

# Chair's DC Governance Statement, covering 1 October 2020 to 30 September 2021

## 1. Introduction and members' summary

The **TUI GROUP UK Pension Trust** includes three segregated schemes, the BAL Scheme, the TUI UK Scheme and the TAPS Scheme (the "Schemes") Each of the Schemes is an occupational pension scheme. The BAL Scheme and the TUI UK Scheme have sections that provide defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). All of the three Schemes have members who have paid Additional Voluntary Contributions ("AVCs") into the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the TUI GROUP UK Pension Trust, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Schemes, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- how the value members obtain from the Schemes is assessed; and
- Trustee knowledge and understanding.

The following table summarises the type of benefits held in the Schemes:

Section	Type of benefits	
	DC Section	AVCs
BAL Scheme	Yes	Yes
TUI UK Scheme	Yes	Yes
TAPS Scheme	No	Yes

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership. A number of changes to the lifestyle strategies to improve value for members were implemented in the Scheme year as a result. These changes included the launch of new lifestyles for members, the addition of the SL BlackRock ACS World Multifactor Equity Tracker Pension Fund as a self-select fund and the removal of four funds from the fund range.
- The administrators have processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrators' performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain. A reduction of 0.07% pa in the Total Expense Ratio (TER) was negotiated for both the BlackRock ALMA Fund and the Standard Life Annuity Targeting Pension Fund, and implemented in April 2021, making the fees better value.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

## 2. Default arrangements

The Schemes are closed and are not used as a Qualifying Scheme for automatic enrolment purposes.

We have made available a range of investment options for members. Members who do not choose an investment option are placed into the Flexible Income Lifestyle Strategy (the “Default”). We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date.

The BlackRock Market Advantage Fund (“BMAF”) is considered to be an additional default arrangement for governance purposes, and must meet the charge cap restrictions. This is as a result of a bulk transfer of assets without member consent on 24 June 2019, where assets were transitioned into BMAF from the Standard Life Global Absolute Return Strategies Fund.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the default arrangements are set out in a document called the ‘Statement of Investment Principles’ (“SIP”). The Scheme’s SIP covering the default arrangement is included in this document.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows:

- Aim for significant long-term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with members using their accumulated pot to fund their retirement via flexi-access drawdown.

The Default was not reviewed during the period covered by this Statement. The last review was carried out on 28 November 2019 and discussed at the Trustee meeting on 5 December 2019. We regularly monitor the performance of the Default and will formally review both this and the strategy at least every three years (the next review is intended to take place by Q4 2022 or immediately

following any significant change in investment policy or the Scheme’s member profile).

The performance and strategy of the Default were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the Default as stated in the SIP, and to check that it continues to be suitable and appropriate given the Scheme’s risk profiles and membership.

We are satisfied that a default strategy targeting drawdown remains appropriate for the Scheme’s members. However, as a result of the last review, we agreed some changes to the lifestyle strategy, with the two key changes being:

- Improving expected risk and return profile of the growth phases by reducing the allocation to UK equities from 50%, in favour of multi-factor global equity and a strategic allocation of 15% to emerging markets equity.
- Reducing the level of risk for members approaching retirement by reducing the allocation to equity in favour of an increased allocation to the BlackRock Market Advantage Fund.

The strategy changes were implemented as planned in November 2020.

In addition to triennial strategy reviews we also review the performance of the default arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Scheme year concluded that the default arrangement was performing broadly as expected.

## 3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Schemes, Equiniti, the platform provider, Standard Life, as well as the providers of the Scheme’s current AVC arrangements Prudential and Wesleyan and previous AVC arrangements with Utmost.

Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of a Scheme, transfers of assets between different investments within a Scheme, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in pension saving, which may in turn

reduce their propensity to save and impair future outcomes. We have received assurance from Equiniti and Standard Life that there are adequate internal controls to ensure that core financial transactions for the Schemes are processed promptly and accurately.

The Schemes have a service level agreement (“SLA”) in place with the administrators which covers the accuracy and timeliness of all core financial transactions. Further details of the controls and assurances in place for each provider are detailed below.

### Equiniti

Equiniti has various administration responsibilities, which are outlined in the services agreement with the Trustee. It deals with all member enquiries, including member disinvestments. Core financial transactions include (but are not limited to): processing of transfers in and out of the Schemes, and payments to members/beneficiaries. With regards to retirement processing, Equiniti is responsible for producing quotations, issuing retirement options to members, dealing with any queries relating to retirement benefits, and arranging settlement/commencement of benefits for members.

We are able to monitor SLAs with Equiniti via monthly and quarterly Administration Reports and a monthly TUI Member Web Statistics Report. Monthly Supplier Performance Meetings between Equiniti and the TUI UK Pension Manager include a review of Equiniti's performance during the previous month (including, but not limited to, service levels). Any issues identified as part of our review process would be raised with the administrators immediately, and steps would be taken to resolve the issues.

There is an SLA in place with Equiniti that covers timescales for addressing key administrative tasks. The SLA timescales range from 2 to 10 days. Equiniti's performance against the SLA over the 12 months to 30 September 2021 has been good, at c.98% (99% for TUI UK and 98% for BAL).

Equiniti is not aware of any material administration issues in relation to core financial transaction processing over the 12 months to 30 September 2021. Any errors or breaches are discussed at the monthly meetings between Equiniti and the TUI UK Pension manager. Overall, we are comfortable with Equiniti's approach to dealing with errors if they were to arise.

### Standard Life

Standard Life acts as a platform provider for the DC and AVC Sections in each of the BAL Scheme and the TUI UK Scheme, and the AVC Section of the TAPS

Scheme. It also provides an online portal where members are able to instruct investment switches.

The key processes adopted by Standard Life to help it meet its service level agreement are outlined in its Pensions Internal Control Statement, which the Trustee has reviewed. This document gives descriptions of the key controls to meet the following control objectives:

- Authorised switches between investment options and changes to investment instructions are processed accurately and in a timely manner (including Lifestyle profiles).
- Transfer values are calculated in accordance with policy provisions and are paid on a timely basis.
- Benefits are provided in accordance with scheme rules, policy provisions, relevant legislation, and individual elections.
- Benefits are calculated on the basis of accurate fund values and are set up and paid on a timely basis.

Having reviewed the descriptions of the controls for these objectives, and with guidance from its advisers, we believe that the controls in place are sufficient.

We receive quarterly reports about Standard Life's performance against and compliance with the SLA. Standard Life's performance against the SLA has been strong, achieving 100% in Q4 2020, 98.6% in Q1 2021, 96.3% in Q2 2021 and 100% in Q3 2021.

### Utmost

Utmost only provided administrative services for a limited period over the Scheme year as all of the Scheme's AVC assets held with Utmost were transferred to the existing Standard Life arrangements in November 2020. Therefore, we took a proportional approach to reviewing Utmost's administrative performance during this period. However, we have received no reports that Utmost failed to meet its service level standards or any related member complaints during that time. In the circumstances, we are satisfied that any core financial transactions relating to the Schemes for which Utmost were responsible were processed promptly and accurately.

### Prudential and Wesleyan

Prudential and Wesleyan are responsible for processing the core financial transactions for the AVC assets they hold, and ensuring there are adequate

internal controls in place so that core financial transactions relating to the Schemes are processed promptly and accurately.

Prudential has adopted the following processes to help meet its service level targets:

- employing a central financial control team separate from the main administration team;
- peer checking and authorisation of payments;
- daily monitoring of bank accounts;
- daily checking and reconciliation of member unit holdings;
- employing a dedicated contribution processing team; and
- reporting of late contributions.

Wesleyan has a service level standard of 7 working days to respond to requests. If the request is a generic enquiry which requires no calculation or alternations, then Wesleyan aims for a turnaround of 3 working days. Wesleyan has stated that they do not record their performance against these SLAs. Wesleyan has adopted the following processes to help meet its service level targets:

- quality checking on a competency-basis for all information, alteration & claim requests;
- regular monitoring of suspense accounts to ensure that any payments received can either be allocated to a particular plan or traced back to the payer if sufficient details haven't been provided;
- for annual statements for members, they have dedicated teams to ensure that the data being reflected within the statements is correct, compliant and up to date; and
- in 2019, Wesleyan migrated all client data from a legacy administration system to a newer administration system. This was to ensure the technology resilience and data quality for the pensions being administered.

Wesleyan has acknowledged there has been material delays in responding to queries such as requests for Chair's Statement information. To resolve this it is increasing training within the Pensions department so answers to queries are more readily available. There have been no other material administration issues, errors or unreasonable delays.

Given that Prudential and Wesleyan are legacy AVC arrangements with a small number of members and assets relative to the overall DC arrangements, we monitor Prudential's and Wesleyan's administrative performance less frequently than we do Equiniti's and Standard Life's performance. However, Prudential and Wesleyan are aware that we expect reporting of any material administration errors in relation to processing core financial transactions. Having received no reports of such errors or any related member complaints, we are satisfied that Prudential and Wesleyan processed Scheme core financial transactions promptly and accurately during the Scheme year.

### Overall assessment

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrators were operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

## 4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include a portion of the administration costs. However, in order to maintain lower fees for members, the Company pays a per member per annum amount for BAL Scheme members and for TUI UK Scheme members.

We are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Schemes' fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Standard Life who are the investment platform provider for the Schemes. When preparing this section of

the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

### Default arrangement – charges and transaction costs

The Default arrangement is the Flexible Income Lifestyle Strategy. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table. The BMAF is covered in the self-select fund section.

**Please note that “Main Schemes” as quoted in all of the tables throughout this Statement also applies to the TUI DB AVCs. The BAL DB AVCs have different TERs so are shown in a separate column.**

#### Default option (Flexible Income Lifestyle Strategy)

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.22	0.79	0.26
10 years to retirement	0.35	0.92	0.25
5 years to retirement	0.49	1.06	0.24
At retirement	0.35	0.92	0.22

### Non-default lifestyle strategies – charges and transaction costs

In addition to the default arrangement and a range of self-select funds, members also have the option to invest in two other lifestyles, targeting cash withdrawal

and annuity purchase. The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below.

#### Lump Sum Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.22	0.79	0.26
10 years to retirement	0.35	0.92	0.25
5 years to retirement	0.49	1.06	0.24
At retirement	0.17	0.74	0.11

#### Annuity Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.22	0.79	0.26
10 years to retirement	0.35	0.92	0.25
5 years to retirement	0.49	1.06	0.24
At retirement	0.21	0.78	0.04

The Diversified Growth Annuity Lifestyle Strategy, Passive Equity Cash Lifestyle Strategy, and Active Equity Annuity Lifestyle Strategy were removed as part of the strategy review changes in November 2020. The three lifestyles outlined below were removed as part of the strategy changes in November 2020. The TER and Transaction costs are over the year to 30 September 2020, as this is the closest date available to disinvestment.

#### Diversified Growth Annuity Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.57	1.14	0.12

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
10 years to retirement	0.57	1.14	0.12
5 years to retirement	0.43	1.00	0.12
At retirement	0.27	0.84	0.10

### Passive Equity Cash Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.15	0.72	0.15
10 years to retirement	0.36	0.93	0.14
5 years to retirement	0.57	1.14	0.12
At retirement	0.19	0.76	0.07

### Active Equity Annuity Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.74	1.31	0.00
10 years to retirement	0.74	1.31	0.00
5 years to retirement	0.52	1.09	0.06
At retirement	0.27	0.84	0.10

### Self-select fund range – charges and transaction costs

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Fund	Main Schemes TER (%)	BAL DB AVCs TER (%)	Transaction costs (%)
<b>Passive (index-tracking)</b>			
<b>SL BlackRock ACS World Multifactor Equity Tracker Pension Fund</b>	<b>0.25</b>	<b>0.82</b>	<b>0.39</b>
SL 50:50 Global Equity (BlackRock) Pension Fund*	0.15	0.72	0.15
<b>SL Vanguard UK Inflation Linked Gilt Index Pension Fund</b>	<b>0.15</b>	<b>0.72</b>	0.22
SL iShares North American Equity Index Pension Fund	0.14	0.71	0.03
<b>SL iShares UK Equity Tracker Pension Fund</b>	<b>0.14</b>	<b>0.71</b>	<b>0.22</b>
<b>SL iShares Corporate Bond Index Pension Fund</b>	<b>0.15</b>	<b>0.72</b>	<b>0.18</b>
SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	0.15	0.72	0.12
<b>SL iShares Emerging Markets Equity Index Pension Fund</b>	<b>0.33</b>	<b>0.90</b>	<b>0.31</b>
SL iShares Pacific ex Japan Equity Index Pension Fund	0.17	0.74	0.31
<b>Standard Life World Ex UK Equity (BlackRock) Pension Fund</b>	<b>0.15</b>	<b>0.72</b>	<b>0.10</b>



SL HSBC Islamic Global Equity Index Pension Fund	0.43	1.00	0.03
SL iShares Continental European Equity Index Pension Fund	0.15	0.72	0.09
SL iShares Japan Equity Index Pension Fund	0.14	0.71	0.05
Standard Life Annuity Targeting Pension Fund	0.22	0.79	0.04
<b>Active</b>			
Standard Life At Retirement (Multi Asset Universal) Pension Fund*	0.31	0.88	0.21
<b>SL BlackRock Market Advantage Pension Fund</b>	<b>0.49</b>	<b>1.06</b>	<b>0.24</b>
Standard Life UK Equity Select Pension Fund*	0.69	1.26	0.07
Standard Life Deposit and Treasury Pension Fund	0.19	0.76	0.05
Standard Life Property Pension Fund	0.31	0.88	0.18
SL BlackRock SF Systematic Global Equity Pension Fund*	0.74	1.31	0.00

\* This fund was removed as part of the strategy changes which were implemented in November 2020. As such, we have used the TER and transaction cost over the year to 30 September 2020 as this was the closest date available to disinvestment.

## AVC funds – charges and transaction costs

Some members of the Scheme’s defined benefit Sections have made Additional Voluntary Contributions (AVCs) to policies held with a number of different providers. Our advisers have contacted the AVC providers to request the charges and transaction costs for inclusion in this Statement.

At the time of writing, Prudential have only been able to provide transaction costs as at 31 March 2021 and Wesleyan has not provided any transaction costs information. The Trustee’s advisers have repeatedly chased, and will continue to chase for inclusion in the next statement. We have used information as at 30 September 2020 for Utmost as this is the date closest to disinvestment.

AVC fund charges and transaction costs are shown in the following table.

Fund	TER (%)	Transaction costs (%)
<b>Standard Life</b>		
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.66	0.17
Pension Millennium With Profits Fund	n/a	0.18
Pension Millennium With Profits 2006 Fund	n/a	0.18
Standard Life Managed Pension Fund	0.64	0.14
SL ASI UK Smaller Companies Pension Fund	1.12	0.02
Standard Life Asia Pacific ex Japan Equity Pension	0.74	0.11
Standard Life Stock Exchange Pension Fund	0.64	0.10
Pension With Profits One Fund	n/a	0.18
Standard Life North American Equity Pension Fund	0.63	0.20
Standard Life European Equity Pension Fund	0.64	0.05
Standard Life FTSE Tracker Pension Fund	0.63	0.04
Standard Life UK Equity Pension Fund	0.63	0.46
<b>Utmost*</b>		

Fund	TER (%)	Transaction costs (%)
Utmost Secure Cash Fund	0.50	0.00
Utmost Money Market Fund	0.50	0.00
<b>Wesleyan***</b>		
Deposit Fund	1.00	n/a
Managed Fund	1.00	n/a
With-Profits Fund	0.90-1.00	n/a
<b>Prudential</b>		
With-Profits Cash Fund	n/a	0.13****
Other Prudential funds***	n/a	n/a

\*Utmost as at 30 September 2020, the closest available date to when Utmost assets were disinvested (which was in November 2020).

\*\*Prudential as at 31 March 2021 (latest available at time of writing).

\*\*\*Wesleyan has not provided any transaction costs information. The Trustee’s advisers have repeatedly chased, and will continue to chase for inclusion in the next statement.

\*\*\*\*Information on full member holdings has been requested from Prudential but has yet to be provided. Our advisors have repeatedly chased and Prudential have acknowledged the severe delays and have stated they are working through a recovery plan aiming to bring service levels back to normal.



## Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past three years where available, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Scheme year.
- The illustration is shown for the Default (the Flexible Income Lifestyle Strategy) since this is the arrangement with the most members invested in it, the BMAF as it is considered to be an additional default arrangement for governance purposes, as well as four funds from the Scheme's current self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the SL BlackRock Emerging Markets Equity Tracker Pension Fund
  - the fund with the lowest before costs expected return – this is the SL Vanguard UK Inflation Linked Gilt Index Pension Fund
  - the fund with highest annual member borne costs – this is the SL BlackRock Market Advantage Pension Fund (this is also an additional default arrangement)
  - the fund with lowest annual member borne costs – this is the SL iShares North American Equity Index Pension Fund

## Projected pension pot in today's money

Years invested	Default option		SL iShares Emerging Markets Equity Index Pension Fund (highest returns)		SL Vanguard UK Inflation Linked Gilt Index Pension Fund (lowest returns)		SL BlackRock Market Advantage Pension Fund (highest cost and additional default)		SL iShares North American Equity Index Pension Fund (lowest cost)	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£31,200	£31,100	£31,200	£31,100	£29,400	£29,300	£30,200	£30,000	£31,200	£31,200
3	£33,700	£33,400	£33,700	£33,300	£28,200	£27,900	£30,500	£29,900	£33,700	£33,600
5	£36,500	£35,900	£36,500	£35,700	£27,100	£26,600	£30,800	£29,800	£36,500	£36,200
10	£44,400	£42,900	£44,400	£42,500	£24,500	£23,600	£31,500	£29,600	£44,400	£43,700
15	£54,000	£51,300	£54,000	£50,600	£22,200	£20,900	£32,300	£29,400	£54,000	£52,800
20	£65,700	£61,400	£65,700	£60,200	£20,000	£18,500	£33,100	£29,200	£65,700	£63,800
25	£80,000	£73,400	£80,000	£71,700	£18,100	£16,400	£34,000	£29,000	£80,000	£77,000
30	£92,500	£83,100	£97,300	£85,400	£16,400	£14,500	£34,800	£28,800	£97,300	£93,000
35	£98,200	£85,700	£118,400	£101,600	£14,800	£12,900	£35,700	£28,600	£118,400	£112,300
40	£98,300	£83,400	£144,000	£121,000	£13,400	£11,400	£36,600	£28,400	£144,000	£135,700

## Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% pa.
- The starting pot size used is £30,000. This is the approximate average (median) pot size for active members aged 40 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- As the Schemes are closed and all members are deferred, there are no contributions.
- The projected annual returns used are as follows:
  - Default option: 4.0% above inflation for the initial years, gradually reducing to a return expected to be broadly similar to inflation at the ending point of the lifestyle.
  - SL BlackRock Emerging Markets Equity Tracker Pension Fund: 4.0% above inflation
  - SL Vanguard UK Inflation Linked Gilt Index Pension Fund: 2.0% below inflation
  - SL BlackRock Market Advantage Pension Fund: 0.5% above inflation
  - SL iShares North American Equity Index Pension Fund: 4.0% above inflation
- No allowance for active management outperformance has been made.

## 5. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Schemes. The date of the last review was 24 November 2021. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

Our investment advisers have confirmed that overall the fees appear reasonable when compared to other schemes of a similar size, with the majority being broadly in line with the median. A reduction of 0.07% pa in the TER for both the BlackRock ALMA Fund and the Standard Life Annuity Targeting Pension Fund was negotiated during the Scheme Year and this was implemented in April 2021, making the fees better value.

Our assessment included a review of the performance of the Schemes' investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives. All of the passive funds have tracked their respective benchmarks within acceptable limits. We are comfortable with the performance of the fund range.

In carrying out the assessment, we also consider the other benefits members receive from the Schemes, which include:

- our oversight and governance, including ensuring the Schemes are compliant with relevant legislation, and holding regular meetings to monitor the Schemes and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;

- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Scheme are receiving good value for money for the charges and costs that they incur, for the reasons set out in this section.

## 6. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Schemes effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material.

Additionally, we receive quarterly updates on topical pension issues from our investment and legal advisers. The training during the Scheme Year has continued to be focused on regulatory guidance associated with managing member services in the context of the COVID pandemic and has also considered some of the new legal requirements associated with the Pension Schemes Act 2021, including the new transfer conditions and employer reporting obligations.

We are required to pass the Pensions Regulator's Trustee Toolkit within six months of joining the Board. We are also required to attain the PMI Award in Pension Trusteeship. All new joiners have a training session with the Pensions Manager, legal adviser, Investment Adviser and Scheme Actuary on joining. All

new joiners undertake the online Basic PLSA training and the toolkit. They then progress to the PLSA Trusteeship courses (Parts 1 & 2) and finally undertake the PMI certificate in Trusteeship DB & DC. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

We are familiar with the Scheme's governing documentation (which is a separate set of Rules (together with any amendments) for each of the three Schemes) and documentation setting out our policies, including the SIP (which sets out the policies on investment matters). In particular, we refer to the Rules as part of considering and deciding to make any changes to the Schemes, and the SIP is formally reviewed annually and as part of making any change to the Schemes' investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts, and of the relevant principles relating to the funding and investment of occupational pension schemes, to fulfil our duties.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Schemes have in place a structured induction process for new trustees.

A questionnaire is used to carry out an annual evaluation of our knowledge and to help to identify training needs. We also carry out an evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Schemes' business plan. The sub-committee structure was changed so the operations and management committee merged to become the Governance Committee. The next review is due to be carried out in Q4 2022.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Schemes properly and effectively.

Mike Roberts \_\_\_\_\_ Date: 7 March 2022

**Signed by the Chair of Trustees of the TUI GROUP UK Pension Trust**