

Introduction

I am pleased to present the Trustees' Statement of Governance, covering the DC Section of the MUFG Bank UK Pension Fund (the Fund) covering the period of 1 July 2019 to 30 June 2020. In this statement, we describe the work carried out by the Trustees over the year to 30 June 2020, to ensure the Fund continues to provide you with good value and the potential for a good outcome for life after work. In doing so, we provide the various statutory disclosures required by legislation and cover five key areas:

1. The investment strategy relating to the Fund's default arrangement;
2. The processing of core financial transactions;
3. Charges and transaction costs within the Fund;
4. Value for Members assessment; and
5. The Trustee's compliance with the statutory knowledge and understanding requirements.

Increasing complexity and speed of innovation requires the Trustees to have not only a technical knowledge of pensions but also to keep abreast of new solutions and innovations in the wider pensions market. This Statement sets out how the Trustees individually and the Board collectively have maintained the statutory levels of knowledge and understanding to govern the Fund as well as the skills to ensure the Fund remains a first-class savings vehicle.

I hope it helps you understand how the Trustees continue to work in your best interests.

The Trustees' strategy

The Trustees' over-arching mission is to help all members achieve a good outcome for life after work. In order to ensure this is the case, the Trustees' objectives are to provide members with an appropriate range of investment options that suits their needs, support enhancing members' investment understanding and avoiding overcomplicating the decision-making process.

The benefits earned by members under the DC Section of the Fund are money purchase in nature. This means that the amount of benefits that members will receive when they retire is not guaranteed but instead depends on factors such as the amount of contributions paid in and the investment returns earned.

Some members who were employed and a member of the DB section of the Fund at the point the DB Section closed to future accrual on 30 June 1999, may be subject to an underpin as a result of their hybrid/contracted out service. Where this is the case, the underpin is calculated as benefits fall due and where the underpin value is greater than the equivalent money purchase value, the defined underpin value will be paid to the member.

Governance structure and culture

Strong governance is essential to the Fund continuing to be a successful savings vehicle that provides good value for members. The Trustees recognise that this requires not only the right resources but also the right Board culture, including a commitment to challenge and debate, knowledge and learning and ongoing assessment of effectiveness. Additionally, the Trustees regularly take time away from routine operations to examine emerging best practices and ways of providing better value for members.

Default Investment Option

The Trustees are responsible for setting the Fund's investment strategy and for appointing investment managers to implement that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

As at 30 June 2020, the Income Drawdown Lifestyle Strategy was the Default Investment Option. This option follows a pre-set choice of investments; starting with contributions invested in the Moderate Growth Fund, then gradually moving members' savings to the Cash Fund once a member is within 5 years of their target retirement date. The Moderate Growth Fund has higher exposures to growth assets such as shares, reflecting the importance of seeking higher returns while retirement is a long way off and members therefore have enough time to recover from any investment falls. As retirement approaches, the member's savings are switched over six years ending with 30% of allocation into the Cash Fund which allows for members to take tax-free cash and management of volatility at retirement. The remaining allocation in the Moderate Growth Fund allows member to draw upon as required. Members can also elect to move into one of two alternative Lifestyle Strategies; one designed for those intending to take a cash lump sum and purchase an annuity with the remainder of their pot and the other designed for those intending to access 100% of their retirement benefits as a cash lump sum at retirement.

There has not been a review of the default investment strategy (Income Drawdown Lifestyle Strategy) during this year. Previously, a review of the default investment strategy review was undertaken on 25 July 2018, in which the Trustees reviewed the ongoing suitability and performance (to ensure that it is still consistent with the aims and objectives of the default arrangement Statement of Investment Principles (SIP)). The review incorporated consideration of the member demographics and emerging trends in the market to ensure, as far as possible, that the strategy adopted was tailored to the characteristics of the membership.

As a result of the review the Trustees decided to change the Default Investment Option from the Annuity Lifestyle Strategy to the Income Drawdown Lifestyle Strategy for all members who were more than 5 years from their target retirement date, with the Annuity Lifestyle Strategy remaining for all members within 5 years of their target retirement date.

Additional Default Arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Fund has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested; this is due to historic fund removals and is further explained in the table below.

Fund	Reason for identification as a 'default arrangement'	Date
Drawdown Lifestyle Strategy	This option has been the DC Section's default investment option since July 2019. Members with less than five years of their target retirement date remained in the Annuity Lifestyle Strategy, with those greater than five years changed to the Drawdown Lifestyle Strategy.	July 2019
Annuity Lifestyle Strategy	This option was the DC Section's default investment option from February 2016 to July 2019. Also, when the Core Lifestyle and Self-Select Lifestyle Strategies were removed, members who did not choose another investment option had their contributions automatically redirected to this option.	February 2016
L&G Asia Pacific (ex Japan) Developed Equity Index Fund	When the Martin Currie Asia Pacific Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.	February 2016
Baillie Gifford UK Alpha Fund	When the AXA Framlington UK Select Opportunities Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.	February 2016
BlackRock MSCI World Index	When the M&G Global Leaders Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.	February 2016
	When the Odey Opus Fund was closed to new contributions, members who did not choose another investment option had their contributions automatically redirected to this option.	November 2017
BNY Mellon Absolute Return Bond Fund	When the L&G Overseas Bond Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.	February 2016
	When the Defensive Fund was removed as a self-select option, members who did not choose another investment option had their contributions automatically redirected to this option.	November 2017
L&G Sterling Liquidity Fund	When the L&G Cash Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.	February 2016
Moderate Growth Fund	When the Standard Life Global Absolute Return Strategies (GARS) Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.	November 2017

The full fund range, including the individual manager funds within the additional defaults identified above, are monitored on at least an annual basis to ensure they are meeting the needs of members and offer value for members. The defaults are reviewed on a triennial basis.

At the 9 July 2019 meeting, after considering the non-financial concerns of members, the Trustees have made available the HSBC Islamic Global Equity Fund for members to invest. This fund was implemented to the self select fund range in September 2019.

Following a review of the self select funds in previous year, the Trustee reviewed a number of self select fund arrangement with the support of investment advisers at the 9 July 2019 and 7 November 2019 meeting. This ensure the wider fund range remains appropriate for the members and also promote efficient governance of the Fund as a whole.

As a result of the review, the Trustees decided to remove the following self-select funds.

- Jupiter China
- Jupiter India
- Jupiter Ecology
- JP Morgan Natural Resources
- BlackRock Gold & General

At the same time, the Trustees introduced the following self select fund into the fund range

- iShares Physical Gold ETC

These changes, along with additional information, was communicated to members prior to the implementation of the changes, and affected members were given opportunities to transfer the affected assets to alternative fund options. For members who did not make an active decision, the assets and future contributions were automatically moved to the Moderate Growth Fund (default growth arrangement for the lifestyle strategies). Implementation of the above changes was completed on 15 July 2020.

Due to the extreme volatility in Q1 2020 owing to the impact from COVID-19, a trade suspension of the Threadneedle Property Fund has been in place since late March 2020 until further notification. After consulting with the Fund's investment advisers, the Trustees have decided to re-direct subsequent contributions to the Property Fund (including March 2020) to the L&G Sterling Liquidity Fund on a temporary, unless members have chosen otherwise. These changes, along with additional information, were communicated to members in May 2020 and any further updates will be communicated to members in the future.

Statement of Investment Principles (SIP)

The Trustees' Statement of Investment Principles, dated 2 September 2019, which includes investment principles in relation to the Fund's default investment arrangement is appended. This covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification. It also states why we believe the default investment arrangement to be designed in members' best interests.

The Trustees reviewed the Fund's Statement of Investment Principles, dated September 2019 with the Fund's investment advisers, and reflected the Trustees' beliefs of the following items in the Fund document:

- Financially material considerations arising from ESG factors, including climate change;
- Stewardship of the assets, including engagement and voting; and
- How members' views on non-financial matters were taken into account.

The SIP is also available on request, by contacting the administration team. Furthermore, this Statement has been published on a publically available website at <https://www.mufgemea.com/governance/mufg-bank-uk-pension-fund/> and will be signposted in the annual benefit statements.

Core Financial Transactions

A prompt and accurate administration service is essential to the Trustees' duty to pay the right benefits to the right members at the right time. The Trustees believe that providing members' with a positive ongoing experience of the Fund's services will increase their confidence in pensions and their propensity to save more in order to achieve good outcomes for life after work. Considerable time and resource has therefore been allocated over the year to ensure the Fund's data is up to date and accurate, contribution payments and other core financial transactions are reconciled and that member queries are addressed promptly.

Core financial transactions are (broadly):

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

The Trustees monitor this through:

- The Schedule of Contributions which sets out the statutory timescales for the Bank to remit monthly contributions to the Fund. Contributions are processed via an automated straight through process to provide both speed and accuracy.
- The Trustees operate an outsourced operational model, with the Fund's administration and management of its Fund bank account delegated to Mercer Limited. The Trustees have agreed timescales with its administrators, Mercer Limited, for the processing of all member-related services, including core financial functions relating to contribution handling, quoting benefits and paying benefits. These timescales are well within any applicable statutory timescale.

Task	Service Level Agreement
Transfer out settlement	15 working days
Transfer in settlement	10 working days
Retirement Quotation	10 working days
Retirement Settlement	13 working days
Death claim – issue documentation	2 working days
Investment switch- post or email	1 working days

- Mercer Limited records all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task.
- Mercer Limited's administration reports disclose the providers' performance against these agreed timescales and are usually presented at the bi-annual Risk and Governance Trustee meetings. The Trustees require additional disclosures in respect of any transactions and benefit processing activity that has not been completed within the agreed timescales including the cause of the delay, the extent to which agreed timescales were breached and the proposed remedial measures.

- The Trustees also monitor the accuracy of the Fund's common data half yearly. The latest results are usually included within the administration reports.
- Separately, the Trustees arrange for spot-checks of member data and benefit calculations to ensure that core financial transactions and benefit payments are accurate.
- The Trustees consider detailed statistics of the Fund administrator's performance against the targets that are set by the Trustees at the bi-annual Risk and Governance meetings. This gives the Trustees insight into member activity, completion timescales for administrative functions and the reliability of the Fund's administration controls.
- Finally, the Trustees have received the Fund administrator's assurance report on its internal controls for the period 1st January 2019 to 31st December 2019 and noted the Reporting Accountant's opinion that, Mercer's description of services was fairly presented and that controls were designed, implemented and operated effectively throughout the period.

The table below sets out the Fund's core financial transactions and the controls that existed during the year to ensure accuracy and promptness. Overall, the Trustees are satisfied that the administrator's controls to process transactions promptly and accurately functioned well during the year. Additionally, the auditor conducted checks in relation to financial transactions during the year to present high or elevated risks.

Core financial transaction	Key internal control
Payment of monthly contributions	<p>Promptness</p> <p>Schedule of Contribution requires the Bank to pay member and Bank contributions by the 22nd of month following that to which they relate.</p> <p>Administrator must report all breaches of Payment Schedule within five working days of the breach being identified.</p> <p>Data on any events that breached the target timescale, including the amount of time it took to complete.</p>
	<p>Accuracy</p> <p>Members are encouraged to use Mercer OneView to check that the contributions shown on their records and benefit statements reconcile with pay slips.</p>
Investment of monthly contributions following receipt by Trustee	<p>Promptness</p> <p>Administrator's agreed timescale for investing contributions is five days from date of receipt of contributions.</p> <p>Data on any events that breached the target timescale, including the amount of time it took to complete.</p> <p>Contributions are processed via an automated straight through process to ensure speed.</p>
	<p>Accuracy</p> <p>Monthly contribution cycle includes a reconciliation of transaction statements from fund managers with contribution receipts from Bank.</p>
Investment switches requested by members	<p>Promptness</p> <p>Administrator's SLA for switching investments is 1 day from date of request.</p> <p>Data on any events that breached the target timescale, including the amount of time it took to complete.</p>
	<p>Accuracy</p> <p>Administrator's SLA for switching investments is 1 day from date of request.</p> <p>All switches are reconciled with manager transaction statements.</p> <p>All members are notified when a switch is completed.</p>

Core financial transaction	Key internal control
Payment of benefits to members	<p>Promptness</p> <p>Cash flow preparation includes identification of forthcoming benefit payments SLAs for core benefit transactions (retirements, deaths and transfers) help ensure that member wishes are known well in advance of benefit payment date.</p> <p>Annual appraisal of common data helps ensure that member data is accurate, reducing the likelihood of delay from data gaps.</p> <p>Clear authorisations exist for the payment of transactions, balancing the need for promptness on the one hand with senior oversight on the other.</p> <p>Data on any events that breached the target timescale, including the amount of time it took to complete.</p>
	<p>Accuracy</p> <p>Administrator operates peer review system for all benefit calculations.</p> <p>Data accuracy is subject to regular evaluation and updating.</p>

However, over the reporting year there were several contribution issues identified. Details of these are set out below:

- A member joined the Bank on 8 March 2019. It was identified in October 2019 that the member's first contribution payment was made in April 2019 but it did not include the contributions covering the period 8 March 2019 to 30 March 2019. The missing contributions were paid to Mercer on 20 November 2020 and the late payment of the contributions resulted in an investment loss of £219.65.
- A member was originally a Summer intern and was not eligible for pension and benefits. The only way the Bank could stop the Summer interns feeding into the benefits platform was to hard code them with a rule that stopped them going in the report. This was managed by the Bank's contracted project manager and the HR team were not fully aware of the rules. The member then joined the Bank on a permanent contract at the end of the Summer internship but the rule was still in place so her information did not feed onto the benefits platform. This error was identified by the Bank in December 2019. The missing contributions were paid to Mercer as part of the December contribution file and the late payment of contributions resulted in an investment loss of £10.18.
- A members' pension contributions covering the period October 2019 to March 2020 were incorrect due to the HR Ops team not being informed of the member's amended salary. This was identified in April 2020 and the missing contributions were paid to Mercer with the standard April monthly contribution payment. The member did not suffer any investment loss as a result of the error.
- A member applied and had flexible working from FTE1 to FTE0.8 approved with effect from 1 April 2020. The application was withdrawn so the member should have remained at FTE1 but this was not updated on Workday. Reduced pension contributions for April and May were sent to Mercer. This error was identified in May 2020 and the missing contributions were paid to Mercer in June 2020 and the late payment of contributions resulted in an investment loss of £0.70.

Any cases of investment loss have been rectified to ensure members are in the position that they would have been in had their contributions been invested at the correct time.

The Trustees discussed the above issues during the meeting held on 28 July 2020 and recorded their decisions on how to class the issues and made their decision on whether to report them to the Regulator.

The Trustees have agreed to keep the issues as standing items on their meeting agendas until they are satisfied that the issues have been resolved and more robust controls are in place. Following this, they will ensure that a periodic review of the payment of member contributions is carried out and this will be reflected in their governance documentation.

Charges and Transaction Costs

Charges

The Trustees are required to report on the charges and transaction costs for the investments used in the default arrangement as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members. When preparing this statement, the Trustees have taken account of statutory guidance when producing this section.

The charges borne by members consist of investment management and Phoenix's platform fees only, which are deducted directly through the unit prices of the funds they invest in – these combined charges are known as 'Total Expense Ratios'. All other costs associated with running the Fund, including administration, advisory, legal, benefit modelling tools and other member communications resources are paid for by the Fund.

As can be seen in Table 1, as at 30 June 2020, the DC Section's fund range comprised funds with charges (Total Expense Ratios) ranging from 0.12% per year to 1.82% per year, which depend on the asset class and the type of management that is deployed. The Fund also complied with regulations on charge controls over the year to 30 June 2020. The Trustees can confirm that the Default Investment Option, and all other funds identified as 'additional defaults' earlier in this statement, remain within the charge cap of 0.75% p.a. of funds under management. For the year ending 30 June 2020, the Default Investment Option was the Drawdown Lifestyle Strategy, which consists of the Moderate Growth Fund and the L&G Sterling Liquidity Fund.

These charges exclude the costs associated with trades in and out of a fund as well as the costs of trading a fund's underlying securities, including commissions and stamp duty, which are collectively referred to in this Statement as 'transaction costs'.

Transaction Costs

Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with regulations. The prescribed methodology for calculated transaction costs compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during these two points may be positive or negative and may also outweigh other explicit transaction costs. For this reason, the overall transaction costs provided can be negative or positive in nature. The Trustees requested this information from Phoenix, as their platform provider. In turn, Phoenix worked with the various underlying investment firms to collate the required data on transaction costs. The transaction costs reported by Phoenix for each fund is shown in Table 1.

Table 1: Costs and Charges

Fund	Charges - Total Expense Ratios (TER)	Transaction Costs**
	(% p.a.)	(% p.a.)
Risk-Profiled Funds		
High Growth Fund	0.61	0.21
<i>Moderate Growth Fund*</i>	<i>0.71</i>	<i>0.21</i>
Cautious Growth Fund	0.62	0.00
<i>Defensive Fund</i>	<i>0.15</i>	<i>0.00</i>
Self -Select / Asset Class Funds		
UK Equities		
BlackRock UK Equity	0.13	0.32
Artemis Income Fund	0.78	0.23
Baillie Gifford UK Equity Alpha	0.60	0.10
BlackRock UK Smaller Companies	0.85	0.99
US Equities		
BlackRock US Equity Index	0.13	0.00
Europe (ex UK) Equities		
BlackRock European Equity Index	0.13	0.02
Lazard European Alpha	0.88	0.26
Japan Equities		
BlackRock Japan Equity Index	0.12	-0.01
Asia Pacific (ex Japan) Equities		
Stewart Investors Asia Pacific Leaders	0.86	0.29
L&G Asia Pacific (ex Japan) Equity	0.16	0.04
India Equities		
Jupiter India Fund	1.07	0.05
China Equities		
Jupiter China Fund	1.07	0.19
Ethical Fund		
Jupiter Ecology	0.86	0.01
Commodities		
JP Morgan Natural Resources	0.91	0.66
BlackRock Gold & General Fund	0.95	0.70
Diversified Growth		
Baillie Gifford Diversified Growth	0.76	0.71
Invesco Perpetual Global Targeted Returns	0.95	0.44
Global Equities		
MFS Meridian Global Equity	0.73	0.06
Acadian Global Managed Volatility	0.32	0.12
BlackRock Aquila MSCI World Index	0.13	0.03
CF Odey Opus Fund	1.30	2.72
BlackRock World ex UK Equity Index	0.13	0.00
Schroder QEP Global Blend	0.76	0.32
American Century Concentrated Global Equity	0.63	0.63
HSBC Islamic Global Equity Index	0.38	0.04
Emerging Markets Equity		
Lazard Emerging Markets	0.83	0.30
BlackRock Emerging Markets Index	0.28	0.00
Property		
Threadneedle Property Fund	1.82	-0.49
Bonds		
M&G Corporate Bond Fund	0.67	0.05
BlackRock Over 15 Year UK Gilt Index	0.12	0.03
BlackRock Over 5 Year UK IL Gilt Index	0.12	0.01
BNY Mellon Absolute Return Bond	0.68	0.31
Cash		
L&G Liquidity*	0.14	-0.02

Source: Phoenix and the underlying investment firms

These figures cover the period 1 July 2019 to 30 June 2020.

*Funds in italics are the component funds of the default investment option for the year ending 30 June 2020.

Legacy Additional Voluntary Contributions ('AVCs')

The Plan has holdings in a number of unit-linked and with-profits AVC policies with Prudential. There is also a policy with Scottish Friendly Assurance Society Ltd (formerly MGM). The holdings are relatively small in scale relative to the size of the Plan's main arrangements held with Phoenix.

The Trustee has sought to quantify the charges and transaction costs associated with the holdings in these policies by requesting the information from the respective providers in line with the prescribed transaction cost disclosure methodology. Prudential was able to provide complete information to satisfy these requirements for its unit-linked funds at the time of writing and more details on the charges borne by members is provided in Appendix B. The Trustee will continue to request any outstanding information and will report on these once this information is reliably obtainable from the managers.

With respect to the with-profits policy, payouts on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, the actual performance received by members, net of charges, is only known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of any 'smoothing'.

Reporting of Costs and Charges

The Trustees fully support transparency of charges and costs for members. However, a key consideration for members is the performance produced net of combined charges and costs. Moreover, a cheaper fund does not necessarily deliver the best value for money.

To illustrate the impact of charges and costs on a typical member's pension pot, we have provided examples below based on:

- The most popular fund by number of members. This is the default strategy, the Income Drawdown Lifestyle strategy, over the reporting period covered by this Statement.
- The most expensive fund. Across all member investments including legacy AVC arrangements. This is a legacy AVC fund, no longer available for future contributions, so we have provided an additional illustration for the most expensive fund within the DC section.
- The least expensive fund
- The fund with the lowest expected investment return assumption. Across all member investments including legacy AVC arrangements. This is a legacy AVC fund, no longer available for future contributions, so we have provided an additional illustration for the fund with the lowest expected investment return assumption within the DC section.
- The fund with the highest expected investment return

The statutory guidance has been considered when providing these examples.

The below illustrations have taken into account the following elements:

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

We have shown example illustrations of what money invested (including existing and future contributions, as well as investment returns) in each of these funds could be worth at certain points in a Members life through to retirement age, taking inflation, investment costs and charges into account. These figures are shown in today's money, meaning they show what those pots could buy today. For example, the table shows that, at retirement, a member aged 41 today, with £30,750 invested in the Income Drawdown Lifestyle Strategy (default) could buy what £277,154 could buy today. The figures shown below are just illustrations and are not a guarantee of future values. Illustration 1 displays the expected pot size of an Active Member of median age and Illustration 2, to be found in the appendix, displays the expected pot size of the youngest members in the scheme.

This section of the Statement has been published on a publicly available website at <https://www.mufgemea.com/governance/mufg-bank-uk-pension-fund/> and will signposted in the annual benefit statement.

Illustration 1: Active Member (median age)

Age	Default Strategy		Most Expensive DC Fund		Least Expected Investment Return & Cheapest DC Fund	
	TER, 0.48%-0.63% p.a. Transaction Cost, 0.16% p.a.		TER, 1.30% p.a. Transaction Cost, 1.56% p.a.		TER, 0.14% p.a. Transaction Cost, 0.00% p.a.	
	Income Drawdown Lifestyle (£)		CF Odey Opus (£)		L&G Liquidity (£)	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
41	30,750	30,750	30,750	30,750	30,750	30,750
43	49,642	48,928	51,658	48,986	47,193	47,073
45	69,345	67,588	74,550	67,825	63,309	63,027
50	122,385	116,431	141,738	117,693	102,210	101,348
55	181,302	168,574	226,016	171,786	139,205	137,537
60	246,527	224,085	331,729	230,461	174,386	171,713
65	309,908	277,063	464,329	294,108	207,843	203,986

Age	Highest Expected Investment Return Fund		Most Expensive AVC Fund		Least Expected Investment Return AVC Fund	
	TER, 0.12% p.a. Transaction Cost, 0.07% p.a.		TER, 1.17% p.a. Transaction Cost, 0.72% p.a.		TER, 0.55% p.a. Transaction Cost, 0.00% p.a.	
	BlackRock Japanese Equity Index (£)*		Prudential UK Property (£)		Prudential Cash (£)	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
41	30,750	30,750	30,750	30,750	30,750	30,750
43	50,394	50,220	50,282	48,737	47,193	46,722
45	71,262	70,824	70,974	67,152	63,309	62,205
50	129,298	127,742	128,242	115,129	102,210	98,868
55	196,799	193,317	194,397	166,010	139,205	132,786
60	275,308	268,867	270,817	219,972	174,386	164,164
65	366,622	355,908	359,097	277,201	207,843	193,192

Notes to Illustration 1

1. Values shown are *estimated* projections and are not guarantees.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. The starting pot size is assumed to be £30,000, the median value for members aged 41.
4. Inflation and salary increases of 2.5% p.a. has been assumed.
5. Contributions are assumed be 12% p.a..
6. The projected gross growth rates for each fund (before ongoing management charges and transaction costs are applied) are as follows
7. Investment Returns are based on the SMPI assumption, net of fees. :

<i>Income Drawdown Lifestyle</i>	<i>2.1% p.a. above inflation for members further than 5 years from age 65 Reducing to 1.1% p.a. above inflation for members at or beyond age 65</i>
<i>Prudential UK Property</i>	<i>2.9% p.a. above inflation</i>
<i>CF Odey Opus</i>	<i>3.7% p.a. above inflation</i>
<i>Prudential Cash</i>	<i>1.0% p.a. below inflation</i>
<i>L&G Liquidity</i>	<i>1.0% p.a. below inflation</i>
<i>BlackRock World Japanese Equity Index</i>	<i>3.1% p.a. above inflation</i>

8. *The Prudential Cash Fund and the L&G Liquidity Fund have an estimated before inflation growth rate that is less than the assumed rate of inflation. This means that investing in these funds over the period shown has the effect of reducing the spending power of the retirement savings. Note that valuations of these funds may show lower volatility than other funds.*
9. *For the purpose of the above illustration, where transaction costs are deemed negative (as calculated using the prescribed methodology), zero transaction costs have been assumed for prudence.*
10. *Transaction costs used for the purpose of producing the illustrations are an average cost of past two scheme years*

The Trustees fully support transparency of costs for members. We also reiterate that while costs and charges are an important consideration, they are not the only criteria the Trustees assess. A variety of factors are typically considered in a holistic manner when making strategic decisions in the best interests of the Fund's members.

Value for members

The Trustees regularly examine ways of providing better value for members. Underpinning the Board's assessments of value is the belief that value is about using the resources at its disposal effectively to help members achieve a good outcome for life after work. Also, while some measures of value should be scrutinized carefully over the short-term (for example, the performance of the Fund's administrator), the Trustees believe that others, such as the suitability and performance of investment funds, span several years. Additionally, some components of member value can be assessed quantitatively, but those that impact on members' experience of the Fund and its services often require a more qualitative assessment.

The Trustees have assessed the value for members of the member-borne deductions within the Fund for the year ending 30 June 2020, in counsel with their advisers. This assessment considered the funds offered to members in terms of:

- Charges (as detailed in Table 1)
- Net of charges performance relative to benchmarks and targets/objectives
- Fund range available to members
- Research views from their investment adviser on the investment managers and platform provider

The Trustees concluded that the Fund's overall range of investment options represent **good value for members** in comparison to the member-borne charges for those options. The reasons underpinning this conclusion include:

- Charges for the default investment arrangement (as well as self-select lifestyle strategies) are below the charge cap of 0.75% per annum;
- The fees for the majority of the funds compare favourably to the fees typical for pension scheme members;
- Long term performance figures are within expectations for the majority of the funds, and the majority of underlying funds are researched and highly regarded by the Trustees' investment advisor regarding good prospects of achieving their risk and return objectives. It should be noted that some of the funds are new and do not have meaningfully long performance records in the DC Section due to their recent inclusion in the fund range.

As a result, we believe that the overall Fund delivers good value in respect of member-borne deductions. Furthermore, additional services such as Fund administration, trustee governance, adviser fees and additional communications that are paid for by the Trustees, further enhances the value that members receive.

Knowledge, understanding and resources

The Fund is run by a board of individual Trustees, all of whom maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Fund.

In the context of governing a pension fund, 'skills' relate to knowledge of pensions and regulatory requirements, as well as the ability to identify opportunities, manage risks, challenge professional advice and understand the evolving needs of members. The Trustees believe that the best way to embed these skills is to have a Board that brings together individuals with different perspectives, experiences and beliefs. A more diverse Board enhances dialogue and reduces the risk of 'groupthink', leading to higher quality decision-making and monitoring.

Reflecting this belief, the Board comprises individuals with diverse and complementary professional skills including finance, reward, risk, accounting and investment. The age group of the Board spans over three decades with its youngest members aged under forty and its oldest aged over seventy. The Chair of Trustees is a retired MUFG Bank, Ltd Chief Financial Officer. He is a member of the DB Section of the Fund and has been a Trustee for the Fund and the other MUFG Bank, Ltd pension arrangements for over 30 years. A detailed description of the duties the Chair of Trustees carries out has been produced and is reviewed and updated periodically.

The Trustees maintain a training plan which is designed to align closely with its longer-term strategy and business plans and is reviewed on an annual basis. During the year, the Trustees discussed their training needs as part of their meetings, having regard to the statutory requirements to have knowledge and understanding of pensions law and to be conversant with the Fund's trust deed and rules, Statement of Investment Principles and other documents recording the Trustees' policies. The Trustees undertook a number of activities that involved Trustees giving detailed consideration to various aspects of the Fund.

The Trustees periodically conduct assessments of its effectiveness. These assessments obtain candid feedback on an anonymous basis from each Trustee as well as our external advisors on the Board's diversity, inclusiveness culture, operating framework and performance generally. The results are collated and reported by Mercer Limited and discussed openly at Board meetings. The assessment questions are similarly prepared by Mercer Limited with each Trustee invited to provide input prior to them being finalised. The last assessment was carried out in September 2018. This confirmed that a majority of the Trustees felt that they effectively governed each of the following areas of the Fund to a moderate extent if not to a great extent:

- Headline opinion
- Trustee Board Meetings
- Trustee Board Structure
- Resourcing
- Your Contributions
- Contribution to the Board
- Board Chair
- Decision Making
- Relationships
- Appointments
- Induction and Training
- Governance & Risk

In addition, the Trustees, from time to time, conduct a Trustee Knowledge and Understanding Analysis to identify training needs. The most recent analysis was carried out in September 2018 which allowed the Trustees to identify areas for development and derive an effective training plan.

MUFG Bank, Ltd's extensive pool of employees with significant financial, risk, investment and general business expertise provides the Trustees with a wide range of quality candidates to select from when it seeks new Trustees. Additionally, the Bank's in-house Human Resources Team provides the Board with considerable operational support, with at least one of its members attending most meetings.

Finally, the Trustees maintain a comprehensive induction training programme for new Trustees. This provides an overview of important pensions law and regulatory requirements as well as the Trustees' strategy, policies, and current activities. Its aim is to help new Trustees participate quickly in informed decision-making.

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustees to exercise the function in question.

Trustees must also be conversant with the Fund's own documentation. These are described in legislation as the Trust Deed and Rules and the Statement of Investment Principles. Trustees must also be conversant with any other document recording current policy relating to the administration of the Fund generally.

The table below shows how these duties have been fulfilled and how the combined knowledge and understanding, together with the advice which is available to the Trustees, enables them to properly exercise their duties and responsibilities. Hence, over the period under review, the Trustees, with the support of their advisers, have met the requirements of sections 247 and 248 of the Pensions Act 2004 (requirements for knowledge and understanding).

Requirement	How we met it
<p>Trustees must describe how, throughout the Fund year the Trustees have demonstrated a working knowledge of the Trust Deed and Rules.</p>	<ul style="list-style-type: none"> • The Trustees are currently undergoing a review of the Fund's Trust Deed and Rules and will be engaging their legal advisers to provide training on the Trustees' discretionary powers and the Rules towards the end of the exercise. It is anticipated that the training will be provided during H2 2020. • New Trustees receive introductory training which include a Trust Deed training section.
<p>Trustees must describe how, throughout the Fund year the Trustees have demonstrated a working knowledge of the current SIP.</p>	<ul style="list-style-type: none"> • Over the year, the Trustees undertook training on the latest legislative requirements, relating to Statement of Investment Principles ("SIP"), in particular in relation to financially material considerations including ESG and climate change and as part of this they completed and discussed a ESG beliefs survey. With support from their investment advisor, the Trustees reviewed and updated their SIP to reflect these legislative updates as well as the changes to the investment arrangements over the year. The latest SIP, which takes account of these changes, was formally signed off in September 2019.
<p>Trustees must describe how, throughout the Fund year the Trustees have demonstrated a working knowledge of all documents setting out the Trustees' current policies.</p>	<ul style="list-style-type: none"> • Trustees maintain a record of key decisions. • The Trustees have paid due consideration to TPR's DC Code of Practice No.13 and undertaken bi-annual assessments against the revised version when fulfilling their governance obligations over the period under review. During the year the Fund's DC Code of Practice assessment was reviewed at the 2 September 2019 and 15 January 2020 meetings. It was more recently reviewed at the meeting held on 28 July 2020.
<p>Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts.</p>	<ul style="list-style-type: none"> • Trustees undertake a periodic evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of these statutory areas. The last evaluation was carried out in September 2018 and was discussed in further detail during the meeting on 23 October 2018. • The Trustees have worked through the trustee knowledge and understanding requirements set by The Pensions Regulator (TPR). Furthermore, new trustees are required to complete TPR's Trustee Toolkit and this is usually facilitated through a toolkit blitz day hosted by Mercer. Due to the current Covid 19 pandemic, this training has been delayed and is expected to be completed for the new Trustees in Q4 2020 /Q1 2021.
<p>Trustees must have appropriate knowledge and understanding of the relevant principles relating to the funding and investment of the occupational Funds.</p>	<ul style="list-style-type: none"> • The Trustees' investment advisor reports biannually on the performance of the Fund's investments and on their views regarding the Scheme's investments. Reports and views on the DC investment performance were given at the meetings on 7 November 2019 and 19 March 2020. • During the 7 November 2019 meeting the Trustees were provided with training on the new regulations surrounding trustees' investment duties in relation to taking into account financially material environmental, social and governance factors including climate change, and the Trustees approach to stewardship. • During the 19 March 2020 meeting the Trustees received training on the implementation of changes to the self-select fund range. This training covered the decisions made to date, a mapping proposal, estimated transaction costs and a detailed project plan.

<p>Trustees must describe how, throughout the Fund year the Trustees have demonstrated that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.</p>	<ul style="list-style-type: none">• The Trustee Board comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the challenges that Trustees face.• The Trustees maintain an ongoing programme of Trustee training which includes training delivered as part of Trustees' meetings as well as structured training events, like their half-day training course every year. Such training is facilitated by their external advisers.• The Trustees maintain a training log that sets out individual and board based training activity.• The Trustees review their training programme at least annually, taking into account the balance and variety of expertise amongst the Trustees.• In light of the Coronavirus Pandemic, the Trustees have agreed for Mercer to provide bite size training sessions virtually to allow them to receive further training throughout the year. Liability Driving Investment training was provided in August 2020, with further modules in relation to Cyber security, GDPR and Fund documentation expected in Q3/Q4 2020.• At various meetings throughout the year (e.g. 7 November 2019 and 19 March 2020), the Trustees have considered updates from their professional advisors on forthcoming changes to pension laws and their impact on the Fund.• The Trustees' pension advisors attend at the relevant adviser meeting (e.g. Actuarial, DB Investment, DC Investment). Advisers are invited to attend more often if required.• The Trustees regularly receive email bulletins and updates from its advisers on the latest developments affecting defined contribution pension schemes.
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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 their knowledge.

Signed: Mr M Pritchard

Date: 27 January 2021