

UBM Pension Scheme

Chair's DC Governance Statement from 1 April 2018 to 31 March 2019

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the UBM Pension Scheme (the "Scheme"), to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the "default arrangement" and other funds members can select);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This Statement covers the period from 1 April 2018 to 31 March 2019.

2. Background to the Scheme's DC and AVC arrangements

As part of the merger of three schemes into the UBM Pension Scheme over the course of 2013/14, the majority of the old schemes' DC arrangements were transferred to the Legal & General Worksave Mastertrust or assigned to individual members.

The remaining DC arrangements are held in pooled unit-linked investment vehicles with Legal & General, and With Profits and pooled unit-linked investment vehicles with Clerical Medical. The DC arrangements are closed to new members.

In addition to the DC arrangements outlined above, the Trustee also maintains a number of AVC arrangements for members of the Scheme. These are held in pooled unit-linked and With Profits investment vehicles with Legal & General, Aviva, Equitable Life, Zurich* and Prudential. These arrangements have arisen over time as the old schemes and their predecessor schemes made different AVC options available to members.

As at 31 March 2019, the Scheme held around £4.0m in DC assets and around £1.5m in AVC assets in respect of members.

During the 2017 / 2018 Scheme year, all unit-linked funds, where possible, were transferred to Legal & General. The Trustee believes that Legal & General provides better value for the members and the transfer also improved administration efficiency as it consolidates the number of investment providers. Members affected by the transfers were notified.

* The Zurich AVC policy was closed during the year following the retirement of the final member.

3. Default arrangement and self-select fund range

The Trustee has elected not to provide a default arrangement. This is because the Scheme is closed to new DC members and is not receiving regular contributions from existing members.

Members are able to invest across a range of self-select funds with Legal & General and Clerical Medical. The funds available to members are detailed in section 5 below. Members are able to switch holdings between the available funds by contacting the Scheme's administrator, Capita.

The Trustee's objective for the DC arrangements of the Scheme is to provide members with access to an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement.

The Trustee reviews the performance and appropriateness of the fund range on an annual basis, alongside the completion of this Statement. The Trustee last reviewed the Scheme's DC and AVC arrangements during the 1 April 2018 to 31 March 2019 Scheme year, specifically at its 21 November 2018 Investment Sub-Committee meeting. This reflected the completion of the consolidation of the unit-linked funds with Legal & General, as mentioned in the previous Section.

4. Requirements for processing financial transactions

Processing core financial transactions (such as the processing transfers out of the Scheme, switching assets between funds, and payments to members/beneficiaries) is carried out by the administrators of the Scheme, Capita Employee Solutions.

The administrators have confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. The Trustee has a service level agreement ("SLA") in place with the administrator which covers the administration of both the Scheme's DB and DC (including AVC) assets. This includes minimum standards for the accuracy and timeliness of all core transactions.

The Trustee also receives copies of Capita's annual internal controls report which covers pension scheme administration. The controls are designed to ensure that transactions (such as transfers of members' funds between investment options) are processed accurately and in a timely manner. The internal controls are tested by an independent third-party auditor. There were no material exceptions noted on the testing of internal controls for authorising and processing of transactions within the latest report, covering the year to 31 December 2018. Where exceptions were noted to other internal controls, Capita has detailed its response to remedying these exceptions going forwards.

The Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. The quarterly reports cover the administration of the DB, DC and AVC assets. Based on these reports the Trustee is satisfied that over the period covered by this Statement, for the DC and AVC assets:

- there have been no material administration errors in relation to processing core financial transactions; and
- the majority of core financial transactions have been processed within a reasonable timeframe.

Where the Trustee believes core financial transactions have not been processed promptly and accurately, the Trustee has sought to understand the reasons for this from Capita and assurances that processes are in place to mitigate the chances of the delay and / or error occurring again. The Trustee acknowledges that in some cases delays are caused by factors outside of Capita's control, for example as a result of third party involvement (e.g. delays in receiving information from the Scheme's investment managers, or from members' financial intermediaries).

4. Requirements for processing financial transactions (continued)

The Trustee is considering what enhancements can be made to the administrator's reporting to better distinguish its performance on the processing of core financial transactions specifically in relation to the DC and AVC assets of the Scheme.

More generally, the Trustee and pensions management team at Informa discuss individual member cases on a day to day basis with Capita. The Trustee engaged with Capita during 2019 to generally enhance administration services.

5. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses. The additional annual expenses cover, for example, the cost of administration and auditing the investment fund and can change from time to time (but exclude 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 exclude Scheme administration costs since these are not met by the members.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's 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 for the DC and AVC funds in which members invest have been supplied by the investment managers, except for Aviva – the Trustee's investment advisers are continuing to liaise with Aviva to seek transaction cost information for its funds over the period covered by this statement. Also, as the Zurich AVC policy was terminated during the year, Zurich was unable to provide transaction cost information for the whole year.

When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero.

5. Member borne charges and transaction costs (continued)

For the period covered by this Statement, annualised charges and transaction costs are set out in the tables below.

5.1 Legal & General AVC and DC funds

Fund name	TER	Transaction costs
Multi-Asset (formerly Consensus) Index	0.190% pa	0.01% pa
Global Equity 70:30 Index	0.080% pa	0.00% pa
Global Equity 50:50 Index	0.080% pa	0.00% pa
UK Equity Index	0.045% pa	0.00% pa
North America Equity Index	0.100% pa	0.00% pa
Europe (ex UK) Equity Index	0.100% pa	0.01% pa
Japan Equity Index	0.100% pa	0.00% pa
Asia Pac (exJap) Dev Equity Index	0.100% pa	0.00% pa
World Emerging Markets Equity Index	0.450% pa	0.02% pa
Ethical UK Equity Index	0.200% pa	0.01% pa
Over 5y Index-Linked Gilts	0.030% pa	0.03% pa
Over 15y Gilts Index	0.030% pa	0.00% pa
Investment Grade Corporate Bond – All Stocks Index	0.070% pa	0.00% pa
Property	1.048% pa**	0.00% pa
Cash	0.070% pa	0.00% pa
All Stocks Gilts Index	0.100% pa	0.03% pa
Overseas Bond Index – GBP Hedged	0.175% pa	0.00% pa

5.2 Clerical Medical DC funds

Fund name	TER	Transaction costs***
Cash Fund	1.00% pa	0.19% pa
With-Profits****	1.00% pa	0.01% pa

** The Property Fund TER includes the Property Expense Ratio (“PER”); these are non-recoverable charges relating to the management of the underlying properties held in the fund).

*** Transaction costs provided by the manager for the period 1 January 2018 to 31 December 2018.

**** With-Profits Funds aim to deliver performance based on a mix of assets whilst smoothing returns through periods of market volatility. These typically include an element of guaranteed performance (through annually declared bonus rates) and a terminal bonus when members take their money out of the With-Profits Fund. The With-Profits funds have “notional” TERs given the nature of the fund; in practice most of the With-Profits funds include a guaranteed minimum bonus rate and so returns are not directly impacted by the TER.

5. Member borne charges and transaction costs (continued)

5.3 Aviva AVC funds

Fund name	TER	Transaction costs*****
Aviva Global Equity	0.875% pa	n/a
Aviva UK Equity	0.875% pa	0.07% pa
Aviva US Equity	0.875% pa	n/a
Aviva European Equity	0.875% pa	n/a
Aviva Pacific Equity	0.875% pa	0.14% pa
Aviva Mixed Invest (40-85% Shares)	0.875% pa	0.01% pa
Aviva Property	0.875% pa	n/a
Aviva Global Bond	0.875% pa	n/a
Aviva Gilt	0.875% pa	n/a
Aviva Deposit	0.875% pa	n/a
Aviva With-Profits	0.875% pa	n/a
Aviva With-Profits Guaranteed	0.875% pa	n/a

5.4 Prudential, Equitable Life and Zurich AVCs (with-profits only)

Fund name	TER	Transaction costs
Prudential With-Profit Cash Accumulation	0.75% pa	0.05% pa
Equitable Life With-Profits	1.00% pa	0.03% pa
Zurich With-Profits	n/a	n/a

5.5 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.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member-borne fees (ie the TER) and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past year (as 5 year averages are not yet available), subject to a floor of zero (ie the illustration does not assume a negative cost over the long term).

***** Aviva has been unable to provide transaction cost information for the year to 31 March 2019 at the time of producing this statement, therefore we have shown the transaction costs provided by the manager for the period 1 April 2017 to 31 March 2018 for the funds this was provided for. The Trustee's investment advisers are continuing to liaise with Aviva to understand when the outstanding transaction cost information will be available

5. Member borne charges and transaction costs (continued)

5.5 Illustration of charges and transaction costs (continued)

- The illustration is shown for a selection of the Legal & General DC funds available to members. The five self-select funds shown in the illustration are:
 - the fund with the most amount of assets invested – the L&G Multi-Asset (formerly Consensus) Fund;
 - the fund with the highest after costs expected return – the L&G UK Equity Index Fund;
 - the fund with the lowest after costs expected return – the L&G Cash Fund;
 - the fund with highest annual member borne costs – the L&G Managed Property Fund; and
 - the fund with lowest annual member borne costs – the L&G Over 15 Year Gilts Index Fund.

Projected pension pot in today's money

Years invested	L&G Multi-asset (formerly Consensus) Fund		L&G UK Equity Index Fund		L&G Cash Fund		L&G Managed Property Fund		L&G Over 15 Year Gilts Index Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£9,100	£9,100	£9,300	£9,300	£8,700	£8,700	£9,300	£9,200	£8,800	£8,800
3	£9,600	£9,500	£10,000	£10,000	£8,400	£8,400	£10,000	£9,700	£8,500	£8,500
5	£10,100	£10,000	£10,800	£10,800	£8,000	£8,000	£10,800	£10,300	£8,300	£8,200
10	£11,400	£11,200	£13,200	£13,100	£7,300	£7,200	£13,200	£11,900	£7,700	£7,600
15	£12,900	£12,500	£16,000	£15,900	£6,600	£6,500	£16,000	£13,800	£7,100	£7,100

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.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation (ie they reflect the fact that £1 today will buy less in the future because of inflation). The projected value of investments, in today's terms, in the L&G Cash Fund and L&G Over 15 Year Gilt Index Fund is expected to fall in value – this is because the projected annual nominal investment returns are lower than the assumed rate of inflation (see return and inflation assumptions below). Annual inflation is assumed to be 2.5%.
- The Scheme is closed to contributions, so no assumptions about contribution rates, salary (starting salary or salary growth) has been made.
- The starting pot size used is £8,900, which is median pot size of DC members as at 31 March 2019.
- The projection is for 15 years, which the Trustee believes to be reasonable given the DC membership profile.
- The projected annual returns (before deducting fees) used are as follows:
 - L&G Multi-asset (formerly Consensus) Fund: 2.5% above inflation
 - L&G UK Equity Index Fund: 4.0% above inflation
 - L&G Cash Fund: 2.0% **below** inflation
 - L&G Managed Property Fund: 4.0% above inflation
 - L&G Over 15 Year Gilts Index Fund: 1.5% **below** inflation

6. Value for members assessment

The Trustee is required to assess the extent to which the investment options and the benefits offered by the Scheme represent good value for members, compared to other options available in the market. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee undertakes an annual review of the arrangements. This includes performance of the funds (after all charges) in the context of their investment objectives, administration and all member-borne charges (including transaction costs where available), with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The last review was carried out in November 2018. The Trustee notes 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.

The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members, particularly for the main DC and AVC fund range provided by Legal & General.

The Trustee also considers the other benefits members receive from the Scheme, which include:

- the oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation, such as the charge cap, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the range of investment options;
- the quality of communications; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

Overall, the Trustee believes that the majority of the members of the Scheme are receiving good value for money. In particular the Trustee believes the Legal & General fund range is competitively priced, given the Trustee has been able to secure fee discounts with Legal & General. Furthermore, the Trustee undertook a consolidation exercise of the DC and AVC arrangements with the majority of unit-linked holdings, where possible, being transferred to Legal & General. As a result of this consolidation exercise, the average annual management fee for those members transferred to the L&G fund range fell from around 0.76% pa to around 0.12% pa, based on around £2.3m of unit-linked fund holdings that were moved to L&G.

Given the unique features of the With-Profits funds with Clerical Medical, Equitable Life, Aviva and Prudential (such as guaranteed minimum bonus rates) the Trustee decided to leave these with the existing providers. It was also not possible to transfer members from Clerical Medical and Aviva to Legal & General where they held a mixture of unit-linked and With-Profits funds.

7. Trustee knowledge and understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee has 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.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material.

During the period covered by this Statement, the key training the Trustee received covered the new requirements for pension scheme trustees to consider and document their approach to financially material factors, including environmental, social and governance ("ESG") factors. This initial training was followed up with a full Trustee board survey in May 2019 on the Trustee Directors' beliefs on ESG factors, including climate change and long-term sustainability. The output of this survey is documented in the latest version of the Scheme's SIP.

Additionally, the Trustee receives quarterly updates on topical pension issues from their investment advisers.

The Trustee Directors are familiar with the Scheme governing documentation, including the Trust Deed & Rules and SIP. In particular, the Trustee would refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed at least triennially and as part of making any change to the Scheme's investments. Further, the Trustee Directors believe they 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 their 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. Furthermore, some of the Trustee Directors' prior experience includes work in finance and / or pensions, including relevant professional qualifications.

Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisers), the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.



24 September 2019

Signed by the Chair of Trustees of the UBM Pension Scheme