

## UNIVERSITY OF EXETER

### GOVERNANCE OF UNIVERSITY OF EXETER RETIREMENT SAVINGS SCHEME (ERSS)

#### **Introduction**

1. The University has established a Group Personal Pension Plan, known as the University of Exeter Retirement Savings Scheme ('ERSS'). ERSS has been established with Zurich (the 'Provider').
2. Each eligible worker who chooses to remain or become a member of ERSS will have a separate pension policy issued by the Provider into which the worker and the University pay contributions.
3. The purpose of this document is to set out the internal governance arrangements established by the University for ERSS. This is in addition to any Governance Policy that Zurich has for the administration of their Defined Contribution schemes such as ERSS.

#### **ERSS Governance Group**

4. To ensure that ERSS is properly administered, the University has established a Governance Group (the 'Group') to monitor ERSS and, when required and appropriate to make recommendations to Zurich and the University regarding ERSS.
5. The University has no legal obligation to implement any recommendations made by the Committee but will give them due consideration when taking any measure which affects ERSS.
6. The Committee may be dissolved at any time by the University.
7. Should it be necessary to consider replacing Zurich as the provider of ERSS, the Governance Group will be consulted on the tendering and procurement of a replacement provider.

#### **Purpose and Terms of Reference**

8. The primary role of the Governance Group is to:
  - assess how effectively the scheme is meeting the specified objectives of the University and the needs of its members; and
  - provide an annual report to members
9. The Group is responsible for considering, and, where appropriate, making recommendations on, the following matters:
  - monitoring the quality of ERSS administration
  - monitoring and reviewing service providers and advisers
  - reviewing communications from the provider
  - monitoring and reviewing that all members receive value for money
  - monitoring the effectiveness of presentations to ERSS members
  - receiving and reviewing ERSS management information reports
  - receiving and considering advice and information concerning legislative changes and good practice
  - considering any member suggestions regarding ERSS
  - making proposals regarding the running of ERSS to the University
  - monitoring the investment performance of the default fund and other investment choices.
10. The Governance Group may wish to follow the Pension Regulator's guidance for Governance Committees set out in Appendix A. :

#### **Membership and Meetings**

11. The membership of the Governance Group will be:
  - University Representatives
  - Chief Financial Officer (Chair)
  - Representatives of the Director of People Services and Global Partnerships: normally Assistant Director of HR Services (Policy and Reward) and Pensions and Reward Advisor
  - Trade Union Representatives
  - a representative from Unison who is an active member of the scheme
  - a representative from Unite who is an active member of the scheme
12. A meeting will be quorate if there is one representative of the University and a representative of both Unison and Unite.
13. The Governance Group will meet a minimum of once a year. Other meetings may be arranged with the consent of the Chair.
14. A representative of Zurich will attend a minimum of one meeting a year.
15. Professional advisers to the University and other representatives of trade unions may attend with the prior consent of the Chair.

### **Reporting**

16. The Governance Group will produce an annual report on their review of the scheme for members which will be placed on the University pension web pages together with the annual reports from Zurich.
17. The Group will provide a short report for the University's Joint Committee for Consultation and Negotiation on its annual review of ERSS.

People Services and Global Partnerships

3 November 2017

## APPENDIX A

### SUGGESTED AREAS OF CONSIDERATION

Key area	Considerations
Value for money	<p>The costs and charges taken from members' savings should be competitive when considered against the benefits and services that the members receive. The Governance Committee should consider comparing costs and charges against other schemes that offer similar services. It should be clear what members are getting for their money, how much it costs and, importantly, whether they actually need any extra services provided. The Governance Committee should consider the scheme's effectiveness and whether it continues to be fit for purpose, while taking into account the profile of the membership and how the scheme's services and costs compare to others on the market. The Governance Committee could consider whether the pension provider offers information about the scheme's charges in accordance with the Joint Industry Code of Conduct.</p>
Pension provider performance	<p>The Governance Committee should monitor the pension provider's services to ensure that they are of a good standard. They should ask the pension provider to attend meetings and to provide regular updates on issues such as:</p> <ul style="list-style-type: none"> <li>• payment and investment of contributions</li> <li>• member movements such as retirements, transfers out, deaths, and the associated sales of funds</li> <li>• whether there have been any breaches of the law or the agreement governing the scheme's administration</li> <li>• service levels and targets</li> <li>• details of any member complaints or employer issues with the services provided.</li> </ul> <p>Incomplete and inaccurate records can place the security of your workers' pension assets at significant risk. The Governance Committee should also question whether there have been any issues with the quality of the provider's records.</p>
Scheme Administration	<p>Good administration is the bedrock of a well-run DC scheme. The nature of a DC scheme means that it depends on the timely and accurate processing of multiple transactions. These range from investing contributions in the scheme to paying benefits at the point a member begins to decumulate and access their retirement funds, whether via the scheme itself or through one or more transfers to alternative arrangements. A breakdown in any transaction in a DC scheme can lead to member losses and costs to the scheme and employer to put any errors right.</p> <p>The Governance Committee may request Zurich to produce a report to include the following:</p> <ul style="list-style-type: none"> <li>▪ Confirming the procedures and controls Zurich operates to ensure that their administration is meeting the requirements of members.</li> <li>▪ Membership statistics (numbers, engagement level, web site hits, investment changes, phone calls and communications)</li> </ul> <p>The Governance Committee may review the report to assess that membership levels and interest are being maintained and discuss any requirements that the University may need to undertake to ensure that the ERSS remains an effective pension vehicle for members and those members and prospective members are fully engaged and aware of the scheme.</p>

	<p>The Governance Committee may regularly receive appropriate information and reports from Zurich which may allow the University to effectively monitor performance and ensure that all tasks expected of Zurich are being carried out to a standard which allows the Governance Committee and the University to be satisfied that all legal obligations are being met and that the administration is meeting the standards and expectations required by both the University and members.</p>
<p>Financial transactions, Late and inaccurate employer contributions</p>	<p>The Governance Committee may obtain confirmation from Zurich that core financial transactions have been processed promptly and accurately.</p> <p>The Governance Committee may request Zurich to confirm:</p> <ul style="list-style-type: none"> <li>▪ Member and employer contributions, and investments relating to those contributions have been reconciled at least monthly and that any discrepancies are resolved promptly.</li> <li>▪ Contributions have been invested in accordance with member instructions and in a timely manner</li> <li>▪ Member records are accurate and timely updated so that members can see at any time their funds and the value of their investments.</li> </ul> <p>The Governance Committee may obtain confirmation from the University that payments have been deducted correctly from members and paid to ERSS in the timescales requested by Zurich.</p> <p>The Governance Committee may request Zurich to confirm that any errors have been identified and corrected as quickly as possible and that processes have been reviewed and amended as necessary to prevent further errors</p> <p>Pension providers must monitor whether employers pay contributions in line with the due date set out under the payment schedule. If there are late or inaccurate employer contributions, the Governance Committee should ensure that the provider takes appropriate steps to resolve these.</p>
<p>Performance of the default fund and other investment choices</p>	<p>Providers must put various forms of governance in place to ensure that investments and products are reviewed on a regular basis, and that they continue to meet the objectives of the scheme when it was established. To complement this process, The Governance Committee should regularly review the investment strategy and the default investment fund to ensure they meet the needs of scheme members.</p> <p>While Zurich are responsible for the choice of investment options for members, the Governance Committee may request regular reports from Zurich on the membership statistics of each investment option and the performance of those investments. The Governance Committee may expect Zurich to ensure an appropriate choice of investment arrangements for those members who do not wish to invest in the default arrangement, and to apply good governance to all their investment options.</p> <p>The scheme administration and investment charges have been pre agreed with Zurich at the outset of the scheme, however the Governance Committee should review the charges being made to ensure that these are consistent and competitive.</p>

Communications	<p>Good member communications, provided at the right time and in an accessible format are essential for members to engage and make decisions that lead to good outcomes in retirement. The Governance Committee may review the information Zurich provide:</p> <ul style="list-style-type: none"> <li>▪ when a member joins the scheme</li> <li>▪ in ongoing communications throughout the membership period</li> <li>▪ when a member takes benefits from the scheme</li> </ul> <p>The Governance Committee may also review the promptness of when the information is provided, and to ensure that all communications sent to members are accurate, clear, and relevant and provided in plain English.</p> <p>Zurich, the pension provider should supply adequate information to members, communicated in a clear, balanced and fair way. For example, where a member is approaching retirement, any promotion of the provider's own annuity needs to be fairly balanced with the availability of annuities that can be purchased from other annuity providers. This is called the open market option. Many members have low levels of engagement with and understanding of pensions. The Governance Committee could use measures such as workforce surveys to measure how happy members are with the scheme, the provider's efficiency and the effectiveness of provider communications.</p> <p>The Governance Committee may expect Zurich to regularly review member communications and, when deciding on the format of communications, to take account of innovations in technology that may be available to them and appropriate for the ERSS members.</p> <p>The Governance Committee may review the ERSS web site to ensure that this remains accessible, easily understood and navigable for members and that it continues to provide up to date information and details to ensure that members can make the decisions necessary regarding funds, investments and retirement options.</p>
Member engagement	<p>Where members have actively chosen their investments, The Governance Committee should ensure that they are regularly informed how important it is to review the suitability of their investment choices. Communications should also clearly outline that the levels of contributions they make may have a significant impact on their eventual pension income. The Governance Committee should consider whether they can provide access to resources that enable members to match their fund choice to their own circumstances. Resources could include: • guidance • tools • online resources • mobile phone applications.</p>
Employer recommendations	<p>The Governance Committee may usually act in an advisory capacity only. However, the Governance Committee is well placed to identify any risks to the University and scheme members, and to recommend ways to manage and reduce these risks. The Governance Committee may wish to have a risk register to help formalise risk management procedures and provide a focal point for future meetings.</p>