedule with the University that sets out timescales for the University to remit monthly contributions to the Scheme in accordance with legislative requirements. However, in practice contributions are paid in advance of these timescales. The process for deduction and payment of contributions is carried out by the University. Once received, contributions are invested in accordance with the timescales set out in the Administration Agreement with Aviva. Aviva reports to the Trustees on a quarterly basis confirming the amounts and receipt dates of contributions. Additionally the Scheme Auditor, Mazars LLP, checks on an annual basis that contributions are paid in accordance with the Payment Schedule.

All Scheme administration processes carried out by Aviva are covered by a Service Level Agreement and the Trustees monitor Aviva's performance against the agreed service levels at least quarterly to make sure that all the administrative tasks, not just core financial transactions, are completed in line with the service levels agreed. Between quarterly Trustee meetings the Scheme Secretary has regular calls with Aviva to monitor performance and to raise any other issues as they arise. This means that we can try to resolve any issues before they impact core financial transactions.

The service standards and performance for some of the key financial transactions are shown in Appendix 1 (pg 20) which is included as part of this document.

A representative from Aviva attends each Trustee meeting to present the Administration Report, provide updates to the Trustees and answer any queries. The Report covers the following information relating to core financial transactions:

- Performance against service levels and end to end servicing times;
- Contributions paid including date of receipt and investment, including members' Additional Voluntary Contributions;
- Transfers into and out of the Scheme;
- Retirement lump sums paid;
- Death benefits paid; and
- Customer Amendments including fund switches.

Aviva ensured that core financial transactions were processed within the agreed service levels wherever possible throughout the pandemic. Where this was not possible the transactions were given priority over other tasks to ensure customers did not suffer any unreasonable delays. This was in line with guidance received from The Pensions Regulator. Details of the actual service levels achieved are given in Appendix 1 (pg 20).

Overall the Trustees are satisfied that core financial transactions have been processed in line with service level expectations over the period 1 August 2021 to 31 July 2022 and that Aviva operated appropriate controls during this period. Additional details of the controls in operation are also provided in Appendix 1. Where service levels did not meet expectations the Trustees received appropriate explanation from Aviva and were satisfied that adequate action was being taken to improve the performance.

In addition the Trustees have in place a Risk Register which is reviewed at each Governance and Board Meeting. This helps the Trustees manage any potential risks to ensure that any impact to the Scheme is minimized.



## 3 CHARGES AND TRANSACTION COSTS

The Trustees are required to report on the charges and transaction costs for the investments available to members. Currently costs associated with the administration, investment and communications from the Scheme are shared between the Trustees and members.

We have a specific duty to make sure that costs and charges borne by members of the Scheme are compliant with regulations and represent good value for money. We have taken account of statutory guidance when preparing this section. The charges reported are:

- direct charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund managers as part of the Total Expense Ratio (TER);
- indirect charges, such as the transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.

The costs that members pay during the year are paid for by deduction from benefits. This can have a significant impact on the level of investment returns and therefore pension savings that members build up.

More information on the charges for the Scheme's funds can be found in Appendix 2 (pg 21) of this document

The majority of members have their pension savings invested within the default arrangement, which is the Annuity Lifestyling Programme. The Trustee can confirm that the default funds remain within the charge cap of 0.75% of funds under management. The Trustees are satisfied that the costs borne by members are reasonable.

## 3.1 ILLUSTRATION OF COSTS AND CHARGES

Charges can affect the value of your pension savings over time. We have included here illustrations to demonstrate the possible effects of these charges on the value of a member's pension. These have been produced in accordance with statutory guidance.

As each member will have a different amount of savings within the Scheme and any future investment returns, costs or charges cannot be known in advance, the illustrations involve assumptions about what these might be. The following have been taken into account:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

However nobody can predict the future and actual returns could vary significantly from those provided here.

These illustrations show that a younger member saving £100 per month for 35 years would:

- Build up a pot after costs and charges of £47,800 if invested in the LGIM Diversified Fund. Charges have reduced the value of the pot by £7,400
- Build up a pot after costs and charges of £57,300 in the My Money BlackRock (30:70) Currency Hedged Global Equity Tracker. Charges have reduced the value of the pot by £8,000

Please bear in mind that the figures quoted are for illustrative purposes and are not intended to be actual projections. They should never be relied on if you are making decisions about your pension savings.



### What is this illustration for and how could it help you?

The information in this document is an 'illustration'. This is to show you the possible effect of costs and charges on your pension savings to help you plan for your retirement. The figures shown in it are not personal to you and do not show the actual pension benefits you could get from the pension scheme.

Your pension scheme benefits depend on many things such as contributions from you or your employer, how your investment funds have performed, and costs and charges. The value of your pension can go down as well as up and you may get back less than is paid in.

### How charges affect your pension scheme's investment funds

On the following pages are tables which show how different costs and charges can impact the pension pot over certain periods of time, based on a selection of investment funds. Table 1 shows typical funds for your pension scheme. Table 2 shows funds with different growth rate assumptions and charges.

Under each investment fund, there are two columns. The first shows the projected pension values assuming

no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing the two you can see how much the charges over the years will impact your pension fund. So, for example, if you started your pension at age 30 and expect to retire at 65, the figures at the end of year 35 would give an idea of the figures based on a monthly investment of £100, the assumptions we use follow Table 2.





Table 1: Illustration of effect of costs and charges for typical funds within your scheme – University of Reading Pension Scheme										
	Av MyM LGIM Diversified		Av MyMBlackRock (30:70) Currency Hdgged Global Equity Tracker		Av MyMLegal & General (PMC) Future World Annuity Aware		Av MyMBlackRock Sterling Liquidity		Av MyM BlackRock Over 5 Year Index-Linked Gilt Index Tracker	
	Assumed growth rate 4.1%		Assumed growth rate 5.0%		Assumed growth rate 2.0%		Assumed growth rate 1.0%		Assumed growth rate 1.5%	
	Assumed costs and charges 0.76%		Assumed costs and charges 0.67%		Assumed costs and charges 0.61%		Assumed costs and charges 0.53%		Assumed costs and charges 0.53%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,200	£1,190	£1,200	£1,200	£1,180	£1,180	£1,180	£1,170	£1,180	£1,180
2	£2,410	£2,390	£2,430	£2,420	£2,360	£2,350	£2,340	£2,320	£2,350	£2,340
3	£3,650	£3,600	£3,700	£3,660	£3,530	£3,500	£3,480	£3,450	£3,510	£3,480
4	£4,900	£4,820	£4,990	£4,920	£4,700	£4,640	£4,610	£4,560	£4,650	£4,600
5	£6,170	£6,050	£6,310	£6,200	£5,860	£5,770	£5,720	£5,640	£5,790	£5,710
10	£12,800	£12,300	£13,400	£13,000	£11,600	£11,200	£11,000	£10,700	£11,300	£11,000
15	£20,000	£18,900	£21,500	£20,400	£17,200	£16,400	£16,000	£15,400	£16,500	£15,900
20	£27,800	£25,700	£30,500	£28,400	£22,600	£21,300	£20,500	£19,500	£21,500	£20,500
25	£36,200	£32,800	£40,700	£37,200	£27,900	£25,900	£24,800	£23,300	£26,300	£24,700
30	£45,300	£40,200	£52,300	£46,800	£33,100	£30,300	£28,700	£26,700	£30,800	£28,600
35	£55,200	£47,800	£65,300	£57,300	£38,200	£34,400	£32,400	£29,800	£35,100	£32,200
40	£65,800	£55,800	£79,900	£68,700	£43,100	£38,400	£35,800	£32,600	£39,200	£35,600
45	£77,200	£64,100	£96,500	£81,100	£47,900	£42,100	£39,000	£35,100	£43,200	£38,700
50	£89,600	£72,800	£115,000	£94,700	£52,600	£45,600	£41,900	£37,400	£46,900	£41,600

Table 2: Illustration of effect of costs and charges for funds with different growth rates and charges within your scheme – University of Reading Pension Scheme

	Av MyM BlackRock Over 5 Year Index-Linked Gilt Index Tracker		Av MyM BlackRock Sterling Liquidity		Av MyM BlackRock (30:70) Currency Hdgged Global Equity Tracker		Av MyM HSBC Islamic Global Equit Index	
	Assumed growth rate 1.5%		Assumed growth rate 1.0%		Assumed growth rate 5.0%		Assumed growth rate 5.0%	
	Assumed costs and charges 0.53%		Assumed costs and charges 0.53%		Assumed costs and charges 0.67%		Assumed costs and charges 0.93%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,180	£1,180	£1,180	£1,170	£1,200	£1,200	£1,200	£1,200
2	£2,350	£2,340	£2,340	£2,320	£2,430	£2,420	£2,430	£2,410
3	£3,510	£3,480	£3,480	£3,450	£3,700	£3,660	£3,700	£3,640
4	£4,650	£4,600	£4,610	£4,560	£4,990	£4,920	£4,990	£4,890
5	£5,790	£5,710	£5,720	£5,640	£6,310	£6,200	£6,310	£6,160
10	£11,300	£11,000	£11,000	£10,700	£13,400	£13,000	£13,400	£12,800
15	£16,500	£15,900	£16,000	£15,400	£21,500	£20,400	£21,500	£19,900
20	£21,500	£20,500	£20,500	£19,500	£30,500	£28,400	£30,500	£27,600
25	£26,300	£24,700	£24,800	£23,300	£40,700	£37,200	£40,700	£35,900
30	£30,800	£28,600	£28,700	£26,700	£52,300	£46,800	£52,300	£44,900
35	£35,100	£32,200	£32,400	£29,800	£65,300	£57,300	£65,300	£54,500
40	£39,200	£35,600	£35,800	£32,600	£79,900	£68,700	£79,900	£64,800
45	£43,200	£38,700	£39,000	£35,100	£96,500	£81,100	£96,500	£76,000
50	£46,900	£41,600	£41,900	£37,400	£115,000	£94,700	£115,000	£88,000

How we worked out the figures in the tables

It's important to understand how much or how little difference charges make to your pension pot, but we can't predict exactly what will happen in the future so we've had to make some assumptions. The values shown are estimates and are not guaranteed.

These assumptions are:

- 1 We've assumed someone doesn't have anything in their pension pot when they start saving. Contributions are assumed to be paid £100 monthly increasing in line with assumed earnings inflation of 2.5% each year.

- 2 The figures illustrate the pension pot value in 'today's money' which means they take inflation into account by discounting values at 2.5% a year. Seeing the figures in this way shows you what they could be worth today. It's important to note that inflation reduces the worth of all savings and investments. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in 'today's money'.
- 3 Transaction costs may not have been included where data was not available from the fund managers.

Some important things to remember

Your scheme will offer other funds to those illustrated, with different growth potential and different charges, and may also offer some form of lifestyling investment approach. If you have selected the lifestyling investment approach your pension pot will automatically be moved into different funds as you approach your retirement date and your scheme literature will provide details of how this works. As the individual funds used in a lifestyling approach have different growth potential and different charges, the overall growth rate and overall charge will change over time.

For these reasons, we have shown a range of funds with a range of charges which are available to you and which could apply to your pension pot during

the life of your plan. A personal projection of your pension pot is included in your annual benefit statement and you should read that to get an individual view of your projected pension benefits. You'll also find details of the actual charges applicable to you in your scheme literature.

The figures shown here:

- Shouldn't be used to make investment decisions, so if you need to do that, we recommend that you take financial advice.
- May not be relevant to your personal circumstances. Your money may be invested in different funds, for example.

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3.2 INVESTMENT RETURNS

The following tables provide the net investment returns for each of the default investment options available under the Scheme. These have been prepared in line with statutory guidance.

Annualised returns net of charges for a single investment of £10000 in your scheme - University of Reading Pension Scheme					
Duration	1 years (annualised)	5 years (annualised)	10 years (annualised)	15 years (annualised)	20 years (annualised)
Time period (start date - end date)	31/07/2021 31/07/2022	31/07/2017 31/07/2022	31/07/2012 31/07/2022	31/07/2007 31/07/2022	31/07/2002 31/07/2022
Av MyM BlackRock (30:70) Currency Hdgd Global Equity Tracker	-4.09%	6.40%	9.15%	Data unavailable	Data unavailable
Av MyM Legal & General (PMC) Pre- Retirement	-20.32%	-1.06%	Data unavailable	Data unavailable	Data unavailable
Av MyM LGIM Diversified	-2.86%	3.94%	Data unavailable	Data unavailable	Data unavailable
Av MyM BlackRock Sterling Liquidity	-0.04%	-0.01%	-0.01%	Data unavailable	Data unavailable
Av MyM BlackRock Over 5 Year Index Linked Gilt Index Tracker	-22.97%	-0.34%	4.02%	Data unavailable	Data unavailable
Av MyM HSBC Islamic Global Equity Index	3.60%	14.35%	Data unavailable	Data unavailable	Data unavailable

Annualised returns net of charges for a single investment of £10000 in your scheme - University of Reading Pension Scheme						
Duration		1 years (annualised)	5 years (annualised)	10 years (annualised)	15 years (annualised)	20 years (annualised)
Time period (start date - end date)		31/07/2021 31/07/2022	31/07/2017 31/07/2022	31/07/2012 31/07/2022	31/07/2007 31/07/2022	31/07/2002 31/07/2022
Drawdown	Aged 25 at start of period	-3.44%	5.25%	Data unavailable	Data unavailable	Data unavailable
	Aged 45 at start of period	-3.44%	5.25%	Data unavailable	Data unavailable	Data unavailable
	Aged 55 at start of period	-3.44%	4.28%	Data unavailable	Data unavailable	Data unavailable
Cash	Aged 25 at start of period	-3.44%	5.25%	Data unavailable	Data unavailable	Data unavailable
	Aged 45 at start of period	-3.44%	5.25%	Data unavailable	Data unavailable	Data unavailable
	Aged 55 at start of period	-3.44%	3.31%	Data unavailable	Data unavailable	Data unavailable
Annuity	Aged 25 at start of period	-3.44%	5.25%	Data unavailable	Data unavailable	Data unavailable
	Aged 45 at start of period	-3.44%	5.25%	Data unavailable	Data unavailable	Data unavailable
	Aged 55 at start of period	-3.44%	3.31%	Data unavailable	Data unavailable	Data unavailable

- 1 For the arrangements where returns vary with age such as for the default strategy, returns are shown over the scheme year for a member aged 25, 45 and 55 at the start of the period the returns are shown.
- 2 The costs that members pay during the year are paid for by deduction from benefits. This can have a significant impact on the level of investment returns and therefore pension savings that members build up.
- 3 Returns are net of the fund specific charges and factor in the transaction costs incurred by the funds.
- 4 The returns have been provided by Aviva as of 31 July 2022.



## 4 VALUE FOR MEMBERS’ ASSESSMENT

From 1 October 2021, The Pensions Regulator (TPR) introduced a new regulation that smaller defined contribution (DC) pensions schemes prepare a more rigorous value for members (VFM) assessment. The regulations mean trustees of DC schemes with less than £100 million in assets must compare their scheme’s costs, charges and investment returns against three other schemes. They must also carry out a self-assessment of their scheme’s governance and administration in line with seven key metrics.

The Trustees believe it is important that members receive good value for the charges and transaction costs that they incur and this is determined each year in a report which is provided for the Trustees by an independent third party. This report is considered in conjunction with the Trustees’ own views and knowledge of the Scheme. There is no absolute definition of what constitutes good value so the Trustees have considered the services delivered relating to the member borne costs and charges and also other factors which contribute to the delivery of value but where the charges are not member borne. These are:

- Levels of charges compared to the levels for comparable schemes in the market
- Choice of investment funds offered and their performance
- How the Scheme is administered and the range of tools and support available to you
- How the Scheme is governed and its overall management.

For the year ended 31 July 2021 the Trustees and their adviser considered the plan offered excellent value for members. This year the overall ratings are broken down as delivering good, moderate or poor value. For the year ended 31 July 2022 the Trustees and their adviser considered that it delivers good value for members taking into account the following benefits and services provided:

**Costs:** the costs borne by members are known and the charges associated with the default investment strategy are well below the charge cap no matter how far a member is from retirement. The independent report suggests that costs are higher than may be obtained in the market for a similar scheme. The Trustees are actively investigating this as part of the investment strategy review.

**Investment Funds:** there is a suitable range of investment funds available, including three lifestyle

options targeting the available retirement income options open to members. The Trustees review the default strategy and the other funds on a regular basis for suitability and performance and they take appropriate advice to assist them. The performance growth profile of the default has been broadly in line with comparator schemes over the last five years.

**Scheme Administration:** All members have online access to their accounts through the Aviva MyMoney secure portal which allows members to check their fund value, access investment information and model benefits using a range of tools. It is considered that the experience and performance of Aviva provides a positive impact for members.

**Scheme Governance:** The Trustees maintain an annual Operating Plan which details the various matters that make up the running of the Scheme. This is reviewed in detail annually and for updates at each quarterly Board of Trustees’ meeting and Governance Sub-Committee meeting. In addition the Trustees have a Risk Register which captures the output of their regular risk reviews with the various mitigating actions and controls. There is a rolling review of the Scheme documents and annual training plans are put in place. The Trustees appoint professional advisers to provide advice which assists them in the running of the Scheme.

**Life Assurance:** The Scheme provides members with life assurance cover of 6x salary in addition to the death benefits provided under the Scheme Rules at no additional cost.

When considering the report on Value for Members the Trustees bear in mind areas in which there may be scope for improvement despite the overall good rating. These areas are reviewed and any actions identified are managed via the Scheme’s overall Operating Plan. During the coming year the Trustees will consider the following areas identified in the report for the year ended 31 July 2022:

- Investment strategy
- Data quality and how this is measured
- Member feedback provided to Trustees.

The Trustees continue to keep value for members under review and will report again following the end of the current Scheme year.

## 5 TRUSTEE KNOWLEDGE AND UNDERSTANDING (TKU)

The Scheme is run by a Board of Trustees who must act in the best interests of members and ensure that the Scheme meets regulatory governance standards, complies with the law affecting pensions and meets the requirements laid out in the Scheme Rules and associated documentation. The Board of Trustees currently comprises an independent Chair, two employer nominated Trustees, two member nominated Trustees and is assisted by The Secretary to the Scheme. All Trustees served throughout the Scheme year and there is a range of experience amongst Board members.

The member nominated Trustees are appointed through a documented recruitment process which ensures that candidates meet the required standards and are fit and proper to undertake the duties of a Trustee. Employer nominated Trustees are selected due to their aptitude, experience and knowledge they will bring to the running of the Scheme. There is a robust documented Conflicts of Interest Policy in place to ensure that the Scheme is governed independently at all times.

Each Trustee has a documented induction providing them with the information needed to take up the role through a mix of meetings with the Secretary to the Trustees / Secretariat, online training, emails, signposting to websites etc. New Trustees are also provided with copies of Scheme documents such as the Rules, Operating Plan, Risk Register and Statement of Investment Principles etc.

The Scheme’s Trustees are required to maintain adequate knowledge and understanding that allows them to exercise their duties, taking into account the complexity of the Scheme. The requirements are a combination of statutory provisions, codes of practice, guidance and common law principles. Having adequate knowledge means that the Trustees are able to manage the Scheme with the necessary independence, recognise when advice is needed and make decisions that have a positive effect on member outcomes. The Trustees and their advisers regularly consider training requirements in order to identify any new requirements or address any knowledge gaps. Training is delivered in a variety of ways on a regular basis through the year, these include:

- Delivery during quarterly Board Meetings;
- Stand-alone training sessions
- Monthly news and training update email
- Attending webinars
- Completing the Trustee Toolkit and other online content published by The Pensions Regulator.

Individual training undertaken is captured in a training log. Examples of training topics for training completed during the year are:

- Retirement Innovation and Investment Strategy (20 October 2021, all Board members)
- The Pension Regulator’s Trustee Toolkit (throughout the year by most of the Board members)
- New Value for Money Requirements (20 October 2021, all Board members)
- Investment Strategy (12 July 2022, all Board members)
- Pension Scams (Individual training)
- Pensions Dashboards (Individual training)
- DC Landscape (20 July 2022, all Board members)

The Trustee Board has a Governance Sub-Committee and a Discretions’ Panel. In the case of the Discretions’ Panel, this has been set up to decide on matters where knowledge of the Rules needs to be applied to a particular situation, for example in relation to the death of a Scheme member where the distribution of the correct beneficiary benefits needs to be agreed.

The Governance Sub-Committee is responsible for maintaining the annual Scheme Operating Plan, reviewing all scheme policy, and governing documents on a regular basis, advising the Board where changes may need to be made, for example where regulation or legislation has changed and needs to be reflected in the Scheme documents or practice. This work demonstrates the level of knowledge held by the Trustees and application of that knowledge in the day to day running of the Scheme. Some examples of the evidence of where the Trustees have demonstrated their skills and knowledge are summarised in the following table:



Requirement	Relevant Discussion	Date
<b>Demonstrate a working knowledge of the trust deed and rules</b>	Trustees have exercised discretion regarding the deaths of 4 members of the Scheme who died during the current scheme year and for one member who died in a previous year	7 July 2022
		14 September 2022
		25 November 2021
		12 August 2021
		29 July 2021
<b>Demonstrate a working knowledge of the current SIP</b>	Trustees conducted a review of the ESG Policy documented in the SIP	9 February 2022
	Trustees discussed actions arising from the latest review of the SIP	9 February 2022
<b>Demonstrate a working knowledge of all documents setting out the Trustees' current policies</b>	The Board of Trustees' Terms of Reference were reviewed	14 June 2021
	The Trustees reviewed the Scheme's Communications Strategy	14 June 2021
<b>Demonstrate sufficient knowledge and understanding of the law relating to pensions and trusts</b>	The Trustees considered the new regime on Pensions Transfers	17 November 2021
	The Trustees discussed The Pension Regulator's Single Code of Practice in order to ensure compliance once it is enacted.	28 April 2022
<b>Demonstrate sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes</b>	The Trustees completed a review of the protections provided by the Financial Services Compensation Scheme	12 July 2022
<b>Demonstrate that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions</b>	The Trustees completed a review of recommendations from the Value for Members' Report	9 February 2022
	The Trustees approved the annual Risk Register	17 November 2021

Where there has been any ambiguity involving decisions relating to the Scheme Rules, the Trustees have taken independent legal advice as part of the decision making process. Legal advice has been sought as part of the exercise to review the Trustees' Powers, Discretions and Delegations' document.

Considering the various activities described, and the appointment of the Scheme's professional advisers, who provide additional expert support, as the incoming Chair I expect that the Trustees meet the necessary knowledge and understanding requirements.

The Trustees are always happy to hear from members and use any comments or feedback when considering future interactions with the administrators or other Scheme developments. If you would like to provide us with any feedback please email [pensions@reading.ac.uk](mailto:pensions@reading.ac.uk).





# ANNUAL GOVERNANCE STATEMENT APPENDIX 1

## Details on the Service Levels and Controls relating to the processing of core financial transactions

Table 1: Service levels

Service Standard	Service Level (working days)	Service Level achieved (%)
Fund switch request*	1	94
Payment – transfer out	5	91
Process transfer in	5	75
Process contributions	2	100
Pay retirement benefits	5	100
Death Claim	5	100

\* fund switch SLA information cannot yet be provided stand-alone so the service level relates to the broader category of 'customer amendments' which includes fund switches

Both Aviva and the Trustees operate within a controls' framework designed to ensure the delivery of good outcomes for members. In relation to the processing of core financial transactions the key controls are:

- Trustees and their Auditors review Aviva's AAF01/06 Assurance Report which summarises their overall control framework and the performance of those controls during the year. Key controls for processing core financial transactions are:
  - All payments require dual authorisation. For high value payments the second authoriser has to be of a higher grade than the processor
  - All authorisations are set within the administration platform and cannot be bypassed
  - Daily reconciliations of funds and units held
  - All incoming payments are held in a nominee account which is protected according to the requirements of the FCA Client Assets Sourcebook (CASS)
  - All processes are allocated an owner with each process being reviewed at least annually to ensure they remain fit for purpose.
- Trustees engage an independent Auditor to complete an annual audit as part of the production of the Scheme Report and Accounts. This included a review of the contributions' payments process and financial records to ensure that there were no discrepancies and payments were properly authorised
- Trustees' audit of the data quality of member common and Scheme specific data held on Aviva's systems. Where the data falls below data quality standards specified by The Pensions Regulator the Trustees are working with Aviva on ways to update and improve the data.

# ANNUAL GOVERNANCE STATEMENT APPENDIX 2

## Costs and Charges Information

Information on the charges payable by members is summarised in the following table. The default arrangement has been set up as a lifestyle approach which means that members' assets are automatically moved between different funds as they approach retirement date. This means the actual level of costs and charges will vary depending on how close a member is to retirement.

For the period covered by this statement, annualised charges and transaction costs for all available funds are set out in the table

Fund Name	Annual Management Charge (% p.a.)	Additional Expenses (% p.a)	Total Transaction Costs (% p.a.)
Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index Fund	0.58	0.00	0.1082
Aviva Pension MyM LGIM Diversified Fund	0.70	0.00	0.000*
Aviva Pension MyM Legal & General (PMC) Pre-Retirement	0.59	0.00	0.000*
Aviva Pension MyM BlackRock Sterling Liquidity Fund	0.52	0.00	0.0154*
Aviva Pension MyM HSBC Islamic Global Equity Index	0.52	0.30	0.000
Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index	0.52	0.00	0.0201

\* The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).

Transaction costs are the costs that result from the trading necessary to invest the assets paid into a pension scheme and can include bank transaction charges, stamp duty and broker fees paid when a fund manager buys or sells shares. These costs are usually considered in the unit price offered by the funds and so are reflected in the net investment return. Transaction costs apply to all trading undertaken by a fund manager. These costs arise largely as a natural consequence of participating in financial markets and as a result of activity to deliver the investment strategy and objectives. They are usually reported independently to other charges but, due to the complexity of some of the activity, some are harder to identify and report separately.

# 6 STATEMENT OF INVESTMENT PRINCIPLES

## 1. Introduction

- 1.1. This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the University of Reading Pension Scheme ("the Trustees") and relates to the defined contribution (DC) benefits provided through the University of Reading Pension Scheme ("the Scheme"). The Statement sets down the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004; and

• the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

• the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

• the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted the University of Reading, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).
- 1.4. The Trustees will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement or the demographic profile of members.
- 1.5. The investment powers of the Trustees are set out in Clause 17 of the Definitive Trust Deed and Rules, dated 14 July 2011. This statement is consistent with those powers.

## 2. Choosing investments

- 2.1. The Trustees carefully consider their Investment Objectives, shown in Appendix 1, when designing the range of investment options to offer to Scheme members. The Trustees also acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings - and therefore, whilst seeking good member outcomes net of fees, they also consider the level of risk that is appropriate based on the anticipated needs of the membership profile of the Scheme.
- 2.2. The Trustees' policy is to set the overall investment objectives (as outlined at the beginning of Appendix 1 on pg 28) and then monitor the performance of their investment managers against those objectives. The Trustees' policy is to offer a default investment arrangement suitable for the Scheme's membership profile plus a core range of investment strategies and funds into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in Appendix 1. In doing so, the Trustees consider the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.
- 2.3. The day-to-day management of the Scheme's assets is delegated to Aviva. The Scheme's investment managers as selected by the Trustees are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.4. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of Aviva and the investment managers with respect to their performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

## 3 Investment objectives

- 3.1 The Trustees have discussed and agreed key investment objectives in light of an analysis of the Scheme's membership profile as well as the constraints the Trustees face in achieving these objectives. These are set out in Appendix 1.

## 4 Kinds of investments to be held

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

## 5 The balance between different kinds of investments

- 5.1 Members can choose to invest in any of the funds detailed in Appendix 1 or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustees will invest these contributions according to the default investment strategy set out in Appendix 1.
- 5.2 The Trustees consider the merits of both active and passive management for the various elements of the Scheme's portfolio and may select different approaches for different asset classes.
- 5.3. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

## 6 Risks

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

<b>Inflation risk</b>	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
<b>Conversion risk</b>	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available through the Scheme (see Appendix 1), the Trustees change the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustees expect members to access their retirement savings. The Trustees keep under review the appropriateness of the strategies.
<b>Retirement income risk</b>	<div>The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustees periodically review the appropriateness of the investment options offered to ensure member outcomes can be maximised.</div> <div>Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.</div>
<b>Investment manager risk</b>	The Trustees monitor the performance of Aviva and the Scheme's underlying investment managers on a regular basis in addition to having meetings with them from time to time as necessary. The Trustees have a written agreement with Aviva that contains a number of restrictions on how they operate the Scheme's investments.



Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment managers and their custodians is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees also undertake an annual review of the internal controls and processes of the investment managers.

7 Expected return on investments

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

8 Realisation of investments

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the investment managers.

9 Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

- 9.1 The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2 (pg 31).

10 Policy on arrangements with asset managers

Incentivising alignment with the Trustees’ investment polices

- 10.1 Prior to appointing an investment manager, the Trustees discuss the investment manager’s approach to the management of ESG and climate related risks with the Scheme’s investment consultant, and how their policies are aligned with the Trustees’ own investment beliefs.
- 10.2 When appointing an investment manager, in addition to considering the investment manager’s investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3 The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme’s membership and their aims, beliefs and constraints. The Trustees monitor the investment managers’ approach to ESG and climate related risks on an annual basis.
- 10.4 In the event that an investment manager ceases to meet the Trustees’ desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Scheme’s investment consultant on behalf of the Trustees.
- 10.5 Investment managers’ ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment managers.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6 The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.7 When considering the management of objectives for investment managers (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment managers make decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8 The Trustees expect investment managers to be voting and engaging on behalf of the Scheme’s holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme’s Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.9 The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees’ investment aims, beliefs and constraints.
- 10.10 The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment managers, they receive more and as values fall they receive less.
- 10.11 The Trustees believe that this fee structure enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12 The Trustees ask the Scheme’s investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.13 The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14 During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset managers

- 10.15 For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16 The suitability of the Scheme’s asset allocation and its ongoing alignment with the Trustees’ investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.



## 11 Monitoring

- 11.1** Investment Performance: The Trustees review the performance of each investment option offered through the Scheme against the stated performance objective and, in doing this, the Trustees receive a performance monitoring report on a regular basis. This monitoring takes into account both short-term and long-term performance. The investment managers' overall suitability for each mandate will be monitored as frequently as the Trustees consider appropriate in light of both its performance and other prevailing circumstances.
- 11.2** Objectives: The Trustees monitor the suitability of the objectives for the Scheme (as detailed in Appendix 1) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.
- 11.3** Investment Choices: The Trustees monitor the ongoing appropriateness of the investment choices offered on a periodic basis.

## 12 Agreement

- 12.1** This Statement was agreed by the Trustees, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the employer, Aviva, the investment managers and the Scheme auditor upon request.





# STATEMENT OF INVESTMENT PRINCIPLES APPENDIX 1

## Note on investment policy in relation to the current Statement of Investment Principles dated 14 February 2022

### 1 The balance between different kinds of investment

The Trustees' main investment objectives are:

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

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

The Trustees have made available a range of funds to suit the individual needs of the Scheme's members. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

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

- The Annuity Investment Programme
- The Drawdown Investment Programme
- The Cash Investment Programme

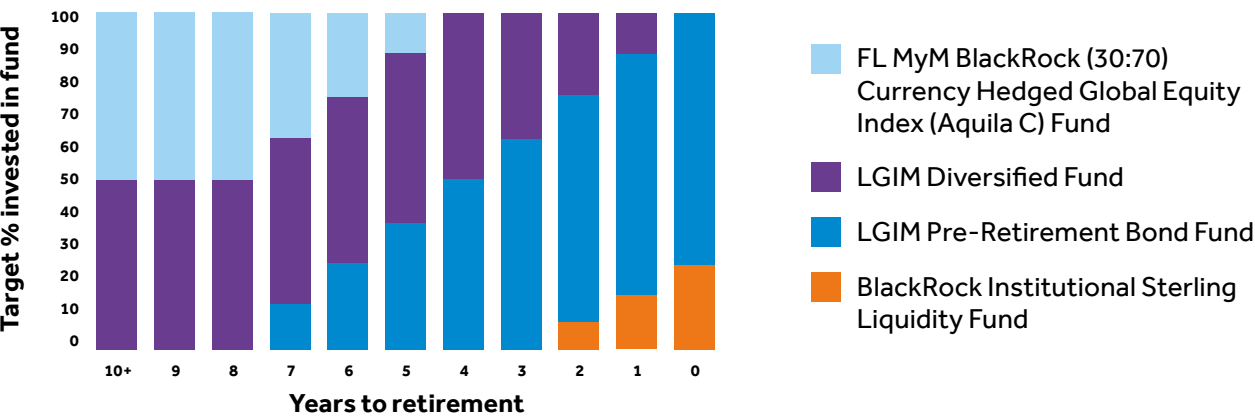
So named to target either the purchase of an annuity at retirement, the purchase of a vehicle where assets can be steadily drawn down during retirement, or the withdrawal of cash at retirement.

The lifestyle arrangements are constructed from constituent funds that are also offered to members wanting to manage their own asset allocation decisions.

### 2 Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the Scheme's membership profile, the Trustees decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

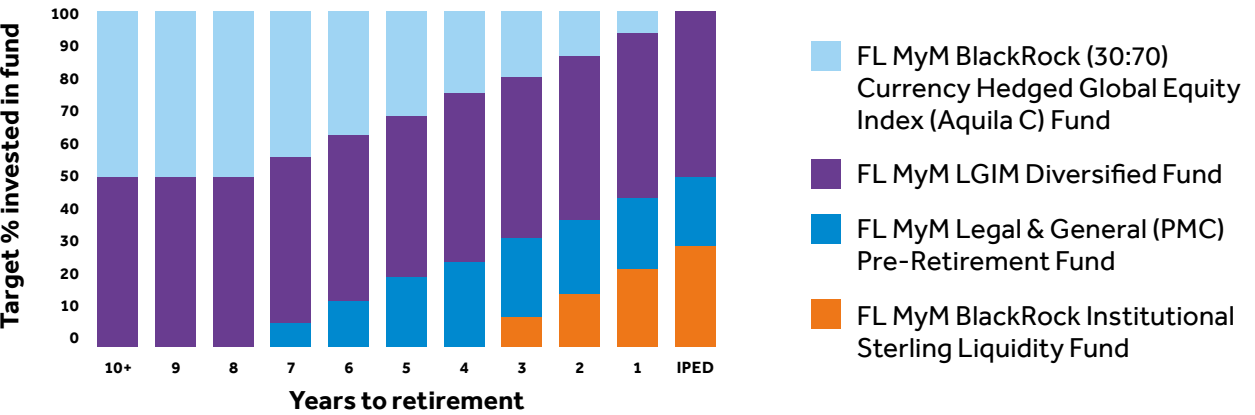
#### Annuity Investment Programme



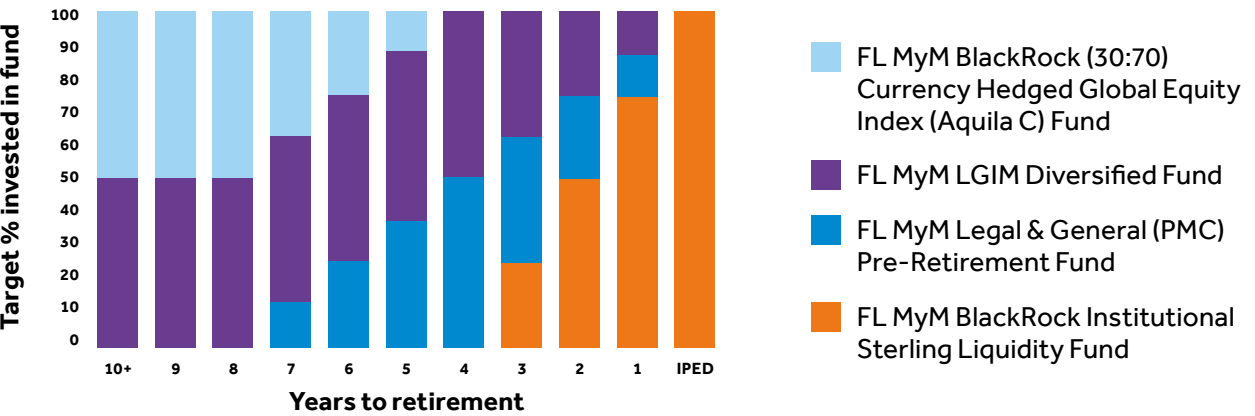
### 3 Alternative investment options

Acknowledging the challenge of identifying the best solution for different groups of members, and in focusing on its key objective, the Trustees have focused on the default strategy. Alongside the default investment option, the Trustees also make available two further lifestyle options as set out below.

#### Drawdown Investment Programme



#### Cash Investment Programme



Source: Aviva Friends Life

Members can also self-select individual funds to invest in. These consist of the constituent funds of the lifestyle programmes as well as two further funds, details of which are set out in the next section.

#### 4 Choosing investments

The Trustees have appointed Aviva to carry out the day-to-day investment of the Scheme. The Trustees selected funds managed by the following investment managers:

- BlackRock;
- Legal & General Investment Management ("LGIM") and;
- HSBC.

Aviva and the investment managers are authorised and regulated by the Financial Conduct Authority. The investment benchmarks and objectives for each fund are given below:

Investment manager	Fund	Benchmark	Objective
BlackRock	Aquila Life (30:70) Currency Hedged Global Equity Index	30% FTSE All-share Index, 60% Developed Overseas Equities, 10% Emerging Market Equities	To track the benchmark
	Aquila Life Over 5 Years Index-Linked Gilts Index	FTSE UK Gilts Index-Linked Over 5 Years Index	To track the benchmark
	Institutional Sterling Liquidity Fund	7 Day LIBID	To track the benchmark
LGIM	Diversified Fund	50% FTSE World Total Return Index, 50% FTSE World Total Return Index (GBP hedged)	To provide long-term investment growth
	(PMC) Pre-Retirement Fund	FTSE UK Level Adjusted Annuity Index Series	To reflect the investments underlying a level annuity product
HSBC	Islamic Global Equity Index	Dow Jones Islamic Market Titans 100 Index	To track the benchmark

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

#### 5 Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge (% p.a.)
BlackRock	Aquila Life (30:70) Currency Hedged Global Equity Index	0.58% (AMC)
	Aquila Life Over 5 Years Index-Linked Gilts Index	0.52% (AMC)
	Institutional Sterling Liquidity Fund	0.52% (AMC)
LGIM	Diversified Fund	0.70% (AMC)
	(PMC) Pre-Retirement Fund	0.59% (AMC)
HSBC	Islamic Global Equity Index	0.52% (AMC) and 0.30% (Additional charges)

The Trustees review these charges periodically as part of the Value for Money assessments.

## STATEMENT OF INVESTMENT PRINCIPLES APPENDIX 2

### Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

#### 1 Financially Material Considerations

The Trustees view Environmental, Social and Governance (ESG) factors, including climate change, as potentially financially material. The Trustees believe that the financial materiality of ESG factors may vary between asset classes. The Trustees' views on ESG integration within each asset class are outlined below:

Passive equities – the Trustees accept that when investing passively in equity index tracker funds that investment managers cannot screen stocks. The Trustees do believe that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustees look to the passive equity managers to engage positively with companies regarding ESG factors.

Cash funds – the Trustees do not believe there is scope for ESG issues to improve risk-adjusted returns within the Scheme's cash fund holdings.

Multi-asset and credit funds – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund and credit managers given these funds have a degree of active management and some scope to select stocks by ESG factors. The investment process for each multi-asset fund manager should take ESG into account in the selection, retention and realisation of investments. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustees are aware of the different investment timeframes that members will have. Further to this, the Trustees believe that ESG issues, and particularly climate change, will be more material for members who are further from retirement. Therefore, within the Scheme's default investment strategy, the Trustees consider the financial materiality of ESG, including climate change, over various timeframes and will consider changes in relation to this as part of their periodic investment reviews.

Before considering any new mandate, the Trustees will consider whether the manager is a signatory to the United Nations supported Principles for Responsible Investment (PRI). At time of writing, Aviva and all of the Scheme's underlying investment managers are PRI signatories.

The Trustees will take advice on ESG from their advisers and report on the ESG at least annually, making this available to members.

The Trustees take ESG factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments – assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.
- Retention of investments – Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments – The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.



The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

## 2 Non-financially material considerations

The Trustees do not make specific allowance for non-financial matters (such as member ethical views) within the investment strategy. However, the Trustees consider that it is important to ensure that a suitable range of funds are offered for members who wish to express an ethical preference in their pension saving and review these provisions from time to time.

## 3 The exercise of voting rights

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers. The Trustees delegate responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

The Trustees periodically review engagement activity undertaken by their investment managers to ensure that the policies outlined above are being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code which the Trustees are supportive of.

## 4 Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment managers have discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

It is not possible for the Scheme's investment managers to invest in the Principal Employer's business.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment managers and conflicts of interest between the Trustees/investment managers and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

## FURTHER INFORMATION

Any queries about your individual pension entitlement or the Scheme in general should be directed to The Pensions Office in the first instance:

**The Pensions Office**

Room 110  
Whiteknights House  
PO Box 217  
Reading  
RG6 6AH

**pensions@reading.ac.uk**

However, if you would like to direct any questions to the Trustees, please contact the Secretary to the Trustees:

**Miss S May**

The Pensions Office  
The University of Reading  
PO Box 217  
Whiteknights  
Reading  
RG6 6AH

**s.a.may@reading.ac.uk**

Website: [www.reading.ac.uk](http://www.reading.ac.uk)

## CHAIR'S DECLARATION

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

**Signed by the Chair on behalf of the Trustees of the Scheme**

**Print name: Joanne Livingstone**

**Date: 14 February 2023**





**The Annual Governance Statement  
by the Chair of Trustees**

Scheme Year ending 31 July 2022

**i** For more information, please contact:

**The Pensions Office**

Room 110  
Whiteknights House  
PO Box 217  
Reading  
RG6 6AH

[pensions@reading.ac.uk](mailto:pensions@reading.ac.uk)  
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