

CHAIRMAN'S ANNUAL STATEMENT REGARDING DC GOVERNANCE

This statement is produced pursuant to **Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015**. It explains how the Trustee of Workers Pension Trust has fulfilled the statutory governance standards that apply to occupational pension schemes which provide benefits on a money purchase basis during the scheme year ended on 31st October 2017.

1. Default Arrangement

A default arrangement is the investment fund or funds into which pension contributions are paid where members have not made their own choice ('self selection') as to where they want to invest their pension savings.

Our default arrangement is a combination of the following three funds: WPT Growth Fund, WPT Volatility Reduction Fund and WPT Capital Protection Fund.

WPT Growth Fund – Currently from age 32 until a member reaches age 50, contributions are fully invested in the WPT Growth Fund.

The fund invests in the Legal and General Investment Management (LGIM) Global Equity Fixed Weights (50:50) Index Fund. This fund is passively managed and aims to track movements in equity markets around the world.

This fund is expected to produce higher returns than other investments (such as bonds and cash) over the long term. However the value of equity funds can fluctuate significantly in the short term.

WPT Volatility Reduction Fund – This fund invests in LGIM's Index Linked Gilt Fund and LGIMs All Stocks Fund.

The aim of the fund is to provide better long term investment returns than the WPT Capital Protection Fund with lower short term volatility than the WPT Growth Fund.

WPT Capital Protection Fund – When a member reaches age 55, part of their investments are moved into the WPT Capital Protection Fund. The Trustee currently invests all assets within this fund in LGIM's Sterling Liquidity Fund, which is designed to protect the value of the money invested and is the most suitable where the proceeds will be taken as cash.

The Trustee's latest **Statement of Investment Principles which governs its decisions about investments for the purposes of the default arrangement** is attached as Appendix 1.

The Trustee has complied with legal requirements to review both the default strategy and the performance of the default arrangement:

- a) at least every three years; and
- b) without delay after any significant change in -
 - i. investment policy; or
 - ii. the demographic profile of relevant members.

The Trustee must, in particular, review the extent to which the return on investments in the default arrangement (after deduction of any charges relating to those investments) is consistent with the Trustee's aims and objectives.

The Trustee is also legally required to revise the Statement of Investment Principles after every review, unless it decides that no action is needed. The Statement of Investment Principles was last revised on 16 June 2015.

During the period 2013 to 2015, the Trustee, in conjunction with its investment advisers, undertook a comprehensive review of the appropriateness of all the funds made available under Workers Pension Trust, having regard in particular to new regulations governing transparency and the charge cap. It concluded that they were broadly in line with the industry's best practice arrangements and the new regulatory requirements. Following the removal of the requirement to purchase an annuity from April 2015, some changes to both the default arrangement and self selection options were recommended and, after due consideration, adopted and communicated to members. The Statement of Investment Principles was amended to reflect the changes and is attached as Appendix 1.

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The Statement of Investment Principles is also reviewed annually by the Trustee, in conjunction with its investment consultant. This annual review last took place on 21 November 2016. The investment consultant reported that based on the investment profile of the Scheme as at November 2016, the current strategy is still appropriate and no changes to the Statement of Investment Principles are required at present. The review confirmed that the returns on investment are consistent with the Trustee's aims and objectives.

The current strategy delivers cash at retirement, as at age 65 and since the introduction of the flexibilities in April 2015 members are claiming their retirement benefits as cash. The investment consultant was comfortable with the funds used at present and commented that there does not seem to be a move towards Exchange Traded Fund (ETFs) for example. The governance aspects of the current range of L&G funds are better than those offered by ETFs.

It was advised that no action should be taken until the detail of the Pension Schemes Act 2017 is confirmed.

2. Financial Transactions

Workers Pension Trust's core financial transactions are processed promptly and accurately in accordance with the service level agreements (SLAs) the Trustee has in place with Construction First Limited, JLT Benefit Solutions Limited and the investment managers. The following are examples of how these core financial transactions are treated:

- *investment of contributions* - investment instructions are issued to the appropriate investment manager(s) within two (previously five) working days of receipt of final contributions from Construction First Limited, which collects contributions from employers on the Trustee's behalf. An investment cycle is made every month.
- *transfers of assets relating to members into and out of Workers Pension Trust* - disinvestment instructions for the member designated account are issued within ten working days of receipt of completed transfer out documentation.
- *transfers of assets relating to members between different investments within Workers Pension Trust (i.e. investment switches)* – the Trustee currently utilises quarterly switches during the lifecycle period to smooth the transition.
- *payments from the Scheme to, or in respect of, members* – a disinvestment instruction for the member's designated account is expected to be issued up to ten working days prior to a member's chosen retirement date. A disinvestment is not made until written confirmation of the retirement date has been received from the member.

Additional processes adopted by the administrator to help meet the SLA include daily monitoring of bank accounts, a dedicated contribution processing team, and more than one person checking investment and banking transactions.

To obtain assurance that the required standards are consistently achieved, the Trustee monitors quarterly the performance of Construction First Limited, JLT Benefit Solutions Limited and the investment managers who are responsible for the administration of the Scheme. The Trustees receive regular reports to help monitor that the SLAs are being met and there were no issues during the year.

3. Charges and Transaction Costs

Management Charges

To meet the Scheme administration and investment management costs, the Trustee currently deducts 0.3% annually from the value of members' funds and a monthly charge of 1.8% is applied to contributions. This equates to an AMC of 0.496% which is below the charges cap of 0.75% as determined by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

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Investment fund annual management charges

The funds included in the default arrangement incur annual charges as follows:

- WPT Growth Fund (LGIM Global Equity (50:50) Index Fund) – 0.165% per annum
- WPT Volatility Reduction Fund (50% LGIM Under 15 Year Index Linked Gilt Fund and 50% LGIM All Stocks 6A Corporate Bond Fund) – 0.13% per annum
- WPT Capital Protection Fund (LGIM Sterling Liquidity Fund) – 0.125% per annum

Funds available to members under self selection incur annual charges as follows:

- WPT Growth Fund (LGIM Global Equity (50:50) Index Fund) – 0.165% per annum
- WPT Volatility Reduction Fund (50% LGIM Under 15 Year Index Linked Gilt Fund and 50% LGIM All Stocks 6A Corporate Bond Fund) – 0.13% per annum
- WPT Capital Protection Fund (LGIM Sterling Liquidity Fund) – 0.125% per annum
- WPT Diversified Fund (JLT Growth Fund) – 0.86% per annum (variable)
- WPT Annuity Protection (LGIM Pre-Retirement Fund) – 0.15% per annum

Investment fund charges are not borne by the member, with the exception of the WPT Diversified Fund which is an actively managed fund.

Transaction Costs

There can potentially be costs incurred when investing in different stocks and securities. These are often referred to as 'transaction costs' and are paid out of the fund. Some types of investment have higher transaction costs than others but are an essential part of generating investment returns on behalf of WPT members.

Transaction costs aren't included in the annual management or contribution charges. The impact of transaction costs on each member's accumulated fund will depend on their particular investment choices and the number of changes that members choose to make. Transaction costs will also include the difference between the buying and selling prices of investments and is referred to as the 'dealing cost' or 'dealing spread'.

Typical average transaction costs for the scheme's default investment option are as follows;

| Transaction Costs | WPT |
|---|--------|
| Estimated average dealing cost (% of transaction value) | 0.185% |
| Average stamp duty and/or taxes (% of fund) | 0.005% |
| Average costs of commission (% of fund) | 0.003% |

It should however be noted that total transaction costs cannot be compared in an exact way between funds for the following reasons:

- Transaction costs vary depending on the types of investment in which a fund invests;
- Investment activity is not predictable and consequently transaction costs are also not predictable;
- Transaction costs will be higher for funds that trade regularly and less for those adopting longer-term investment strategies;
- Transactions costs do not necessarily reduce returns; the hope is that the extra returns made from successful trades will outweigh the costs involved; and
- Transaction costs vary from country to country.

The industry regulator, the Financial Conduct Authority, is reviewing investment fund charges and transparency. It is hoped that this will result in an overall charge figure for funds with nothing left out. This would make it much easier to compare the charges of different funds.

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Value for members

The Trustee considers that the charges detailed above represent reasonable value for members having regard to the objectives of each fund and its performance, which it monitors regularly. They are broadly similar to fees charged by other investment providers for similar funds in the market.

The default arrangement, performance and charges applied to the funds are reviewed at regular intervals to enable the Trustee to assess value for members. The Trustee also ensures, so far as reasonably practicable, that all costs and charges borne by members are transparent and communicated clearly to Scheme members at the point of selection, to enable them to make a value for members assessment.

In making its value for members judgements the Trustee appreciates that low costs do not necessarily mean better value and therefore have also considered factors such as: the quality of customer service; member communications and support; scheme design; the efficiency of administrative services; the robustness of scheme governance; fund management and performance of the funds in the context of the investment objectives. A full analysis is set out in the Trustee's Value for Members Assessment as at September 2017, which is attached as Appendix 2.

4. Trustee Knowledge and Understanding

In accordance with section 248 of the Pensions Act 2004 and The Pension Regulator's Code of Practice No. 7, the Trustee Directors have, and will maintain, relevant knowledge and understanding of pensions matters to exercise effectively their functions as the Trustee of the Scheme.

A rigorous process is followed for appointments to the Trustee Board to ensure that it comprises people of the right calibre who are suitably qualified to act as Trustee Directors. All Directors are required to complete the Pension Regulator's Trustee Toolkit; an online learning programme for Trustees. This is completed within 6 months of appointment, along with detailed induction training.

The Trustee Directors are conversant with the Scheme's Trust Deed and Rules and the SIP. The Trustee Directors also have extensive knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of Scheme assets, which enables them to properly exercise their functions as the Trustee of the Scheme. The Board is supported on technical matters by professional advisers where required and this includes attendance of professional advisers at relevant Trustee Board meetings. In 2016- 2017 the Trustee Board engaged with professional advisers on a number of occasions to help with Trustee decisions in various areas. The Trustee evaluates adviser performance annually.

The effectiveness of the Trustee Board is reviewed annually by self-assessment and for the year ended 31 October 2017 this review was completed in June 2017. This review looks into individual Trustee knowledge and understanding and whether the Trustee Board has sufficient knowledge and skills for the role of Trustee. It also reviews steps which need to be taken to address any training gaps. The Trustee Directors self-assess their knowledge through a training needs analysis questionnaire which forms the basis of the annual training provided by the Trustee's pension consultant, JLT Employee Benefits. Training Logs are maintained. Details of the training undertaken during the year are set out below.

JLT Employee Benefits, provides regular, bespoke training to the Trustee Directors on matters relevant to Workers Pension Trust and to pensions law, regulation and practice generally, to ensure the Trustee complies with the standards defined by the Pension Regulator and with good practice. The Trustee training programme is reviewed regularly to ensure it is up to date and regular training, both internal and external, is provided to the Trustee Directors. The main areas of training completed by the Trustee Directors this scheme year is outlined in the table below.

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| Training | Date Completed |
|---|----------------|
| Statement of Investment Principles | 21-Nov-16 |
| Bribery Act | 4-July-17 |
| New Trustee Induction Training: <ul style="list-style-type: none">• Trust Law• Pensions Law• Running a DC Scheme• Fund management• Trust Deed & Rules/ Trustee Duties• SIP | 16-Aug-17 |
| Cyber Risk | 07-Sep-17 |
| Law relating to Pensions | 07-Sep-17 |
| General Data Protection Regulations (GDPR) | 07-Sep-17 |

The combined knowledge of the Trustee together with the available advice enables it to properly exercise its functions as Trustee to the Scheme.

5. Non-Affiliated Trustee Requirements

Master Trusts must disclose how the non-affiliated Trustee requirements have been met.

The Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015 requires the majority of Trustees, including the Chair, must be non-affiliated to any company providing services to the Scheme.

Trustee Board composition

For the reporting period of this Statement, the Trustee Board consists of five Trustee Directors (two additional Trustee Directors retired from the Board in June 2017).

The majority of Trustee Directors are non-affiliated i.e. they have no affiliation to any undertaking which provides advisory, administration, investment or other services to the Scheme. Three Trustee Directors are non-affiliated to any service providers, two of which are member-nominated Trustee Directors.

Two Trustee Directors are affiliated to Construction First Ltd, the Scheme's in-house administrator (and scheme funder). Mr W A Doran and Mr J R Armstrong are Board Directors of Construction First Ltd. At the meeting of Construction First Limited on 8 October 2015, it was noted with regard to the question of affiliation of these Trustee Directors, a link to the administration services provider is an indication of affiliation but not definitive of the issue. The Board further acknowledged that the Trustee Directors have many years' experience of running Master Trusts and the business world in general. The Trustee Directors complete regular Trustee training and the Pensions Regulator's Trustee Toolkit. It was agreed that the knowledge base and wealth of experience should be retained.

The table below outlines the Trustee Board composition for this scheme year.

| Trustee Directors | Status |
|-------------------|--|
| A A Reynolds | Chair Non-affiliated |
| J R Armstrong | Affiliated |
| W A Doran | Affiliated |
| M Mulholland | Member Nominated Director Non-affiliated |
| M Keenan | Member Nominated Director Non-affiliated- Appointed June 2017 |
| P Archer | (Member Nominated, Non-affiliated – Retired June 2017) |
| T Quin | (Non-affiliated – Retired 30 June 2017) |

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Trustee appointment process

Appointments of non-affiliated Trustee Directors are open and transparent and conducted in accordance with the Scheme's documented procedure for appointing Trustee Directors. During the year, there was one new member-nominated Trustee Director appointed to the Board. A recruitment process took place during the year to appoint this non-affiliated Trustee Director.

This process involved discussions with a member representative organisation i.e. trade union representatives of Joint Council for the Building and Civil Engineering Industry.

The terms of office for the Trustee Directors were reviewed in June 2017 in line with the legislative requirements.

6. Members' Views

Trustees must make arrangements to encourage members to make their views on matters relating to the Scheme known to them.

The following are in place:

- A welcome pack to new entrants includes a paragraph "We welcome your views".

"The Trustee of the Scheme are interested to hear your views on any aspect of the Scheme. You may contact us via our website, e-mail: info@workerspensiontrust.co.uk, telephone 028 9087 7142 or write to us at the address below. In order to deal with your enquiry promptly, please quote the reference above together with your full name in all correspondence."

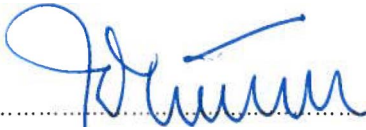
- The contact section of WPT website includes the wording:

"We would be happy to hear from you and would welcome your feedback on any aspect of the Scheme. Send us your comments or questions using the form below.":

- A member survey is issued to retiring members asking them to rate our customer service in the following areas:
 - Written communication
 - Telephone communication
 - Accuracy
 - Timeliness

and asks for suggestions for providing a better service.

- An annual survey is issued to a sample of active members asking them their views on the following areas:
 - Scheme website
 - Annual statements
 - Awareness of minimum pension contribution increases in April 2018 and April 2019
 - Overall customer service

Signed: .....Trustee Director

on behalf of the Chairman of the Trustee of Workers Pension Trust

Date: 23 May 2018

Workers Pension Trust
Statement of Investment
Principles 2015 Edition

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1 Introduction

This Statement of Investment Principles ("the Statement") has been prepared by Workers Pension Trust Ltd (hereinafter referred to as the "Trustee") as Trustee of the Workers Pension Trust ("the Trust") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Trust and the activities undertaken by the Trustee to ensure the effective implementation of these principles. It is the fourth such Statement prepared for the Trust.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, JLT Employee Benefits a trading name of JLT Benefit Solutions Limited, whom it believes to have a degree of knowledge and experience that is appropriate for the management of the Trust's investments; and
- Consulted with the Principal Employer, although the Trustee affirms that no aspect of this strategy is restricted by any requirement to obtain the consent of Construction First Ltd, as Principal Employer.

The advice and the consultation process considered the suitability of the Trustee's investment policy for the Trust.

The Trustee will review the Statement formally at least every three years to ensure its ongoing suitability. Furthermore, the Trustee will review the Statement following any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Principal Employer.

2 Investment responsibilities

2.1 Trustee's duties and responsibilities

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustee carries out its duties and fulfils its responsibilities as a single body. It has considered establishing an investment sub-committee but has decided not to do so, as each of the Trustee Directors wish to contribute directly to the formulation of investment policy and to the monitoring of the Trust's investment managers. Moreover, the trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustee includes, but is not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- Selecting member fund choices
- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment advisers
- The compliance of the investment arrangements with the principles set out in the Statement

2.2 Investment adviser's duties and responsibilities

The Trustee has appointed JLT Employee Benefits ("JLTEB") as the independent investment adviser to the Trust. JLTEB provides investment advice as required by the Trustee, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which the JLTEB expects to provide advice to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy, asset allocation and structure
- Advising on appropriate member fund choices
- Framing manager mandates
- Selecting and replacing investment managers

The Trustee may seek advice from JLTEB with regard to tactical investment decisions (such as deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market). However, the Trustee recognises that it retains responsibility for all such decisions and notes that it does not expect to take tactical investment decisions in the normal course of events.

JLTEB monitors the performance of the Trust's investment managers against their benchmarks.

JLTEB will also advise the Trustee of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Trust is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet its long term objectives. If the investment manager and fund are not covered by JLTEB's manager research process, JLTEB will advise the Trustee accordingly.

JLTEB is remunerated on a fee basis for the investment advice it provides and does not receive any commission in relation to the Trust. The Trustee is satisfied that the investment arrangements, including the charging structure, are clear and transparent.

Both JLT and the individual investment consultants who advise the Trustee are authorised and regulated by the Financial Conduct Authority ("FCA").

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2.3 Investment managers' duties and responsibilities

The Trustee, after considering appropriate investment advice, has appointed professional, authorised investment managers to manage the assets of the Trust.

Details of each manager's mandate and annual management charges applied by the investment managers are set out in Appendix 2.

The Trustee has decided to offer pooled funds to members to simplify governance and administration. Further, having regards to the size of the Trust, pooled funds provide greater diversification than would be possible using segregated funds.

The Trustee considered a range of active and passive approaches to investment management and assessed these against its investment objectives. The Trustee selected investment managers having regard to their ability to provide one or more of the identified fund types and their potential to meet the investment objectives of the fund. Before selecting any investment manager, the Trustee ensures that appropriate due diligence is carried out.

The investment managers are responsible for all decisions concerning the selection and de-selection of the individual stocks within the portfolios they manage.

In the case of multi-asset and multi-manager mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and to the underlying investment managers, as well as changes in the allocations to individual asset classes and to the underlying investment managers.

All of the investment managers engaged by the Trustee are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Trust. These charges are set out in Appendix 2. The Trustee believes that this is the most appropriate basis for remunerating managers.

2.4 Summary of responsibilities

A summary of the responsibilities of all relevant parties, in so far as they relate to the Trust's investments, is set out at Appendix 4.

3 Investment objectives

The Trustee recognises that in a defined contribution arrangement, members assume the investment risks themselves. The Trustee further recognises that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, five types of risk can be identified, as noted below:

- Investment-Return Risk. The risk is that a member is not invested in those asset classes that are expected to generate the highest returns over the long run.
- Lump-Sum Risk. The risk is that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a tax-free lump sum in those asset classes (every type except cash), which are subject to volatility in capital-value terms.
- Market-Switching Risk. The risk arises if there is to be switching between investment vehicles. The risk is that large investment switches are made at one point in time, thereby unnecessarily exposing members to unfavourable market pricing on a particular day.
- Market Volatility Risk. The risk that arises from market movements which can impact upon the value of a member's holding
- Annuity-Rate Risk. The risk is that, when close to retirement, a member has not invested the part of his/her fund that will be used to purchase a pension in those asset classes (principally bonds), which protect against annuity-rate movements.

The Trustee has determined its investment policy in such a way as to address the above risks.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default lifestyle strategy.

Details of the approach the Trustee has taken to meet these investment objectives is set out in Section 4.

The Trustee will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

4 Investment strategy and fund selection

The default option for the Trust will be the WPT Lifestyle Fund.

Members can opt out of the WPT Lifestyle Fund and alternative options are described in Section 4.5.

In determining the investment strategy for the WPT Lifestyle Fund, the Trustee undertook extensive investigations and has received formal written investment advice from JLTEB.

In order to deal with the risks identified in Section 3 of this Statement, the Trustee has structured the investments of the WPT Lifestyle Fund as follows:

| Type of risk | Investment vehicle | Approach |
|------------------------|-------------------------------|---|
| Investment return | WPT Growth Fund | Global Equity fund |
| Market volatility risk | WPT Volatility Reduction Fund | Bond fund |
| Lump sum | WPT Capital Protection Fund | Liquidity fund |
| Market switching | All above | 15 yearly transition with quarterly switching |

Further information is set out below.

4.1 Lifestyle Transition Strategy

The Trustee has agreed to change the Scheme's investment strategy following the announcements made in the 2014 Budget and the Finance Act 2014. Changes that will come into force in April 2015 remove the requirement for members of Defined Contribution schemes to purchase an annuity at retirement. In addition, a charge cap of 0.75% on all member borne charges within a default investment strategy will be introduced. The Scheme is already compliant with the latter of these regulations and so no changes have been made in respect of this.

Members will still be able to buy an annuity at retirement, should they so wish, but they will also have an option of taking up to 100% of their funds as cash, part of which would be subject to their marginal tax rate. Members will also be able to take a transfer value of their fund in order to benefit from further flexibilities such as the ability to be able to drawdown their investments over a period of time.

The Trustee has assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified above. To do this requires a transition of investments from growth assets into protection assets as a member approaches Normal Retirement Age – this is known as a lifestyle transition strategy.

The Trustee has agreed that an initial 'Foundation phase' should be utilised for members below the age of 30. The use of a Foundation stage was driven by the desire to encourage a savings habit for younger members, and the view that saving could be discouraged if significant losses were experienced in early years. Equally, the size of members' accumulated funds will be relatively small at young ages and therefore the amount of investment risk taken has a relatively limited impact on the final size of the accumulated fund.

From the age of 30 the member's assets will be invested in the WPT Growth Fund.

From the age of 50, the member's assets are then gradually switched to a combination of the WPT Volatility Reduction Fund and the WPT Capital Protection Fund as a member approaches Normal Retirement Age.

The Trustee has introduced the WPT Volatility Reduction Fund which aims to provide some form of investment growth with lower volatility compared to equities. As a member approaches retirement a larger proportion of

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their assets will be invested into the WPT Capital Protection Fund which will protect the nominal value of the member's assets.

The use of a lifestyling strategy helps to reduce Market Switching Risk, and the funds included within the lifestyle option are described below. In particular, the transition from growth assets to protection assets will be undertaken on a quarterly basis over a fifteen year period so that little reliance is placed on the market conditions on any one transition date.

Furthermore, no negative switching will be permitted during the transition period – for example during the period from age 50, the transition approach will not permit the sale of protection assets and re-purchase of growth assets if the value of growth assets has fallen relative to the value of protection assets.

More details of the asset transition process are set out in Appendix 1.

4.2 WPT Growth Fund

In determining appropriate investments for the WPT Growth Fund, the Trustee has set an objective to maximise the potential for investment growth, subject to an appropriate level of investment charge.

The WPT Growth Fund currently invests solely in LGIM's Global Equity Fixed Weights (50:50) Index Fund. This fund has a 50% UK allocation, with the 50% overseas allocation being broadly split in equal thirds between US, Europe and Asia Pacific.

The Trustee notes that a 50% allocation to the UK reflects the currency of the members' benefits, whilst the equal allocation to the overseas markets provides a reasonable level of diversification away from the UK, but not biased towards one particular region.

The Trustee will continue to monitor the suitability of this approach and the use of LGIM's Global Equity Fixed Weights (50:50) Index Fund and will make changes if appropriate.

4.3 WPT Volatility Reduction Fund

In determining appropriate investments for the WPT Volatility Reduction Fund, the Trustee has set an objective to provide some form of investment growth with lower volatility compared to equities.

The Trustee has agreed to initially invest the WPT Volatility Reduction Fund assets split equally between LGIM's Under 15 Year Index Linked Gilt Fund and LGIM's All Stocks 6A Corporate Bond Fund.

The use of the Under 15 Year Index Linked Gilt Fund will provide some protection against higher than expected inflation, whilst the All Stocks 6A Corporate Bond Fund should over the long term provide a higher return than investing in cash or Government securities.

The Trustee will review the use of the WPT Volatility Reduction Fund from time to time and make changes if appropriate.

4.4 WPT Capital Protection Fund

In determining appropriate investments for the WPT Capital Protection Fund, the Trustee has set an objective to reduce the risk of falls in the capital value of a member's investments.

The Trustee has agreed to invest the WPT Capital Protection Fund's assets in LGIM's Sterling Liquidity Fund.

This fund invests across a range of high quality money market instruments. These will largely be invested in commercial banks and therefore the capital value cannot be guaranteed. However, because of the conservative manner in which the fund is managed by LGIM, the diversification within the fund and the high quality of the investments, the risk of capital reduction is relatively low.

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The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return and it is measured against the 7 Day LIBID rate. This type of fund helps to protect members against "lump sum" risk.

4.5 Fund choices

Members can opt out of the WPT Lifestyle Fund and have the option to invest in the WPT Growth Fund, the WPT Volatility Reduction Fund and the WPT Capital Protection Fund on a stand-alone basis.

The Trustee has also made available the WPT Annuity Protection Fund and the WPT Diversified Fund.

The WPT Annuity Protection Fund exists to reduce the annuity rate risk for members wishing to purchase an annuity at retirement.

The Trustee has agreed to invest the WPT Annuity Protection Fund assets in the Pre Retirement Fund (PRF) managed by Legal and General Investment Management (LGIM). The PRF aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product and its investments are regularly reviewed by LGIM. The Trustee will review the use of the PRF from time to time and make changes if appropriate.

In making available the WPT Diversified Fund, the Trustee is aware that DC members carry investment risk themselves and that the use of Diversified Growth Funds (DGFs) would give greater protection against capital falls than equities and can be very beneficial to the member's investment experience.

DGFs typically aim to provide equity like returns (typically taken as LIBOR plus around 3.5% to 4.0% net of fees) over the long term, but with a lower volatility than an investment in equities. That is, DGFs are trying to achieve a similar long term target return to equities but with lower fluctuations in value along the way.

The Trustee has agreed to invest the assets of the WPT Diversified Fund into the JLT Growth Fund. The Trustee considered a range of approaches, and decided that this fund met its investment objectives.

The JLT Growth Fund is a type of DGF and invests in pooled funds of a range of underlying investment managers that are selected by JLT Investment Management. The Fund aims to give long term returns similar to those of equities, but with lower volatility. It provides diversification through a range of underlying investment managers and a wide range of asset types in a cost effective pooled fund.

The Trustee will continue to keep the fund range under review, and also the suitability of this type of investment approach for the WPT Diversified Fund and make changes to this approach if appropriate.

4.6 Types of investments to be held

The Trustee is permitted to invest across a wide range of asset classes. All of the funds in which the Trust invests are pooled and unitised. Details of each fund can be found in Appendix 2.

4.7 Additional contributions

The Trust provides a facility for members to pay for Additional Contributions to enhance their benefits at retirement. Members are offered the opportunity to invest Additional Contributions in the same way as the main scheme investments.

4.8 Social, environmental and ethical policy

As the Trust's assets are invested in pooled funds, the Trustee accepts that it is unable to influence the social, environmental and ethical policies and practices of the companies in which their managers invest.

June 2015

The Trustee is aware of the investment managers' approaches to social, environmental and ethical factors with respect to the selection of investments and is satisfied that a responsible approach is being taken which is consistent with the long-term financial interests of the Trust and its members.

4.9 Corporate governance and voting policy

The Trustee has concluded that the decision on how to exercise voting rights should be left with the investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustee from time to time, take into account the financial interests of shareholders, and should be for the member's benefit.

5 Risk

The Trustee is aware, and seeks to take account, of a number of risks in relation to the Trust's investments, including those set out below. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are also set out below.

Solvency risk and mismatching risk

- Solvency risk is not directly relevant to a DC scheme.
- Mismatching risk is addressed by the use of Protection Funds as described within this Statement as a member nears Normal Retirement Age.

Manager risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by JLTEB.

Liquidity risk

- This is monitored according to the level of cash flows required by the Trust over a specified period.
- It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

Political risk

- This is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate governance risk

- This is assessed by reviewing the Trust's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustee from time to time.

Sponsor risk

- This is not directly relevant for a DC scheme, where a member's benefits are derived from the value of the member's accumulated fund.

6 Monitoring of investment adviser and manager

6.1 Investment adviser

The Trustee continually assesses and reviews the performance of its adviser in a qualitative way.

6.2 Investment managers

The Trustee receives quarterly information from the investment managers to assess whether the Trust's investments are performing in line with expectations.

The Trustee also receives quarterly monitoring reports on the performance of the investment managers from JLTEB as an independent check on the performance of the funds that the Trust invests in.

JLTEB will advise the Trustee of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the assets of the Trust are invested, such that in JLTEB's view there exists a significant concern that these funds will not be able to meet their long term objectives.

June 2015

7 Code of best practice

A group of senior figures representing all parts of the private work-based pension industry called the Investment Governance Group ("IGG") was tasked with implementing a new framework for the application of the Myners Investment principles to DC schemes.

The principles have now been finalised following a consultation period and they provide a framework for reviewing DC governance and best practice. The six IGG principles for DC schemes are detailed in Appendix 3.

The Trustee has considered the IGG recommendations when formulating its investment policy. A separate statement of the Trustee's adoption of and compliance with these principles has been prepared.

8 Compliance

The Trust's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Trust's current Statement plus Appendices is also supplied to the Principal Employer, the Trust's investment managers, the Trust's auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices was approved by the Trustee on 16-6-2015

Signed on behalf of the Workers Pension Trust Limited

On

Full Name

Position

| | |
|---|--|
|  |  |
| <u>16-6-2015</u> | <u>16-6-2015</u> |
| <u>W A DORAN</u> | <u>J R ARMSTRONG</u> |
| <u>CHAIRMAN</u> | <u>TRUSTEE DIRECTOR</u> |

Appendix 1: Lifestyle transition strategy

The table below sets out some of the key stages of the lifestyling transition for the WPT Lifestyle Strategy.

| Age | WPT Growth Fund | WPT Volatility Reduction Fund | WPT Capital Protection Fund |
|--------------|-----------------|-------------------------------|-----------------------------|
| 30 and below | 50.0% | 0.0% | 50.0% |
| 31 | 75.0% | 0.0% | 25.0% |
| 32 to 49 | 100.0% | 0.0% | 0.0% |
| 50 | 100.0% | 0.0% | 0.0% |
| 51 | 96.0% | 4.0% | 0.0% |
| 52 | 92.0% | 8.0% | 0.0% |
| 53 | 88.0% | 12.0% | 0.0% |
| 54 | 84.0% | 16.0% | 0.0% |
| 55 | 80.0% | 20.0% | 0.0% |
| 56 | 69.0% | 26.0% | 5.0% |
| 57 | 58.0% | 32.0% | 10.0% |
| 58 | 47.0% | 38.0% | 15.0% |
| 59 | 36.0% | 44.0% | 20.0% |
| 60 | 25.0% | 50.0% | 25.0% |
| 61 | 20.0% | 40.0% | 40.0% |
| 62 | 15.0% | 30.0% | 55.0% |
| 63 | 10.0% | 20.0% | 70.0% |
| 64 | 5.0% | 10.0% | 85.0% |
| 65 | 0.0% | 0.0% | 100.0% |

It has also been agreed that:

- Switches will be implemented on a quarterly basis
- No negative switching will be permitted

The Trustee will review the suitability of the above and will make changes if appropriate.

Appendix 2: Investment manager information

The Trust will initially invest with the following investment managers:

- Legal and General Investment Management ("LGIM")
- JLT Investment Management

The Trustee will monitor the suitability of the funds used on an ongoing basis and make changes as they consider appropriate.

The table below shows the details of the mandate(s) with each manager:

Investment funds

| Investment manager/ fund | Fund benchmark | Objective | Dealing frequency | Annual investment management fees |
|--|---|--|-------------------|---|
| WPT Growth Fund | | | | |
| LGIM Global Equity (50:50) Index Fund | Composite Index of 50% UK equities and 50% overseas equities | To track the benchmark | Daily | 0.165% p.a. |
| WPT Volatility Reduction Fund | | | | |
| 50% LGIM Under 15 Year Index Linked Gilt Fund and 50% LGIM All Stocks 6A Corporate Bond Fund | 50% FTSE A Index-Linked (Under 15 Year) Index and 50% Markit iBoxx £ Non-Gilts (ex-BBB) Index | To track the benchmark | Daily | 0.13% p.a. |
| WPT Capital Protection Fund | | | | |
| LGIM Sterling Liquidity Fund | 7 Day LIBID | The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return | Daily | 0.125% p.a. |
| WPT Diversified Fund | | | | |
| JLT Growth Fund | 3 Month GBP LIBOR | To outperform the benchmark by 4% p.a. (net of fees) over 3-5 year period | Daily | JLT charges 0.15% p.a. Total Expense Ratio* circa 0.86% p.a. |

APPENDIX 1: STATEMENT OF INVESTMENT PRINCIPLES

June 2015

WPT Annuity Protection Fund

| | | | | |
|----------------------------|--|--|-------|------------|
| LGIM Pre-Retirement Fund** | A composite of gilts and corporate bond funds that will vary over time according to the appropriate asset mix. | The Fund aims to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product. | Daily | 0.15% p.a. |
|----------------------------|--|--|-------|------------|

* Total Expense Ratio (TER) is a measure of all charges in relation to a particular fund

** The PRF aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product. The above benchmark is the current position, which will be reviewed from time to time by LGIM and may be subject to change.

Please note that the annual investment management fees stated above exclude the Scheme administration charges.

Appendix 3: Principles for investment governance of defined contribution work based pension schemes

Principle 1: Clear roles and responsibilities

This Principle aims to help decision makers lay firm foundations for the process of investment governance. It advocates that schemes have defined and documented roles and responsibilities for each element of the investment governance chain, ensuring each party, including members, are clear as to the role they are expected to play in the process.

Principle 2: Effective decision making

This Principle builds on Principle 1. It aims to ensure the process is effective through sound decision making based on quality and timely information and reference to relevant regulatory requirements and guidance. It also advocates decision makers adopt a proactive approach to their decision making, building in regular assessment and reviews of the people and processes within the decision making structure, and making improvements where appropriate.

Principle 3: Appropriate investment options

This Principle requires decision makers to provide investment options that take account of a range of risk profiles and needs within the pension scheme membership. It also aims to ensure pension scheme members receive the appropriate level of fund choice to meet their needs, without being overwhelming or restrictive.

Principle 4: Appropriate default strategy

This Principle determines a sound investment strategy principally for those members who prefer not to make an active investment decision.

Principle 5: Effective performance assessment

The aim of this principle is to ensure decision makers monitor the performance of investment options, including the default strategy, and take appropriate action where necessary.

Principle 6: Clear and relevant communications

The aim of this principle is to provide pension scheme members with clear, relevant and timely information so they can:

- Make an informed choice relevant to their circumstances about which fund(s) to invest in.
- Understand their personal responsibility for their pension plan, the choices they have available and how these affect the value of their fund and retirement income.

Appendix 4: Responsibilities of parties

Trustee

The Trustee's responsibilities include the following:

- Reviewing at least triennially and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Appointing the Investment Managers
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Principal Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

Investment adviser

The Investment Adviser's responsibilities include the following:

- Participating with the Trustee in reviews of the Statement of Investment Principles
- Production of quarterly independent performance monitoring reports
- Advising of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet its long term objectives. If the investment manager and fund are not covered by JLTEB's manager research process, JLTEB will advise the Trustee accordingly
- Updating the Trustee on changes in the investment environment, and advising the Trustee, at its request, on how such changes could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - » Reviews of asset allocation policy and fund range; and
 - » Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians

Investment managers

The Investment Managers' responsibilities include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund in which the Scheme is directly invested as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

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Administrator

The Administrator's responsibilities include the following:

- Ensure members' contributions are invested/disinvested appropriately, including ensuring that the Lifestyle Transition Strategy is implemented in accordance with the Trustee's instructions
- Drawing down funds appropriately and paying benefits to members in accordance with instructions

Custodian

The Custodian's responsibilities within the pooled funds include the following:

- The safekeeping of the assets of the Scheme
- Providing the Trustee with quarterly statements of the assets, cash flows and corporate actions
- Undertaking all appropriate administration relating to the Scheme's assets
- Processing all dividends and tax reclaims in a timely manner
- Dealing with corporate actions

Workers Pension Trust

Value for Members Assessment

September 2017



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Executive Summary

This document sets out Workers Pension Trust Limited's assessment of value for members, based on the Pensions Regulator guidance.

The Pensions Regulator (tPR) issues regulatory guidance to help Trustees meet the standards of practice that form the basis of quality governance and administration in occupational defined contribution (DC) trust-based pension schemes. The guidance states that Trustees of a DC pension scheme should assess the scheme to determine whether it provides value for members.

Assessing value is not simply a question of cost. It also requires an assessment of the quality and services provided for the cost. Most member-borne costs and charges are related to services provided to scheme members, such as governance, investment, administration and communications. Assessing the quality of these services for members is a key part of a good value assessment and therefore has been included in our assessment.

The results of this assessment highlight how WPT meets or exceeds expectation in all six areas: governance, scheme design, investment, administration, member communication and cost, reflecting value for members of WPT.

Introduction

A Value for Members (VfM) review is conducted annually and summarised in the Scheme's annual Chair's Statement published in the Scheme's Annual Report and Accounts. The most recent VfM review was completed in May 2016.

The scope of this VfM assessment goes beyond solely looking at value for money, and considers broader elements of good value such as the scheme's governance framework, security of assets, quality of services and value over a longer term. As membership of Workers Pension Trust (WPT) is comprised mainly of low to medium earners, costs and charges is a prime consideration for the Trustees.

The Principles of our Assessment

Workers Pension Trust Limited identified the key areas below as the necessary approach to our assessment of VfM.

1. *Governance:*

- (i) Are we confident that we have adequate control of the Scheme's activities and risks?
- (ii) Do we believe that the Scheme is set up to deliver good outcomes for our members?
- (iii) Are we meeting our own objectives?

2. *Design:*

- (i) Is the Scheme fit for purpose?
- (ii) Is it meeting the agreed objectives and is it affordable and understandable to members?

3. *Investment:*

- (i) Do the funds present sufficient or too much choice to members?
- (ii) Are the funds and default option performing well in relation to other similar funds?
- (iii) Are the charges compliant and fair in relation to the outcomes?
- (iv) Are investment returns delivered to members in line with stated performance objectives and industry benchmarks?

4. *Administration:*

- (i) Is the service reliable, timely and accurate?
- (ii) Is the service accessible to members and accountable?

5. *Communications:*

- (i) Are communications with members sufficient and understandable?
- (ii) Do the communications make a difference to the way members make choices and plans for retirement?
- (iii) Do they really support members in making choices?
- (iv) Are there appropriate web facilities available?

6. *Costs:*

- (i) Can we identify the member costs of the Plan?
- (ii) Are these reasonable in relation to the range and quality of the services provided and outcomes?

Quantitative Assessment Approach:

To ease assessment of VfM, and to allow comparisons between the different areas listed above, a straightforward scoring system has been adopted as follows:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

1.0 Governance

Governance standards

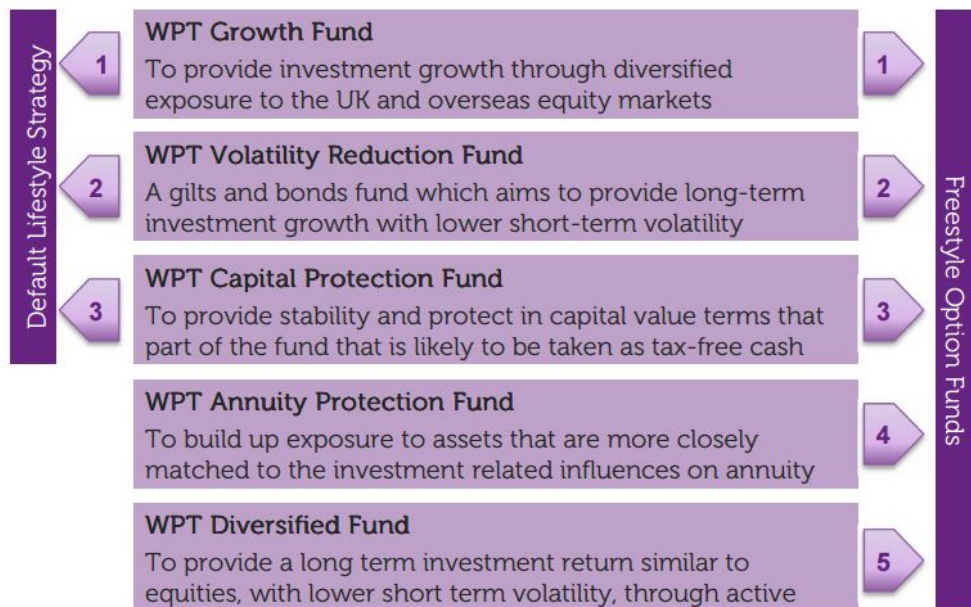
Workers Pension Trust (WPT) is set up under Trust to ensure assets are protected. The Scheme is governed by a Board of Trustee Directors who ensure that WPT is run in the best interests of its Members, and in accordance with Scheme Rules and the law.

In February 2017 WPT attained the Master Trust Assurance Framework quality standard and is the first scheme in Northern Ireland to receive this recognition. The assurance is based on the new framework developed by the Institute of Chartered Accountants England and Wales (ICAEW), in partnership with the Pensions Regulator. Trustees are required to report against 27 ‘control objectives’ relating to governance and administration which are audited on an annual basis. WPT is one the first Master Trusts in the UK to report under the new framework.

Investment principles and standards

The Trust Deed and Rules specifies the investment powers of the Trustees. Trustees receive professional advice from an investment consultant in order to agree an investment strategy which is designed to be appropriate for the majority of scheme members and meet the changing investment needs of a typical pension investor as they progress through life towards retirement. This is known as a Default Lifestyle Strategy. If a member does not wish to be part of the Lifestyle Strategy they have the option to make their own investment choices from 5 investment funds (see Figure 1). This is known as the Freestyle Option and includes an additional Diversified Fund which is managed by Mobius Life. The investment performance of the 5 funds is monitored by the Trustees on a quarterly basis.

Figure 1 WPT Default Lifestyle Strategy and Freestyle Option



The Statement of Investment Principles (SIP) outlines the principles of governing investments and the activities undertaken by the Trustees to ensure the effective implementation of these principles. It sets out how decisions about investment of pension contributions must be made for the benefit of WPT members.

The investment strategy is reviewed on an annual basis, taking into account the membership profile of the Scheme. Each month the Trustees receive confirmation that contributions have been transferred to the Trustee bank account from employers and members. Transaction instructions are issued to the investment managers who confirm the number of units purchased in each fund for members. The administrator carries out checks on behalf of the Trustees to ensure the correct units are allocated to member funds within set timescales. Both investment fund management companies; Legal & General Assurance (Pensions Management) Limited and Mobius Life, are authorised by the Prudential Regulation Authority, and regulated by the Financial Services Compensation Scheme (FSCS) and the Prudential Regulation Authority.

Trustee Oversight & Risk Management

Fit and proper: Trustees are required to be ‘fit and proper’ to carry out their role. Prior to their appointment, any new Trustee is required to complete a declaration confirming their fitness and propriety, and complete training within six months of appointment. Thereafter, a training and development plan is in place to ensure Trustees have the necessary knowledge and understanding to run the Scheme efficiently. The Trustee Board also maintains a Fitness and Propriety Policy.

Roles, responsibilities and duties: The Trust Deed and Rules, and the Articles of Association of WPT are the governing documents by which the Scheme is currently administered and managed and the documents outline the responsibilities of the Trustees. The Trustee Board meets quarterly to ensure they spend adequate time on administrative and governance issues and discuss key issues affecting the Scheme. There is a Scheme Secretary in place to assist with Scheme management and documentation. Trustees review the performance of all advisers and service providers.

Risk Management Framework: Trustees identify the risks relating to the Scheme and consider the probability and impact of their occurrence. These risks are managed by identifying suitable controls and counter-measures to mitigate the risks. Risks are recorded in a risk register which is reviewed at Trustee meetings.

Discontinuance Plan: Trustees have a Discontinuance Plan in place. The purpose of this Plan is to address how the Scheme assets or Member entitlements are to be dealt with in the event of the Scheme being wound up or closed, or transferred to another entity.

Evaluation of Governance

The Trustees have considered various aspects of governance. This section has highlighted that WPT is a well governed scheme where assets are protected under trust for members. Trustees have the level of knowledge and understanding needed to manage WPT and there is a Scheme Secretary in place to assist with Scheme management. Professional advice is taken with regard to investments made for the benefit of members and the default strategy in place is set up to be appropriate for the majority of members, which is regularly reviewed. Checks are in place to protect the transfer and allocation of member funds, and Trustees regularly manage risks relating to the Scheme.

In light of this, the Trustees are confident that there are adequate controls in place regarding activities and risks. The Trustees believe that the Scheme is set up to deliver good outcomes for members and that Scheme objectives are being met. To assist evaluation of governance, the Trustees have adopted a scoring table:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

The Trustees have concluded that a score of 3: Exceeds expectations is appropriate. Trustees are confident that WPT delivers a high quality scheme with excellent standards of governance.

2.0 Design

Overview

Workers Pension Trust (WPT) is a trust based, defined contribution scheme which was specifically developed to meet the auto-enrolment needs of businesses predominantly based in Northern Ireland. The inhouse scheme administrators have 30 years' experience in operating a multi-employer trust-based pension scheme. Trustees have taken professional investment advice, and have designed a default investment strategy for member accounts to be invested in mainstream pooled investment funds accessed through Legal & General Assurance (Pensions Management) Limited.

Open to all

WPT is available to all employers and is suitable for all employees. The Scheme can be implemented as a stand-alone auto-enrolment solution or to complement existing pension arrangements. It accommodates both weekly and monthly paid employees from all business sectors. WPT provides the same offer to all members, regardless of whether their employer is a small or a large company, and regardless of their level of contributions.

Flexible contribution structure

The Scheme provides a flexible contribution structure. Minimum employer and employee contributions are required in line with auto-enrolment, and both employers and employees may contribute more than the minimum. Contributions can be paid on band earnings or on gross earnings. The Scheme will also accept contributions based on basic pay (using one of the 3 tiers available under the alternative certification rules). Employers and employees can also make one-off contributions.

Additional features

WPT provides a free auto-enrolment delivery programme tailored to the requirements of each individual business and offers a localised NI service without the use of call-centres. The Scheme also provides optional lump sum death in service cover as an additional service.

Evaluation of Design

The Trustees have considered various aspects of the design of the Scheme in this section. WPT offers a service which is open to all employers, regardless of level of contributions or size of employer, where everyone can benefit from all the services on offer. The Scheme offers flexibility as it can be implemented as a stand-alone auto-enrolment solution or to complement existing pension arrangements. It also provides a flexible contribution structure and the option to have a lump sum death in service cover. To assist evaluation of design, the Trustees have adopted a scoring table:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

The Trustees have concluded that a score of 3: Exceeds expectations is appropriate. Trustees are confident that WPT is a well-designed scheme which is fit for purpose. It is set up to be open and flexible to members, and inclusive of all types of businesses. Trustees are confident the Scheme is meeting the agreed objectives and is affordable and understandable to members.

3.0 Investment

Current Investment Choices

A member can invest in a maximum of 5 funds at any one time as recommended by the investment consultant who has conducted research into the needs and preferences of members. The Trustees believe this is an optimum number, as to provide wider choice could confuse the membership and create inertia. It would not provide value given the small numbers of member (approx. 2%) who do not select the default fund. Members may switch twice per annum without charge. Subsequent switches are in the region of £150 plus VAT. This would be confirmed to the member for their approval prior to the switch taking place. There is no charge for the quarterly switches completed as part of the Lifestyle strategy.

Workers Pension Trust (WPT) provides a Lifestyle Strategy which is designed to deliver a balance of investment growth and protection appropriate to different stages of scheme membership (see Table 1 below).

Table 1 Lifestyle Strategy Investment Funds

| | |
|--|---|
| WPT Growth Fund (L&G Global Equity Fixed Weights (50:50) Index Fund) | A passively managed equity fund |
| WPT Capital Protection Fund (L&G Sterling Liquidity Fund) | A cash and money market investment fund |
| WPT Volatility Reduction Fund (L&G Under 15 Year Index Linked Gilt Fund and All Stocks AAA-AA-A Corporate Bond Fund) | A passively managed bond fund |
| WPT Annuity Protection Fund (L&G Pre-Retirement Fund) | A strategically managed bond fund |
| WPT Diversified Fund (JLT Growth Fund) | An actively managed diversified growth fund |

The Default Lifestyle Strategy (see Table 2) is in place to switch investments from an initial Foundation phase (up to age 30), through to the Growth phase (between the ages of 32-49) and finally to the Protection phase (from the age of 50), as a member approaches retirement.

- Foundation Phase

The foundation phase aims to provide both stability and investment growth. Members' funds are split 50/50 during this phase between the WPT Growth Fund and the WPT Capital Protection Fund.

- Growth Phase

The growth phase aims to maximise the potential for growth through 100% equity investment. The WPT Growth Fund is used for the growth phase.

- Protection Phase

The protection phase is based on the assumption that the member retires at 65 years. This phase starts at age 50 and is completed at age 65. To spread market timing risk, quarterly switches are in place to transition members' funds. At age 65 members' funds will be invested 100% in the WPT Capital Protection Fund.

Table 2 Default Lifestyle Strategy

| Phase | Age | WPT Growth Fund | WPT Volatility Reduction Fund | WPT Capital Protection Fund |
|------------|--------------|-----------------|-------------------------------|-----------------------------|
| Foundation | Up to age 30 | 50% | nil | 50% |
| Growth | Age 32 – 50 | 100% | nil | nil |
| Protection | Age 55 | 80% | 20% | Nil |
| | Age 60 | 25% | 50% | 25% |
| | Age 65 | nil | nil | 100% |

Review of Fund Performance

The Trustee Board reviews the performance of investment funds against benchmarks and targets at each Trustee meeting using the fund managers’ investment reports. The investment consultant monitors the performance of the Trust’s investment managers and advises the Trustees of any significant developments relating to funds managed on behalf of WPT members.

Funds and Default Option Comparison

As there is a diversity of strategies and default options which utilise different types of funds, the Trustees have agreed that a meaningful comparison is not possible. However, as funds within the default option are passively managed, which means that their portfolios mirror the components of a market index, the WPT default funds will be performing in line with other passively managed funds.

Investment Returns V’s Industry Benchmarks

The Trustees have reviewed the performance of the default strategy funds offered by WPT over a three-year period to March 2017. A breakdown of fund performance in relation to investment returns versus benchmark returns is highlighted in Table 3. The performance of the three funds over March 2015-2017 largely mirrors benchmark return figures, which indicates the three funds are performing as expected. Where there are variances from benchmark figures (ranging from 0.06%-0.28%), the funds have performed better than expected, with no fund underperforming in relation to its benchmark.

WORKERS PENSION TRUST

APPENDIX 2: VALUE FOR MEMBERS ASSESSMENT

Table 3 Default Strategy Funds: Investment Returns vs Benchmark Returns 2015-2017

| 2017 Default Funds | Return | Benchmark | Variance |
|---------------------------------|---------------|------------------|-----------------|
| L&G Global Equity (50:50) Index | 27.44% | 27.20% | 0.25% |
| L&G Sterling Liquidity Fund | 0.48% | 0.20% | 0.28% |
| L&G Volatility Reduction Fund | 8.71% | 8.65% | 0.06% |

| 2016 Default Funds | Return | Benchmark | Variance |
|---------------------------------|---------------|------------------|-----------------|
| L&G Global Equity (50:50) Index | -2.57% | -2.69% | 0.12% |
| L&G Sterling Liquidity Fund | 0.56% | 0.36% | 0.20% |
| L&G Volatility Reduction Fund | 7.63% | 7.56% | 0.06%* |

* This percentage is based on the 12-month variance of the L&G Volatility Reduction Fund at 30th June 2016.

| 2015 Default Funds | Return | Benchmark | Variance |
|---------------------------------|---------------|------------------|-----------------|
| L&G Global Equity (50:50) Index | 12.10% | 12.10% | 0.00% |
| L&G Sterling Liquidity Fund | 0.50% | 0.40% | 0.10% |
| Pre-Retirement Fund* | 19.10% | 19.10% | 0.00% |

* Please note investment into the L&G Volatility Reduction Fund commenced in June 2015. This replaced investment into the L&G Pre-retirement fund.

Evaluation of Investment

The Trustees have considered various aspects of the investment strategy and this section highlights that investment options are well managed. A professional investment consultancy service is utilised to advise Trustees on investments. Each investment option is regularly reviewed and monitored against key investment principles. Members have sufficient choice in terms of their investment options, with WPT offering up to 5 funds which can be invested in and the flexibility to switch funds free of charge. The Scheme also provides a Default Lifestyle Strategy which is designed to deliver a balance of investment growth and protection appropriate to different stages of scheme membership. These funds are performing in line with their benchmark figures and are meeting the objectives set out in the Statement of Investment Principles.

To assist evaluation of investments, the Trustees have adopted a scoring table:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

The Trustees have concluded that a score of 2: Meets expectations is appropriate. Trustees are confident that the investment funds on offer present sufficient choice to members, that charges are fair in relation to the outcomes received by members and that investment returns are delivered to members in line with industry benchmarks.

4.0 Administration

Business Model

Workers Pension Trust (WPT) is jointly administered by Construction First (CF) Ltd and JLT Benefit Solutions Ltd. JLT Benefit Solutions Ltd maintains member records, invests contributions received from CF Ltd and makes benefit payments to members. CF Ltd currently administers the pension requirements of hundreds of companies and tens of thousands of members, whilst JLT Benefit Solutions Ltd are one of the UK's leading employee benefits providers.

Financial transactions

The Trustees have agreed standards of accuracy and turnaround times with the administrators who are required to report on the prompt and accurate investment of contributions, allocation of member investments and payment of benefits from the Scheme to members.

Member records

All data for new members is verified at the point of entry and is checked for accuracy monthly. A formal data validation exercise is carried out every year and Trustees assess the results.

Complaint handling

A process in place to deal with any complaints from members, should they arise. The Trustees aim to resolve any complaints members may have informally. There have been no internal dispute resolution cases since the launch of the Scheme.

Preparation of financial statements

The Chairs Statement is included in the Annual Report and Accounts. A copy of the Chairs Statement is available to view on our website.

Evaluation of Administration

The Trustees have considered various aspects of Scheme administration. This section highlights how member contributions are handled appropriately, how member records are maintained and how member complaints are handled effectively.

To assist evaluation of administration, the Trustees have adopted a scoring table:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

The Trustees have concluded that a score of 3: Exceeds expectations is appropriate. Trustees are confident that the Scheme is administered appropriately with the service provided being accountable, reliable, timely and accurate.

5.0 Communications

Customer service

A key strength of Workers Pension Trust (WPT) is its localised NI service; there are no call centres or automated messages. Members can arrange an appointment to meet a team member if they require assistance.

Clear member communication

WPT is committed to producing clear, accurate and understandable materials that are appropriate for its members. A range of communication channels are used to keep members updated, such as face-to-face, post, email and through the WPT website. Members are updated on costs and charges, investment choices, and how they can access their retirement savings. A communications plan is regularly reviewed and tailored to meet the needs of members. WPT also provides employers with a range of workplace communication templates to ensure employers are communicating effectively with employees, with regard to their pensions.

Support at retirement

WPT writes to each member six months before their 65th birthday, in order to provide information on their pension pot and support decision making with regard to accessing their pension.

The Scheme operates a telephone helpline to assist members with completing their retirement forms. Surveys are also issued to retired members in order to gain feedback as to the effectiveness of retirement communications.

Evaluation of Communication

The Trustees have considered various aspects of communication with scheme members in this section.

To assist evaluation of communication, the Trustees have adopted a scoring table:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

The Trustees have concluded that a score of 2: Meets expectations is appropriate. Trustees are confident that communication with members is sufficient and understandable. WPT assists members in making choices and planning for their retirement and there is sufficient information available to members through the website.

6.0 Costs

Information on member costs and charges is available from www.workerspensiontrust.co.uk within the 'Members' area and is described with examples of the member contribution charge and annual management charge. The Scheme complies with the charges cap which was required from April 2015. The Scheme has an annual management charge (AMC) of 0.3% and a contribution charge of 1.8% which equates to an overall charge of 0.496%. This is below the charges cap of 0.75% and therefore offers members a competitive rate.

Information about costs and charges

The information below sets out charges for the scheme's default investment option and is presented in a standard format so that you can easily compare our charges with other pension scheme providers. Please note that these charges may change over time. The information follows guidance provided in *Pension Charges Made Clear: Joint Industry Code of Conduct* established by the Pensions and Lifetime Savings Association (PLSA). There are two main types of charges to consider; ongoing charges and transaction costs.

i. Ongoing Charges

Ongoing charges cover the cost of running the fund. It covers all aspects of operating the fund during the year, including administrative costs such as maintaining records, fees paid for investment management, and the independent oversight function.

| Ongoing Charges | WPT ⁽¹⁾ | NEST ⁽²⁾ | Now Pensions ⁽³⁾ | The People's Pension ⁽⁴⁾ | Welplan ⁽⁵⁾ |
|---|--------------------|---------------------|-----------------------------|-------------------------------------|------------------------|
| Percentage of members pot taken as a charge per year (AMC*) | 0.3% | 0.3% | 0.3% | 0.5% | 0.6% |
| Percentage of each contribution paid in taken as a charge | 1.8% | 1.8% | n/a | n/a | n/a |
| Fixed charge to cover administration costs per year | n/a | n/a | £3.60 - £18 | n/a | n/a |

*AMC – Annual management charge

(1) WPT ongoing charges 31.03.17

(2) Nest 'Information about costs and charges' – March 2017

(3) Now Pensions 'Costs & charges'

(4) The Peoples Pension 'Costs & Charges' – March 2014

(5) Welplan Pensions 'Summary of Charges' – February 2016

The table above illustrates how Workers Pension Trust (WPT) offers a competitive scheme with regard to ongoing charges for members, when compared to other pension schemes.

ii. Transaction Costs

Costs will also be incurred when investing in different stocks and securities (managed by Legal & General Investment Management). These are often referred to as ‘transaction costs’ and are paid out of the fund. Some types of investment have higher transaction costs than others but are an essential part of generating investment returns on behalf of WPT members.

Transaction costs aren’t included in the annual management or contribution charges. The impact of transaction costs on each member’s accumulated fund will depend on their particular investment choices and the number of changes that members choose to make. Transaction costs will also include the difference between the buying and selling prices of investments, and is referred to as the ‘dealing cost’ or ‘dealing spread’.

Typical average transaction costs for the scheme’s default investment option are as follows;

| Transaction Costs | WPT ⁽¹⁾ | NEST ⁽²⁾ | Now Pensions ⁽³⁾ | The People’s Pension ⁽⁴⁾ | Welplan ⁽⁵⁾ |
|---|--------------------|---------------------|-----------------------------|-------------------------------------|------------------------|
| Estimated average dealing cost (% of transaction value) | 0.185% | 1.01% | n/a | 0.08% | 0.08% |
| Average stamp duty and/or taxes (% of fund) | 0.005% | Negligible | n/a | 0.05% | 0.05% |
| Average costs of commission (% of fund) | 0.003% | 0.081 | Nil | 0.01% | 0.01% |

(1) 3 year average transaction costs to 31.03.17

(2) Nest ‘Information about costs and charges’ – March 2017

(3) Now Pensions ‘Costs & charges’

(4) The Peoples Pension ‘Costs & Charges’ – March 2014

(5) Welplan Pensions ‘Summary of Charges’ – February 2016

It should however be noted that total transaction costs cannot be compared in an exact way between funds for the following reasons:

- Transaction costs vary depending on the types of investment in which a fund invests;
- Investment activity is not predictable and consequently transaction costs are also not predictable;
- Transaction costs will be higher for funds that trade regularly and less for those adopting longer-term investment strategies;
- Transactions costs do not necessarily reduce returns; the hope is that the extra returns made from successful trades will outweigh the costs involved; and
- Transaction costs vary from country to country.

The industry regulator, the Financial Conduct Authority, is reviewing investment fund charges and transparency. It is hoped that this will result in an overall charge figure for funds with nothing left out. This would make it much easier to compare the charges of different funds.

Evaluation of Costs

The Trustees have considered costs and charges relating to joining the scheme in this section. WPT's cost is reasonable when compared to the terms members might experience in other schemes. The Schemes overall charge of 0.496% falls below the regulatory cap of 0.75% and therefore offers members a competitive rate. To assist evaluation of costs, the Trustees have adopted a scoring table:

| Score | Application criteria |
|-------|------------------------|
| 0 | Not relevant or absent |
| 1 | Below expectations |
| 2 | Meets expectations |
| 3 | Exceeds expectations |

The Trustees have concluded that a score of 2: Meets expectations is appropriate. Trustees are confident that the cost of joining the Scheme is reasonable in relation to the range and quality of the services provided and outcomes for members.

7.0 Conclusion

The WPT Trustees assessment is based on six considerations which highlight how the Scheme provides value for members:

1. **Governance:** there are adequate controls in place of the Schemes activities and risks. The Trustees believe that the WPT is set up to deliver good outcomes for members and that Scheme objectives are being met.
2. **Design:** WPT is a well-designed scheme which is fit for purpose. It is set up to be open and flexible to members, and inclusive of all types of businesses.
3. **Investment:** investment funds on offer present sufficient choice for members. Related charges are fair in relation to the outcomes and benefits received by members, and investment returns delivered to members are in line with industry benchmarks.
4. **Administration:** the Scheme is administered appropriately with the service provided being reliable, timely and accurate.
5. **Communications:** sufficient information is provided to members in an easy-read format. WPT assists members in making choices and planning for their retirement and important information is available to members through WPT's website.
6. **Costs:** the cost of joining WPT is reasonable in relation to the range and quality of the services provided and compared to the terms WPT members might experience in other schemes that are available to them.

All six areas of consideration meet or exceed expectation, and on this basis Workers Pension Trust Limited is confident in its assessment that the information outlined in this document reflects value for members.