



**Workers Pension Trust**

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# WORKERS PENSION TRUST

## 12 MONTH PERIOD ENDED 31 March 2023

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### CHAIR'S ANNUAL STATEMENT REGARDING DC GOVERNANCE

#### 1. Introduction

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This statement is produced pursuant to Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015.

Governance requirements apply to defined contribution ("DC") pension arrangements to help members achieve a good outcome from their pension savings. It is important that you can feel confident that your savings in Workers' Pension Trust ("WPT," "the Scheme") are being well looked after and provide good value.

Workers Pension Trust Limited, the Trustee of the WPT, is required to produce a yearly statement to describe how governance requirements have been met in relation to:

- ✓ The investment options in which members' funds are invested (this means the "default arrangement" and other funds members can self-select) in terms of how they have performed and whether they remain suitable.
- ✓ The requirements for processing financial transactions such as contribution payments and how these have been met.
- ✓ The assessment of how charges and transaction costs represented good value for members and the impact of these charges on member savings.
- ✓ The assessment of how other areas which members pay for represented good value for members (such as communications, administration, governance).
- ✓ How the Trustee ensures that it maintains the necessary knowledge and understanding to perform its role.
- ✓ How the Trustee remains independent.
- ✓ The arrangements in place to encourage member feedback.

This statement covers the period from 31 March 2022 to 31 March 2023, "the Scheme Year".

#### **Governance Standards**

Master Trusts are required to submit to a rigorous process of supervision by the Pensions Regulator ("TPR") to obtain authorisation to continue operating. The Scheme received authorisation from the Pensions Regulator in August 2019. Authorisation creates safeguards by ensuring Master Trusts are run by fit and proper people, have the right systems and processes in place and are financially sustainable.

In addition to being granted authorisation, the Scheme continues to meet industry best practice standards through the Master Trust Assurance Framework quality standard. This is a voluntary, independently audited annual assessment of how the Scheme operates against a series of control objectives relating to governance and administration.

#### **Cushon MT NI Limited (CMTNI)**

The Funder of WPT, CMTNI was purchased by Cushon MT Limited, the Funder of Cushon Master Trust ("CMT"), and a member of the Cushon Group on 01 June 2021.

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The Cushon Group was purchased by the NatWest Group on 01 June 2023 in an acquisition that was approved by the Financial Conduct Authority (“FCA”).

The Trustee believes that the acquisition improves the financial security of CMTNI and is likely to enhance value for members in the long term.

### Triggering Event

CMTNI and the Trustee submitted a Triggering Event notification to TPR on 08 December 2022 informing them that they intended to wind up the WPT. The Trustee had been party to plans to consolidate WPT into the larger CMT and completed detailed due diligence with their advisers before submitting a proposal to TPR to implement the planned merger. That Implementation Strategy was approved by TPR on 09 June 2023 and communications to all members have confirmed the transfer day as 16 January 2024.

The WPT Trustee support the move to the CMT and believe that it is in members’ best interests.

## 2. Default investment arrangement

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A default investment 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 retirement savings.

Our default arrangement has been designed so that members who do not wish to take an active role in the investment process can be confident in how their contributions are invested. The availability of a well-designed, low-cost default arrangement is an essential part of our investment approach, and we keep this under review.

The Trustee decided that the default arrangement should be a lifestyle strategy, which means that members’ contributions are automatically moved between different funds as they approach their selected retirement date. Our default arrangement is a combination of the following three funds:

1. **WPT Growth Fund** – This fund invests in the Legal and General Investment Management (“LGIM”) Global Equity (50:50) Index Fund. This fund aims to track movements in equity markets around the world. This fund is expected to produce higher returns than other asset classes (such as bonds and cash) over the long term. However, the value of equity funds can fluctuate significantly in the short term.
2. **WPT Volatility Reduction Fund** – This fund invests in LGIM’s Under 15 Year Index-Linked Gilt Fund and LGIM’s All Stocks AAA-AA-A Corporate Bond Fund. This fund aims to provide long-term investment growth with lower short-term volatility.
3. **WPT Capital Protection Fund** – This fund invests in LGIM’s Sterling Liquidity Fund, which is designed to protect the value of the money invested and is a suitable investment option for when a member approaches retirement and where the proceeds will be taken as cash.

### Structure of the default arrangement

The default lifestyle strategy is in place to switch investments from an initial Foundation phase (where members are invested aged up to 30), through to the Growth phase (between the ages of 30 to 50) and finally to the Protection phase (from the age of 50), as a member approaches retirement, with the aim of protecting

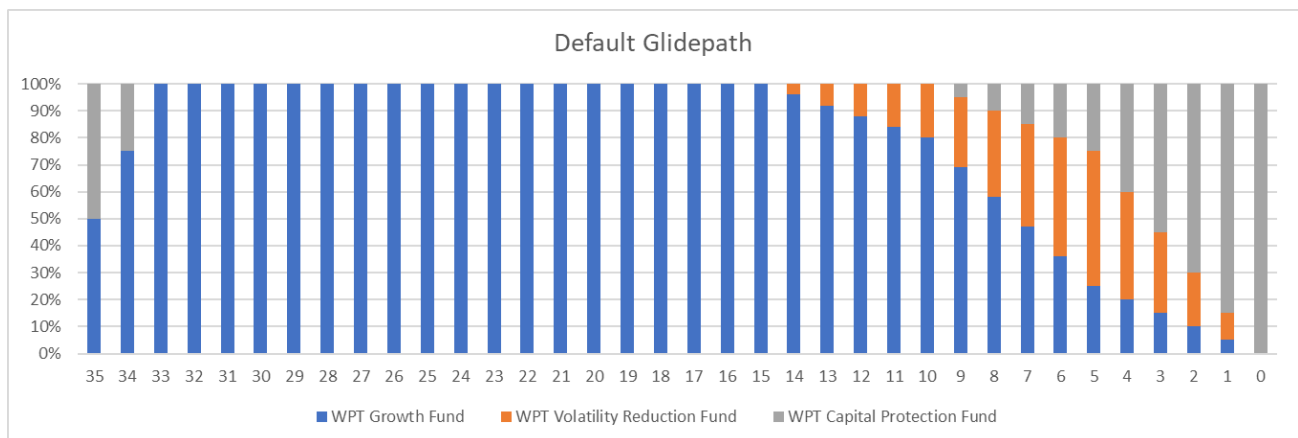
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members in the lead up to retirement from sudden market movements. The main investment objectives of the three phases are as outlined below:

- **Foundation Phase** - The foundation phase aims to provide both stability and investment growth. A member's contributions are initially split 50/50 between the WPT Growth Fund and the WPT Capital Protection Fund during this phase.
- **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 most members will retire at 65 years of age. From 15 years to retirement, the member's assets are gradually switched, on a quarterly basis, to a combination of the WPT Growth Fund, the WPT Volatility Reduction Fund and the WPT Capital Protection Fund. At retirement and beyond, members' funds are invested 100% in the WPT Capital Protection Fund.

The chart below shows the glidepath structure for the current default arrangement:



The main objectives of the Trustee's default arrangement are outlined in the Statement of Investment Principles (SIP) dated 13 September 2023 which is provided in Appendix 1 of this statement. The Trustee's main objective is to provide members with an investment strategy aligned to their needs that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default arrangement. It recognises that in a defined contribution strategy, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

The Trustee has determined its investment policy in such a way as to address the risks. To help mitigate the most significant of these risks, the Trustee:

- Made a lifestyle strategy available as a default investment arrangement, which transitions members' investments from higher risk investments to lower risk investments as members approach retirement and offered a range of self-select funds across asset classes;
- Has taken into account the expected return on such investments and was mindful to offer a range of funds with varying levels of expected returns for members to choose from when deciding on the investment options available to members;
- Considered the impact of transaction costs before making any changes, when it comes to the realisation

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of investments; and

- Will review the investment approach and make changes as and when it is considered to be appropriate.

In considering appropriate investments for WPT, the Trustee obtains and considers written advice from its investment adviser, Hymans Robertson LLP, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and strategies implemented are, in the Trustee's opinion, consistent with the requirements of Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015, as amended.

### **Review of the WPT Default Investment Strategy**

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

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

The Trustee appointed its investment adviser on 10 July 2020, with the main priority identified as progressing a review of the current strategy.

No full review of the performance and suitability of the default arrangement was due to be undertaken during the year. The last full review was completed in two stages, on 12 April 2021 and 1 December 2021. As a result of this review, the Trustee has approved a transition to move to a new default investment strategy provided by Cushon Master Trust, a Cushon Sustainable Growth Investment Strategy. The Trustee believes this new strategy has the potential to improve member outcomes, as well as allow members to join an award winning, sustainable pension fund.

The Trustee later agreed that the move to the new strategy will be undertaken during the course of 2024. In this way, members will initially remain in their current investments after legal consolidation with CMT. Once the WPT Membership is consolidated into the CMT, the CMT Trustee will decide which sustainable default investment funds best meets the needs of the WPT population. That latter transition has been written into contracts negotiated by the WPT Trustee and has been approved by TPR.

The Trustee undertook additional high-level reviews of the investment strategy on 1 December 2022 and 13 March 2023 given the timescales anticipated in moving members to the new Cushon Sustainable Growth Investment Strategy. Further detail of the outcome of these reviews is noted below.

On 1 December 2022, the Trustee considered the appropriateness of the existing default strategy and advice regarding its evolution in light of additional guidance from TPR on the economic climate. Given recent adverse economic events, the Trustee considered whether any changes were required to the current investment strategy in advance of the transfer to the CMT. It was noted there were protections in place as part of the current investment strategy, such as allocations to cash within the Foundation and Consolidation Phases, which have reduced the impact of the falls in equities and bonds on members' pots. It was agreed no action was required in the short term (as the Trustee should take a longer-term market view). The Trustee considered communication with members and updated the member website with messaging regarding the impact of the volatility and provided helpful resources for members to help them understand

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and take any action which may be required.

The Trustee considered this further on 13 March 2023, in anticipation of potential delays to the transfer to the CMT. On both occasions the Trustee agreed not to take any further action in advance of the transfer to the CMT.

The next formal investment review is scheduled to take place for completion no later than 1 December 2024, which will be post transfer. The next review will be undertaken by the CMT Trustee.

After the end of the reporting period, on 15 June 2023, the Trustee considered the merits of removing the Foundation Phase from the default strategy, with a view to improving member outcomes. Due to the proximity to the date at which assets will bulk transfer to CMT and following confirmation from their administrators that this could not be executed within the timescales available prior to the bulk transfer of assets, the Trustee has agreed no further action will be taken regarding this at this time.

### **Statement of Investment Principles and Implementation Statement**

The policies and principles that guide the Trustee's decisions regarding investments for the purposes of the current WPT default arrangement are outlined in the Statement of Investment Principles ("SIP"). The SIP is attached as Appendix 1. It is also available [here](#).

The SIP includes the Trustee's policies on risk, return and other financially material considerations (including responsible investing which considers environmental, social and governance ("ESG") factors). It also outlines how WPT's default investment arrangement is intended to ensure that assets are invested in the best interests of members. The Implementation Statement ("IS") covers any changes to the SIP over the Scheme Year, how the policies within the SIP have been adhered to and monitors the voting and engagement of the funds' investment managers amongst other things.

The IS forms part of the Annual Trustee Report and Accounts for the 12-month period ending 31 March 2023. It notes that the Trustee is satisfied that the policies and principles within the SIP during the reporting period have been adhered to, and that the voting of the funds' investment managers is in line with the Trustee's expectations.

The Trustee reviews the SIP annually, in conjunction with its investment adviser. This annual review commenced at the 15 June 2023 Trustee meeting and the revised SIP was signed on 13 September 2023. No material changes have been made to the SIP, with the current update reflecting the annual check for reasonableness and consistency, as well as incorporating the updated stewardship policy which was agreed at the 15 June 2023 Trustee meeting.

### **Performance**

2022 was another challenging year for investment markets mainly as a result of:

- The Russian invasion of Ukraine, leading to economic sanctions being imposed on Russia, which in part has contributed to slow economic growth and energy supply issues affecting the world's leading economies;
- The cost-of-living crisis and high inflation creating a turbulent environment for investment markets; and
- Bond markets suffering at the end of 2022 due to the mini-Budget.

All of the above created large levels of market volatility, resulting in a significant fall in value of many bond and equity funds. WPT funds are passive, index-tracker funds that reflect the performance of investment markets. The Trustee believes the funds remain appropriate despite the underperformance during the reporting year, as pensions investment is conducted over a long-term period. Markets have started to

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recover following the Scheme Year end.

The Trustee monitors the performance of the investment funds offered by WPT quarterly, including those funds which make up the default arrangement, through investment reports received from Mobius Life, WPT's investment platform provider and a quarterly investment monitoring report from its investment adviser.

Based on those reports, the Trustee has concluded that all funds within the current default Lifestyle Strategy and funds outside the default arrangement have performed in line with expectations over the quarterly periods covered by this Statement except for the L&G Diversified Fund, which has underperformed relative to its benchmark over the past 5 years. This is due to the fund's objective not being in line with the underlying asset allocation. Following the investment strategy review undertaken by the WPT, the Trustee agreed that the Fund will no longer be available for members to select following implementation of the new investment strategy post consolidation with the Cushon Master Trust. Over the short and medium-term, the Trustee will continue to monitor this Fund closely to provide oversight of members' invested funds.

A full explanation of the default lifestyle strategy and performance of funds is published on WPT's website at [www.workerspensiontrust.co.uk](http://www.workerspensiontrust.co.uk). Members are also provided with a summary of the default lifestyle strategy in their annual benefit statement.

### **Other investment options**

The Trustee recognises that the default arrangement will not be suitable for the needs of every member and WPT also offers members a choice of other investment options including self-select funds.

The main objectives of these investment options are:

- To cater for the likely needs of a wide range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default arrangement;
- To provide enough investment options to achieve adequate diversification;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches; and
- To support members who want to take a more active role in how their savings are invested.

The Trustee carries out an in-depth review of the performance and suitability of these other investment options at least every 3 years. The last review took place on 1 December 2021. In keeping with TPR's guidance, the Trustee also carries out an annual high-level review of the performance and suitability of these other investment options. There were no issues identified with the funds outside of the default arrangement except the L&G Diversified Fund, which is explained above.



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### Performance of the default arrangement:

The following tables show the performance, net of costs and charges, of each of the funds that make up the default arrangement alongside their benchmarks for the 1-, 3- and 5-year time periods. When looking at the following figures it should be borne in mind that major stock markets (FTSE All Shares Index) rose by c3% over the one-year period to 31 March 2023.

#### Investment performance net of costs and charges for the WPT Section

Underlying Fund	1 year 1 April 2022 – 31 March 2023 Return (%)		3 year 1 April 2020 – 31 March 2023 Return (% p.a.)		5 year 1 April 2018 – 31 March 2023 Return (% p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
LGIM Sterling Liquidity Fund	2.0	2.2	0.6	0.8	0.5	0.7
LGIM Under 15 Year Index Linked Gilt Fund	(7.0)	(6.7)	(0.5)	(0.2)	0.8	1.1
LGIM All Stocks AAA-AA-A Corporate Bond Fund	(10.2)	(9.8)	(4.1)	(3.7)	(1.4)	(1.1)
LGIM Global Equity (50:50) Index Fund	2.2	2.5	14.5	14.7	7.0	7.2

#### Investment performance net of costs and charges for the WPT-E (formerly members of the Enhance Construction Pension Scheme Northern Ireland) Section

Underlying Fund	1 year 1 April 2022 – 31 March 2023 Return (%)		3 year 1 April 2020 – 31 March 2023 Return (% p.a.)		5 year 1 April 2018 – 31 March 2023 Return (% p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
LGIM Sterling Liquidity Fund	1.5	2.2	0.1	0.8	0.1	0.7
LGIM Under 15 Year Index Linked Gilt Fund	(7.4)	(6.7)	(1.0)	(-0.2)	0.2 <sup>*(4)</sup>	0.2 <sup>*(4)</sup>
LGIM All Stocks AAA-AA-A Corporate Bond Fund	(10.6)	(9.8)	(4.6)	(3.7)	(2.1) <sup>*(4)</sup>	(2.1) <sup>*(4)</sup>
LGIM Global Equity (50:50) Index Fund	1.8	2.5	14.0	14.7	6.5	7.2

Source: LGIM

Over the 1-, 3- and 5-year periods to 31 March 2023, performance for all funds within the default arrangement for the WPT section has varied from 0.4% p.a. less than the respective benchmark (after fees), to 0.2% less than the respective benchmark (after fees). For the WPT-E section, performance for all funds within the default arrangement has varied from 0.9% p.a. less than the respective benchmark (after fees), to being in line with the respective benchmark (after fees). The Trustee has considered the investment performance of these funds in the context of the rationale described on pages 7 and 8 and is satisfied with that performance.

Please Note:

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1. The net returns have been calculated by deducting the TERs (total expense ratios) for WPT and WPT-E respectively from the gross returns. The net performance differs as a result of the differing charging structures.
2. The TERs are confirmed in Section 4 of this Statement, and they were the same over the 3 and 5 year periods.
3. The net returns for the 3 and 5 year periods are annualised, meaning they are calculated as geometric averages – this calculation is in line with regulatory guidance.
4. These Funds' inception date is 3 September 2018; therefore, these figures only cover annualised performance from 3 September 2018 to 31 March 2023.
5. Members are also subject to a 1.8% p.a. Member Contribution Charge ("MCC") if they are part of the WPT section. The MCC has not been considered in the calculation of the net returns in this table, due to the fact that the MCC varies depending on the annual contribution amount of each member.

For the default arrangement, the investment return varies depending on a member's age and how far they are from retirement. The following tables shows the net investment performance for members at different ages for the 1-, 3- and 5-year time periods.

Please Note:

Age of member in 2023 (years)	WPT			WPT-E		
	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.) <sup>4</sup>
25	2.1	7.5	3.7	1.6	7.1	3.3
45	2.2	14.5	7.0	1.8	14.0	6.5
55	0.0	11.1	5.5	(0.4)	10.7	4.9

1. The net returns have been calculated by deducting the TERs from the gross returns.
2. The TERs are confirmed in Section 4 of this Statement, and they were the same over the 3 and 5 year periods.
3. The net returns for the 3- and 5-year periods are annualised, meaning they are calculated as geometric averages – this calculation is in line with regulatory guidance.
4. The WPT-E Volatility Reduction Fund's inception date is 3 September 2018; therefore, these figures use annualised performance from 3 September 2018 to 31 March 2023.
5. Members are also subject to a 1.8% p.a. Member Contribution Charge ("MCC") if they are part of the WPT section. The MMC has not been considered in the calculation of the net returns in this table.

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## 12 MONTH PERIOD ENDED 31 March 2023

### Performance of the other investment options:

The following tables shows the performance of each of the funds that are offered outside of the default arrangement alongside their benchmarks for the 1-, 3- and 5-year time periods. These net returns do not vary based on member age.

#### WPT Section

Members in the WPT Section can choose to invest in the following funds:

- WPT Growth Fund (the underlying fund is the LGIM Global Equity (50:50) Index Fund);
- WPT Volatility Reduction Fund (the underlying funds are the LGIM Under 15 Year Index Linked Gilt Fund and the LGIM All Stocks AAA-AA-A Corporate Bond Fund);
- WPT Capital Protection Fund (the underlying fund is the LGIM Sterling Liquidity Fund);
- WPT Diversified Fund (the underlying fund is the L&G Diversified Fund); and
- WPT Annuity Protection Fund (the underlying fund is the L&G Future World Annuity Aware Fund)

Underlying Fund	1 year 1 April 2022 – 31 March 2023 Return (%)		3 year 1 April 2020 – 31 March 2023 Return (% p.a.)		5 year 1 April 2020 – 31 March 2023 Return (% p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
LGIM Sterling Liquidity Fund	2.0	2.2	0.6	0.8	0.5	0.7
LGIM Under 15 Year Index Linked Gilt Fund	(7.0)	(6.7)	(0.5)	(0.2)	0.8	1.1
LGIM All Stocks AAA-AA-A Corporate Bond Fund	(10.2)	(9.8)	(4.1)	(3.7)	(1.4)	(1.1)
LGIM Global Equity (50:50) Index Fund	2.2	2.5	14.5	14.7	7.0	7.2
L&G Diversified Fund	(5.2)	(3.3)	6.6	16.5	4.0	9.6
L&G Future World Annuity Aware Fund <sup>*(6)</sup>	(19.8)	(19.7)	(8.6)	(10.5)	(3.3)	(2.9)

#### WPT-E Section

Members in the WPT-E Section can choose to invest in the following funds:

- WPT Growth Fund (the underlying fund is the LGIM Global Equity (50:50) Index Fund);
- WPT-E Volatility Reduction Fund (the underlying funds are the LGIM Under 15 Year Index Linked Gilt Fund and the LGIM All Stocks AAA-AA-A Corporate Bond Fund);
- WPT Capital Protection Fund (the underlying fund is the LGIM Sterling Liquidity Fund);
- WPT-E Index-Linked Gilts Fund (the underlying fund is the L&G Over 5 Year Index Linked Gilts Fund);
- WPT Diversified Fund (the underlying fund is the L&G Diversified Fund); and
- WPT Annuity Protection Fund (the underlying fund is the L&G Future World Annuity Aware Fund).

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Underlying Fund	1 year 1 April 2022 – 31 March 2023 Return (%)		3 year 1 April 2020 – 31 March 2023 Return (% p.a.)		5 year 1 April 2020 – 31 March 2023 Return (% p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
LGIM Sterling Liquidity Fund	1.5	2.2	0.1	0.8	0.1	0.7
LGIM Under 15 Year Index Linked Gilt Fund	(7.4)	(6.7)	(1.0)	(0.2)	0.2 <sup>*(4)</sup>	0.2 <sup>*(4)</sup>
LGIM All Stocks AAA-AA-A Corporate Bond Fund	(10.6)	(9.8)	(4.6)	(3.7)	(2.1) <sup>*(4)</sup>	(2.1) <sup>*(4)</sup>
LGIM Global Equity (50:50) Index Fund	1.8	2.5	14.0	14.7	6.5	7.2
L&G Over 5 Year Index Linked Gilts Fund	(31.2)	(30.4)	(10.0)	(9.2)	(4.9)	(4.1)
L&G Diversified Fund	(5.6)	(3.3)	6.2	16.5	3.5	9.6
L&G Future World Annuity Aware Fund <sup>*(6)</sup>	(20.3)	(19.7)	(9.0)	(10.5)	(3.8)	(2.9)

Source: LGIM

Please Note:

1. The net returns have been calculated by deducting the TERs from the gross returns.
2. The TERs are as per Section 4 in this Statement and they were the same over the 3 and 5 year periods.
3. The net returns for the 3 and 5 year periods are annualised, meaning they are calculated as geometric averages – this calculation is in line with regulatory guidance.
4. These Funds' inception date is 3 September 2018; therefore, these figures only cover annualised performance from 3 September 2018 to 31 March 2023.
5. Members are also subject to a 1.8% p.a. Member Contribution Charge ("MCC") if they are part of the WPT section of the WPT. The MCC has not been considered in the calculation of the net returns in this table, due to the fact that the MCC varies depending on the annual contribution amount of each member.
6. Over the Scheme year, the underlying fund of the WPT Annuity Protection Fund, the L&G Pre-Retirement Fund, changed its name to the L&G Future World Annuity Aware Fund.

Over the 1-, 3- and 5-year periods to 31 March 2023, performance for the self-select funds for the WPT section has varied from 9.9% p.a. less than the respective benchmark (after fees), to 1.9% above the respective benchmark (after fees). For the WPT-E section, performance for the self-select funds has varied from 10.3% p.a. less than the respective benchmark (after fees), to 1.4% above the respective benchmark (after fees). The Trustee has considered the investment performance of these funds in the context of the rationale described on pages 7 and 8 and is satisfied with that performance. The self-select range will be reviewed by the CMT Trustee post transition.

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### 3. Administration (processing core financial transactions)

The Trustee is responsible for ensuring that core financial transactions are processed promptly and accurately, so that members are not put at risk of losing out financially. These core transactions include (but are not limited to):

- The receipt and investment of contributions by WPT
- Transfer of member assets into and out of WPT
- Transfer of member assets between different investments within WPT
- Payments of benefits from WPT to, or in respect of, members
- Switches between investment options

The Trustee delegates the processing of financial transactions to Mercer (third party administrator) and CMTNI (in-house administrator). The Trustee requires the administrators to meet high standards through service level agreements (“SLAs”) which set out the range of services to be delivered and expectations around processing core financial transactions accurately and promptly. Some examples relating to the processing of core financial transactions are set out in the table below.

Service Type	Service Level Agreement Target
Responding to ad-hoc enquiries from members: Calls Emails Letters	1 working day 2 working days 5 working days
Transfer member assets into and out of WPT	10 working days
Investment of Contributions	2 working days
Investment switches and redirection of contributions	5 working days
Producing annual benefit statements	3 months from year end
Providing quotations of benefits to members who are retiring or leaving	10 working days
Payments of benefits from WPT to, or in respect of Members	10 working days

The Trustee monitors administration services against the SLAs and the extent to which member transactions have been processed on time.

Overall, 99% of work was issued within the agreed SLA with Mercer during the Scheme Year which exceeds the expected target of 95% and above. In addition, the CMTNI administration has achieved an

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average SLA of 99% over the period, which also exceeds the standard expected target of 95% or above. Given the level of adherence to the SLAs, the Trustee is comfortable with the performance against SLAs over the reporting period.

The Trustee is continuing to keep the SLAs under review. A contract for administration services ensures tighter monitoring of service delivery by defining more clearly the SLA performance measures. This will bring clearer focus on the most important tasks and provide a basis for improving the quality of administration reporting by Mercer and CMTNI.

To obtain assurance that the required standards are consistently achieved during the Scheme Year, the Trustee received quarterly performance reports from the administrators. The reports covered a wide range of matters including (but not limited to) administration performance, receipt and investment of contributions, cash management, transfers in to and out of WPT, data validation and record keeping, complaints and retirement requests. This is used by the Trustee to assess whether the administrators are meeting the requirements in the SLAs covering, for example, quality, accuracy, and timeliness of information. The Trustee also reviews member feedback including any complaints on a quarterly basis.

In addition, the processes adopted by the administrators to help meet the SLAs include daily monitoring of bank accounts, a dedicated contribution processing team, and two individuals checking investment and banking transactions.

There were two complaints over the reporting period, which the Trustee believes is reasonable relative to the size of the membership. The first was from an employer who was unable to access a file and was closed after a full reply was sent to the employer. No further response was received. The second complaint was from a member who was not given the opportunity to opt out of the Scheme; a reply was sent but the member did not respond, therefore the complaint was closed.

A breach of regulations was recorded in January 2023, as tax was not deducted by Mercer from a member payment. Mercer were unable to contact the member to request repayment, so Mercer settled the amount to HMRC.

During the Scheme Year, the Trustee reviewed reporting on the completeness and accuracy of common and conditional data by Mercer. The Common Data validation exercise was completed by Mercer in November 2022, the result was 98% data presence. Common data includes for example: names, addresses, dates of birth, and national insurance numbers of members. The 2% of data which was not present was mostly due to missing addresses, where members no longer lived at the address that the WPT had on the administration system. The Trustee is working with Mercer and CMTNI to obtain the missing addresses.

Conditional data validation is completed every three years and was last completed in February 2023 achieving an overall rating of 93.7%. Conditional data includes for example: salaries and details of investments of members. The Trustee recognises the importance of data accuracy, quality and presence and that quality and quantity of data is essential to good governance.

The Trustee has convened a data working group led by the Chair and including the Scheme Secretary, Mercer, Hymans Robertson and a CMT Trustee which meets once a month. Initially this was set up to prepare for Pension Dashboards staging requirements which although not yet impacting Northern Ireland the Trustee expects will do so in due course. As part of the preparation for the Pensions Dashboards, data quality was assessed. Given the Pensions Dashboards postponement, the data

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## 12 MONTH PERIOD ENDED 31 March 2023

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working group has continued to meet to address data quality improvement by carrying out data cleansing and tracing ahead of the consolidation. The group is also aiming to address the data failures from the conditional data validation which is mentioned in the paragraph above.

Mercer provides the Trustee with an independently audited annual AAF 01/06 / AAF 01/20 report which tests the operational effectiveness of their administration control framework. Mercer and CMTNI are also accredited to the ISO 9001:2015 standard for quality management systems.

The Trustee also receives bi-annual IT statements from its administrators to confirm that:

- The administrators have the capacity and availability of management processes in place to ensure that systems maintain their confidentiality, integrity and availability in line with business requirements.
- Measures are undertaken to protect against viruses or other attacks.
- Physical and logical access to computer systems, and Scheme records and data, is restricted to authorised persons.
- Daily system backups are carried out.
- Disaster recovery and business continuity plans are in place; and
- There are adequate resources with appropriate skills to deliver the work require for WPT.

The Trustee requests additional reporting on any errors and agrees remedial action where required. Regular operational meetings take place between CMTNI and Mercer to ensure core financial transactions are being processed promptly and accurately.

The Trustee is conscious of the growing threat of cyber-attacks on pension scheme information. Each year the Trustee asks the WPT's administrators to confirm that their cyber security arrangements are effective and up to date. In January 2023, the Trustee reviewed all service providers' IT security and disaster recovery policies and was satisfied that they were appropriate. The Trustee expects that the administrators will report any security breach immediately and ensure that members are notified as soon as possible. The administrators regularly provide updates on cyber security within the quarterly administration reports, which include details about cyber certification and staff training. This provides reassurance to the Trustee that IT systems maintain up-to-date security measures.

WPT's administrators have confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to WPT are processed promptly and accurately. The Trustee is satisfied that over the Scheme Year the administrators were operating appropriate procedures, checks and controls and operating within the agreed SLAs.

Not all core financial transactions have been processed promptly and accurately during the Scheme Year. After the end of the Scheme Year, the Trustee was notified by Mercer of two administration errors, which would have impacted the period covered by the Scheme Year. The Trustee is working with Mercer to rectify both errors. Affected members will be notified of the measures taken to resolve those errors in due course. TPR has been notified of both events in line with requirements for Master Trust reporting.

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### 4. Member borne charges, costs and expenses

The Scheme Funder deducts from members an Annual Management Charge (AMC) annually in arrears. From this the Scheme Funder pays 100% of the investment manager fees (paid quarterly in arrears), and all the other charges and costs of the scheme including investment transactions, governance, communications, administration.

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions ("DWP").

#### Terms used in this section

The following table explains some of the terms used in the remainder of this section:

Term	Abbreviation	What does this mean?
Annual Management Charge	AMC	This is a fixed ongoing charge for investment fund management and administration costs.
Additional expenses	n/a	Variable expenses including operating costs and any other additional expenses. This can include, for example, the fund's custodian costs, dividend expenses, bank interest, class action fees, and consultancy fees (not exhaustive).
Total Expense Ratio	TER	The sum of AMC and other expenses.
Member Contribution Charge	MCC	Members of the WPT section pay a contribution charge based on a percentage of each contribution made.

#### Charges for the WPT section

The charges quoted in this Statement are the funds' TERs. The TER includes the AMC and additional expenses. While the AMC is fixed at 0.3% p.a. for most funds, additional expenses, and hence the TER, can vary slightly from day to day. The only exception to this is the LGIM Sterling Liquidity Fund, where the AMC is 0.29% p.a. for members who are in this fund in the default arrangement. Members incur the effects of additional expenses in addition to the AMC and additional expenses through a reduction in the unit price. The Trustee ensures that the TER for the default strategy never exceeds 0.3% p.a. for the WPT section and 0.75% p.a. for the WPT-E section. This adjustment is determined to offset the effect of the additional expenses applicable to a member's holding in the LGIM Sterling Liquidity Fund. There is also an MCC of 1.8% p.a. applied to members' ongoing contributions. Please see Appendix 2a for an illustration of the charges incurred by members in the WPT section.



### **Charges for the WPT-E Section**

The charges for the WPT-E section are TERs, which includes the fixed AMC of 0.75% p.a. and additional expenses. The only exception to this is the LGIM Sterling Liquidity Fund where the AMC is reduced to 0.74% p.a. for those invested in the default arrangement to ensure the fee remains under the charge cap of 0.75% p.a. once any additional expenses have been added. Members of this section do not incur any MCC. Please see Appendix 2b for an illustration of the charges incurred by members in the WPT-E Section.

After the end of the Scheme Year, the Trustee began considering whether charges incurred by WPT and WPT-E members could be equalised, so that they are both calculated on the same basis. It is expected, but not guaranteed, that the CMT Trustee will continue that analysis following the transfer.

### **Transaction costs**

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: stockbroker commissions and stamp duty (or other withholding taxes). These are examples rather than an exhaustive list. Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance. Transaction costs applicable to a member's holding in the LGIM Global Equity FW 50:50 Index Fund are excluded from the additional expenses that must be taken into account for charge cap comparison purposes. This is because it relates to the holding of the assets in the fund rather than the management of the fund.

The FCA requires fund managers and providers to calculate transaction costs using the "slippage method," which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The charges and transaction costs have been supplied by Mobius Life. For the purposes of the member illustrations shown in Appendix 2, we have taken the average of four years' worth of transaction costs. DWP guidance suggests that 5 years' transaction costs are used as an average. Given the relatively new requirements we expect that historic information will improve over the coming years, to enable 5 years' information to eventually be used. The default arrangement is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year.

A summary of the transaction costs and the TERs for the funds offered by WPT is outlined below:

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For Members in the WPT Section:

Default Strategy Funds	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 March 2023	Transaction Costs (% p.a.) over the year to 31 March 2023	Total Expense Ratio £ cost per £1,000 fund value	Transaction Costs £ cost per £1,000 fund value
<b>WPT Growth Fund</b>	LGIM Global Equity FW 50:50 Index Fund	0.30	0.05	£3.00	£0.50
<b>WPT Capital Protection Fund</b>	LGIM Sterling Liquidity Fund	0.30	0.00	£3.00	£0.00
<b>WPT Volatility Reduction Fund</b>	Composite of the following funds:	0.30	0.00	£3.00	£0.00
	LGIM AAA-AA-A Bonds-All Stocks Index	0.30	0.00	£3.00	£0.00
	LGIM Under 15 Year Index-Linked Gilts	0.30	0.00	£3.00	£0.00

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Non-default Funds (self-selection)	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 March 2023	Transaction Costs (% p.a.) over the year to 31 March 2023	Total Expense Ratio £ cost per £1,000 fund value	Transaction Costs £ cost per £1,000 fund value
<b>WPT Diversified Fund</b>	LGIM Diversified Fund	0.32	0.00	£3.20	£0.00
<b>WPT Annuity Protection Fund</b>	LGIM Future World Annuity Aware Fund	0.30	0.03	£3.00	£0.30
<b>WPT Growth Fund</b>	LGIM Global Equity FW 50:50 Index Fund	0.34	0.05	£3.40	£0.50
<b>WPT Capital Protection Fund</b>	LGIM Sterling Liquidity Fund	0.31	0.00	£3.10	£0.00
<b>WPT Volatility Reduction Fund</b>	Composite of the following funds:	0.30	0.00	£3.00	£0.00
	LGIM AAA-AA-A Bonds-All Stocks Index	0.30	0.00	£3.00	£0.00
	LGIM Under 15 Year Index-Linked Gilts	0.30	0.00	£3.00	£0.00

Source: LGIM

Please Note:

- Members are also subject to a 1.8% p.a. Member Contribution Charge ("MCC") if they are part of the WPT section.
- The MCC has not been considered in the calculation of the charges in this table, because the MCC varies depending on the annual contribution amount of each member.
- The TERs include the 0.3% p.a. AMC that applies for all funds except members in the default strategy invested in the LGIM Sterling Liquidity Fund where the AMC is 0.29% p.a.
- Where the transaction costs provided from the investment manager for a particular fund were negative (i.e. would have been a credit to members due to the methodology used by the manager in the calculations), they have been presented as 0.00% p.a. in the table above on grounds of prudence.
- We are unable to display International Securities Identification Numbers (ISINs) as these are not used by LGIM.

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For Members in the WPT-E Section:

Default Strategy Funds	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 March 2023	Transaction Costs (% p.a.) over the year to 31 March 2023	Total Expense Ratio £ cost per £1,000 fund value	Transaction Costs £ cost per £1,000 fund value
<b>WPT Growth Fund</b>	LGIM Global Equity FW 50:50 Index Fund	0.75	0.05	£7.50	£0.50
<b>WPT Capital Protection Fund</b>	LGIM Sterling Liquidity Fund	0.75	0.00	£7.50	£0.00
<b>WPTE Volatility Reduction Fund</b>	Composite of the following funds:	0.75	0.00	£7.50	£0.00
	LGIM AAA-AA-A Bonds-All Stocks Index	0.75	0.00	£7.50	£0.00
	LGIM Under 15 Year Index-Linked Gilts	0.75	0.00	£7.50	£0.00

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Non-default Funds (self-selection)	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 March 2023	Transaction Costs (% p.a.) over the year to 31 March 2023	Total Expense Ratio £ cost per £1,000 fund value	Transaction Costs £ cost per £1,000 fund value
<b>WPT Diversified Fund</b>	LGIM Diversified Fund	0.77	0.00	£7.70	£0.00
<b>WPT Index Linked Fund</b>	LGIM Over 5 Year Index-Linked Gilts	0.75	0.21	£7.50	£2.10
<b>WPT Annuity Protection Fund</b>	LGIM Future World Annuity Aware Fund	0.75	0.03	£7.50	£0.30
<b>WPT Growth Fund</b>	LGIM Global Equity FW 50:50 Index Fund	0.79	0.05	£7.90	£0.50
<b>WPT Capital Protection Fund</b>	LGIM Sterling Liquidity Fund	0.76	0.00	£7.60	£0.00
<b>WPTE Volatility Reduction Fund</b>	Composite of the following funds:	0.75	0.00	£7.50	£0.00
	LGIM AAA-AA-A Bonds-All Stocks Index	0.75	0.00	£7.50	£0.00
	LGIM Under 15 Year Index-Linked Gilts	0.75	0.00	£7.50	£0.00

Source: LGIM

**Please Note:**

1. The TERs include the 0.75% AMC for WPT-E members for all funds except members in the default strategy invested in the Sterling Liquidity Fund where the AMC is 0.74% p.a.
2. Where the transaction costs provided from the investment manager for a particular fund were negative (i.e. would have been a credit to members due to the methodology used by the manager in the calculations), they have been presented as 0.00% p.a. in the table above on grounds of prudence.
3. We are unable to display International Securities Identification Numbers (ISINs) as these are not used by LGIM.

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The Trustee reviews investment management charges, costs and expenses received from LGIM quarterly.

WPT's website <https://workerspensiontrust.co.uk/members> has relevant information on Scheme charges and members are notified of annual charges in their annual benefit statement.

### **Cumulative effect of costs and charges**

An illustration of the compounding effect of costs and charges on a WPT active member's retirement savings has been produced and is set out in Appendix 2a.

An illustration of the compounding effect of costs and charges on a WPT-E active member's retirement savings has been produced and is set out in Appendix 2b.

These illustrations of the effect of costs and charges on a member's retirement savings follow guidance issued by DWP: Reporting of costs, charges and other information: guidance for Trustees and managers of relevant occupational schemes (September 2018).

### **Security of Assets**

In April 2022, the Trustee reviewed information from Mobius Life and Hymans Robertson carried out an independent review on the provider's financial health and the structure of the funds used by the Trust. This involved an assessment of the Security of Assets Summary for LGIM and Mobius Life. This provided assurance that the assets of WPT are held securely. The Trustee revisited this in June 2023 and Mobius Life will be delivering a training session to the Trustee on security of assets in October 2023.

### **Value for members**

The Trustee is committed to providing good value for members.

The Trustee considers value for members by looking at the objectives and performance of each fund, which it monitors regularly. Whilst charges are high compared to other larger Master Trusts and schemes, they are typical for Master Trusts of a similar size to WPT.

As outlined in Section 2, the default arrangement will be reviewed in 2024 and is expected to transfer to a Cushon Sustainable Investment Strategy in 2024. The Trustee believes this will result in an improvement in value for members in the medium to long term. In the interim, the Trustee is satisfied that the transaction charges for the funds comply with regulations. The fund charges for the WPT section were below the charge cap of 0.5% p.a. for schemes using an MMC of between 1% and 2%. The fund charges for the WPT-E section were at the annual level of the charge cap of 0.75% p.a.

The default strategy, 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 communicated clearly to WPT members at the point of fund selection. All fund information and factsheets are available on WPT's website and members are made aware of where to find them via the annual benefit statements.

In making its assessment on value for members, 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;

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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 summary of the Trustee's Value for Members Assessment over the reporting period can be found in Section 7.

### 5. Trustee Knowledge and Understanding

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In accordance with section 225 of the Pensions (Northern Ireland) Order 2005 and the Pensions Regulator's Code of Practice No. 7, the directors of Workers Pension Trust Limited (as the Trustee) have, and will maintain, relevant knowledge and understanding of pensions matters to effectively exercise their functions as the Trustee of the Scheme.

The Trustee recognises the importance of having the right mix of knowledge, skills, and experience to ensure WPT is well governed and managed properly.

#### **Recruitment and Induction**

One new Accredited Professional Trustee Director, Mark Hedges, was recruited in May 2022 and appointed in accordance with WPT's documented Policy for Appointing Trustee Directors and the Chair. A rigorous process is followed for appointments to the Trustee to ensure that it comprises people of the right calibre who are suitably qualified to act as Trustee Directors, including a process for assessing fitness and propriety and cognitive diversity.

After the end of the reporting period, in April 2023, the Chair resigned from her role as both Chair of the Trustee and Trustee Director. Following this, Mark Hedges was appointed as the new Chair of the Trustee with immediate effect.

All Trustee Directors have completed TPR's Trustee Toolkit; an online learning programme designed to help Trustee Directors meet the minimum level of knowledge and understanding required by law, within 6 months of appointment. As part of bringing on a new Trustee Director, training needs are assessed, and this guides induction training. A Trustee Handbook informs each Director about all aspects of the Scheme which the Scheme & Governance Manager then supports with individual induction sessions. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Trustee has access to an independent DC Pensions Consultant, Hymans Robertson, who offers bespoke training. The Trustee's legal advisers, Gowling WLG (UK) LLP, also provide regular training.

#### **Trustee knowledge and understanding**

The Trustee Directors are conversant with the WPT's Trust Deed and Rules; SIP; DC Code of Practice; ancillary scheme documents; the law relating to trusts and pensions; cyber-security; administration; improving member outcomes; and principles relating to the funding and investment of occupational schemes. Investment reports are received quarterly from Hymans Robertson and Mobius Life. The Trustee considers investment performance quarterly and the SIP is reviewed formally once a year.

The Trustee Directors' familiarity with the WPT's Trust Deed and Rules and Trustee Handbook is achieved via induction training and through the day-to-day exercise of functions such as the exercise of discretions and other decision-making. The Trustees maintain familiarity with the SIP through its regular review which takes place each year. The Trustee Directors understand the principles relating to the investment of

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## 12 MONTH PERIOD ENDED 31 March 2023

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Scheme assets and are aware of the diversification of asset classes and associated risks, as identified through the work on the investment strategy review and as part of the ongoing quarterly fund performance monitoring. The Trustee Directors are also aware of TPR's Codes of Practice and how they apply to the WPT through the requirements for Master Trust authorisation.

The Trustee Directors are assessed annually to ensure they have appropriate knowledge and understanding of the law relating to pensions and trusts. The assessments undertaken over the reporting period are outlined in the "Trustee Analysis and Training" section below. The Trustee receives regular updates on pension issues from Hymans Robertson during the Scheme Year.

An annual Scheme 'health check' includes a review of Trustee knowledge and understanding and provides a full legislative update each year on the Scheme and is reviewed and considered by the Trustee. This was last undertaken in June 2022 and identified no overdue actions.

The Trustee Directors also have a good working knowledge of other Scheme documents.

Over the course of the Scheme Year the Trustee reviewed Scheme documents and policies including, but not limited to:

- Policy for Monitoring Breaches of the Law
- General Data Protection Regulation Policy
- Information Security Policy
- Conflicts of Interest Policy
- Policy for the Appointment of Trustee Directors and the Chair
- Policy for Monitoring Contributions
- Communication Policy
- Business Plan
- Death Claims Policy
- Responsible Investment and Stewardship Policy
- Continuity Strategy
- Internal Dispute Resolution Procedures
- Regulatory Compliance Procedure
- Appointing and Monitoring Service Providers Procedure
- Business Continuity and Disaster Recovery Plan
- Risk Register

The Trustee Chair during the Scheme Year, Elizabeth Hartree, was a Professional Trustee Director and senior lawyer, and represented Law Debenture Pension Trust Corporation PLC as a director on the Trustee board. During the course of her career the Chair has developed knowledge and gained invaluable experience in areas including governance, pensions, investments, member engagement, cyber security, and GDPR. The Chair resigned in April 2023. At the same time, Law Debenture Pension Trust Corporation PLC resigned as a Trustee Director.



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The Deputy Chair, Ciaran Brolly, has over 40 years' experience of trade union involvement and was involved in the restructuring of Enhance and the bulk transfer of members' benefits to WPT. He is a Member-Nominated Trustee Director.

The second Member-Nominated Trustee Director, Billy Foley, has over 25 years' experience working in newspapers and is currently an Editor for the Irish News, from which he has gained experience in financial management and managing employees. He has experience in law, including legal negotiation and copyright breach avoidance.

A Ross Trustees representative, Roger Mattingly, is the second accredited Professional Trustee Director on the Board, and he is also the Chair of three authorised DC Master Trusts. He is a Fellow of the Institute of Directors and has sat on many committees, forums and panels including the PLSA Multi-Employer DB Committee and Pension Regulators Advisory Panel. He has extensive experience in both governance and investments including managing changes within both DB and DC pension arrangements, investment strategy, involvement with the DC Master Trust Market and manages investments on a number of occupational pension schemes.

Capital Cranfield are represented in the third Professional Trustee Director position by Mark Hedges. Mark spent his career with the Nationwide Building Society where his senior roles included a decade as the £7bn Nationwide Pension Fund's Chief Investment Officer. He has also been a Trustee of the Nationwide International Pension Scheme since 2015. Mark has been the new Chair of the Trustee since May 2023.

The experience of the Directors is wide and varied which serves the Board well in day-to-day activities.

The Trustee therefore has a rich and diverse mix of experience in a variety of areas which enriches the formal training that they undertake as a Trustee. They conducted a Board Evaluation review, and this has consolidated their belief that there is a good mix of skills and experience on the Board.

### **Trustee Analysis and Training**

- Trustee Skills Matrix

The Trustee completes a Skills Matrix annually which records the skills, knowledge, understanding and experience of the Trustee as a whole. The Trustee use the Skills Matrix as an opportunity to discuss whether the optimal mix of skills, expertise and experience is available on the Board and if the balance of skills and experience is spread across the group (not concentrated in only one or two individuals). This was used to inform the annual training plan and the Board appointment process in 2023.

The Skills Matrix assessment was completed in May 2022 and February 2023. In February 2023 the Skills Matrix assessment was updated to capture Equality, Diversity and Inclusion ("EDI") considerations on the Board. From an effectiveness perspective, the assessment concluded that there were high levels of engagement across the Board. The Scheme Secretary subsequently produced an action plan to address areas of discussion following the review. The assessment showed that the Trustee was comfortable that there was a mix of professional and lay trustee experience on the Board, and the Trustee took an action to continue to consider EDI in its ongoing activities.

- Training Needs Analysis Questionnaire

The Trustee Directors self-assess their knowledge through an annual Board Evaluation which highlights training gaps and informs the annual training plan. This was completed during April 2022 and identified the training requirements for Trustee Directors, both collectively and individually. A further Board

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Evaluation was completed in March 2023 to identify gaps in knowledge and understanding.

- Trustee Training Plan

An annual training plan is compiled based on training needs identified through the Skills Matrix Board Evaluation. This identifies and addresses ongoing learning needs of the Trustee Directors on an individual and collective basis and ensures the Trustee’s learning and development is appropriate to Scheme activities.

During the reporting period the Scheme Secretary updated the Trustee handbook for use by current and new Trustee Directors to assist with their knowledge and understanding.

Hymans Robertson provides regular, bespoke training to the Trustee Directors on matters relating to WPT and pensions law, regulation, and best practice generally, to ensure the Trustee Directors comply with the standards defined by TPR. In house training is also provided. The Trustee’s legal advisers also provide legal support and training. The 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. On average, during the reporting period, the Trustee Directors undertook c30 hours of training. Training during the year is summarised by, although not limited to, the items displayed in the table below:

Date	Subject	Benefit to members	Delivered by
22 April 2022	TCFD Requirements	Alignment with TCFD requirements is likely to improve member outcomes as it will help the Trustee to better manage climate risks.	Hymans Robertson LLP
28 April 2022	Legal training on Trustee roles	Trustee understanding of their legal duties ensures members can be secure in decisions made on their behalf by the Trustee.	Gowling WLG
29 June 2022	Cushon Technology	Helped the Trustee to better understand the functionality available to WPT members after the transfer to the CMT.	Cushon
24 August 2022	Pensions Dashboards	Helped the Trustee in understanding how to make Dashboards available for members.	ITM
07 November 2022	Supervisory requirements	Members can be confident that the Trustee is aware of its supervisory requirements.	Hymans Robertson LLP

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01 December 2022	Simplified Annual Benefit Statements	Members can be confident that the benefit statements they receive meet the regulatory requirements.	Hymans Robertson LLP
06 December 2022	Pensions Dashboards	The Trustee understand how their chosen Dashboard provider would create a Dashboard for members.	Mercer
19 January 2023	Bulk Transfer	To help the Trustee understand the guidance on bulk transfers and outline the steps to consider in the upcoming transfer process.	Hymans Robertson LLP
24 February 2023	Pension Dashboards	To help the Trustee understand the steps required to connect to the dashboard, the information they require from members and to track their progress against TPR's guidelines.	Hymans Robertson LLP
13 March 2023	EDI	To help the Trustee understand TPR's guidance on EDI.	Hymans Robertson LLP

Source: WPT Scheme Secretary.

The combined knowledge of the Trustee Directors, together with the available advice provided to the Trustee from a variety of external sources, enables the Trustee to properly exercise its functions and to govern WPT on an on-going basis.

A new governance process for action monitoring and meetings was put in place over the reporting period, and is outlined below:

- The Scheme Secretary sends a weekly action log with up-to-date progress to all Trustee Directors and advisers;
- Fortnightly catch-up meetings are held between the Chair and the Scheme Secretary;
- Fortnightly catch-up meetings are held between the Scheme Secretary and Hymans Robertson;
- Monthly meetings are held between the Trustee Directors, the Scheme Secretary and Hymans Robertson;
- A committee is in place to address death claims, made up of the two Member-Nominated Trustee Directors;
- A consolidation working group has been put in place, which meets weekly with representatives from the WPT Trustee, CMT Trustee and Cushon;
- Weekly calls are held between Mark Hedges and Hymans Robertson to cover administration; and

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- A data working group meets every month to discuss administration projects.

This process has ensured that there are separate workstreams for business-as-usual activities relating to the running of the WPT, and the transfer activity. For instance, a separate action log and risk register have been put in place for the transfer to the CMT.

### 6. Trustee independence

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

The Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015 requires that the majority of Trustee Directors, including the Chair, must be “non-affiliated”. In broad terms, “non-affiliated” means independent of the service providers and other commercial parties involved in WPT. There is also a requirement that any non-affiliated Trustee Director appointed after 17 July 2015 must have been appointed following an open and transparent process and that their terms of office must not exceed a specified length.

#### Trustee composition

During the Scheme Year, the Trustee had 3 Accredited Professional Trustee Directors and 2 Member-Nominated Trustee Directors all of whom bring a wealth of experience to the Scheme. One of the Member Nominated Trustee Directors, Ciaran Brolly, has post Scheme Year-end become affiliated as they have served on the Trustee Board for more than 5 years.

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Further information on the Trustee composition for this Scheme Year ended 31 March 2023 is outlined in the table below.

Trustee Directors in 01 April 2022 – 31 March 2023	Status	Date Appointed
Elizabeth Hartree (Law Debenture Pension Trust Corporation PLC) - Chair	Non-affiliated	28 January 2022  (Note: resigned 23 April 2023)
Ciaran Brolly – Deputy Chair	Affiliated*	1 July 2018
Billy Foley	Non-affiliated	01 November 2021
Roger Mattingly (Ross Trustees Service Ltd.)	Non-affiliated	24 January 2022
Mark Hedges (Capital Cranfield Pensions Trustees Limited)	Non-affiliated	11 May 2022  (Note: current Chair)

\*As a result of serving on the Trustee Board for more than 5 years – this was noted after the end of the Scheme year.

### Recruitment of Trustee Directors

Over the course of the reporting period, one new Professional Trustee Directors was appointed, Mark Hedges. Mark's appointment as a third Professional Trustee Director was as a replacement from within Capital Cranfield, after their original candidate resigned for personal reasons.

### Review of advisers

The Trustee assessed Mercer as the Administration Provider in March 2022. This was to ensure their charges and services remain competitive with other providers and that the Trustee's expectations were being met.

The Trustee has agreed a set of objectives with its investment advisers in accordance with the requirements of the Competition and Markets Authority ("CMA"). The objectives were agreed in July 2020, and the investment advisers' performance against them was assessed yearly since then. A high-level review was carried out in January 2023, in line with the CMA submission and concluded that the objectives were being met and no action was required.

A review of secretarial services was undertaken in September 2022 and concluded that the services were good to excellent.

### 7. Value for Members Assessment

Each year, with the help of their advisers, the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent Value for Members in line with expectations. Value is not simply about low cost – the Trustee also considers the quality and scope of provision compared against similar schemes and available external benchmarks (including the largest master trust schemes).

CMTNI, the Scheme Funder, was purchased by Cushon MT Limited on 1 June 2021. The Trustee supported the purchase and was consulted throughout the process. The Trustee believes that the acquisition has the ability to improve value for members in WPT over the longer term as a result of Cushon Group’s scale, technological capabilities, focus on environmental, social and governance issues, financial security, and innovation within the workplace pensions space. The Trustee looks forward to working with Cushon Group in the period leading up to the forthcoming transfer to the CMT and will keep members updated as things progress.

#### Approach

The Trustee adopted the following approach to assessing Value for Members for the year ending 31 March 2023:

- Services – considered the investment, administration, communication services where members bear or share the costs.
- Comparison – the cost and quality of each service was compared against similar schemes and available external comparisons.
- Rating – each service was rated on the basis described below.

#### Results for the period ending 31 March 2023

The Trustee assessed that the Scheme is performing as expected, in terms of Value for Members for the year ending 31 March 2023. Whilst acknowledging that charges (in isolation) are high for members relative to peers and there is still some work required in respect of the investment strategy, overall value for members is in line with other schemes of a similar size and with membership of a similar profile. Given the other services which members receive which the Board considers to be performing very well; e.g., good, and regular communications, good administration services and good governance, the Trustee concluded that WPT provides value for members as expected when compared to its peers. The rating criteria used in the assessment were:

Rating	Definition
Outperforming expectations	The Trustee considers the Scheme to be outperforming expectations in terms of Value for Members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Performing very well	The Trustee considers the Scheme to be performing very well in terms of Value for Members, providing services at better quality/cost compared with typical options for similar schemes.

# WORKERS PENSION TRUST

## 12 MONTH PERIOD ENDED 31 March 2023

<b>Performing as expected</b>	The Trustee considers the Scheme to be performing as expected in terms of Value for Members, providing similar services at similar quality/cost compared with typical options for similar schemes.
<b>Areas identified for improvement</b>	The Trustee has identified areas for improvements in terms of Value for Members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
<b>Immediate action plan created</b>	The Trustee considers WPT to require an immediate action plan to improve Value for Members, as it is providing services within the bottom 20% quality/cost range compared with typical options for similar schemes.

The rationale for the rating of each service was in outline:

Service	Rating	Rationale
<b>Investment</b>	<b>Area identified for improvement</b>	<ul style="list-style-type: none"> <li>The Trustee has conducted an investment strategy review (in two stages, on 12 April 2021 and 1 December 2021) and approved a change of the current default arrangement to one of the available Cushon Sustainable Investment Strategies. This change was reported to TPR as part of the Implementation Strategy for the consolidation of WPT and Cushon Master Trust. The Trustee revisited this decision on 1 December 2022 and 13 March 2023 in light of the adverse market conditions and agreed to continue with the change. The change is aimed to improve member outcomes, as well as lead to significant improvements in the integration of ESG within the strategy.</li> <li>After the end of the reporting period, the Trustee has been considering the merits of removing the foundation phase from the WPT default strategy, with a view to improving member outcomes. Due to the proximity to the date at which assets will bulk transfer to CMT and following confirmation from their administrators that this could not be executed within the timescales available prior to the bulk transfer of assets, the Trustee has agreed no further action will be taken regarding this at this time.</li> <li>The LGIM Diversified Fund underperformed relative to its benchmark over the periods of assessment (see Section 2). This is due to the fund's objective not being in line with the underlying fund allocation. This Fund will no longer be available for members to select following the investment strategy review and so, the Trustee is satisfied that no action is required.</li> <li>The SIP was last reviewed on 4 October 2022 and the SIP was updated for the Scheme Funder changing, the introduction of Mobius as a platform provider as well as other clarificatory elements to ensure the SIP is reflective of the current position.</li> </ul>

# WORKERS PENSION TRUST

## 12 MONTH PERIOD ENDED 31 March 2023

Service	Rating	Rationale
Costs and Charges	Area identified for improvement	<p><u>Charges</u></p> <ul style="list-style-type: none"> <li>The default arrangement for the WPT section charges 0.30% p.a. (expressed as a TER) which is below the 0.50% p.a. charge cap requirement. The charges (expressed as a TER) for WPT self-select funds vary from 0.30% to 0.34% p.a. In addition, WPT members pay an annual contribution charge of 1.8% of monthly contributions.</li> <li>The default charge for the WPT-E section is 0.75% p.a. (expressed as a TER) which complies with the 0.75% charge cap requirement for schemes that do not operate a contribution charge. This is higher than average charges for comparator schemes. The charges for WPT-E self-select funds vary from 0.75% to 0.79% p.a.</li> <li>After the end of the reporting period, the Trustee has considered the costs of equalising the charges for the WPT and WPT-E sections, for consistency across the Scheme.</li> </ul> <p><u>Transaction Costs</u></p> <ul style="list-style-type: none"> <li>The default fund transaction costs are the same for both sections and range from 0.00% p.a. to 0.05% p.a. when funds with negative charges were excluded for prudence. This is reasonable and much lower than comparator schemes. The transaction costs for the self-select fund options range from 0.00% p.a. to 0.21% p.a. when funds with negative charges were excluded for prudence.</li> </ul>
Administration	Area identified for improvement	<ul style="list-style-type: none"> <li>WPT's administration is jointly carried out by Mercer and CMTNI. Equiniti provide IT services. Over the reporting period, they together achieved an average of over 99.4% Service Level Agreements ("SLA") adherence.</li> <li>Not all core financial transaction were assessed to have been processed promptly and accurately, to the extent that this can be assessed by the SLAs. Two administration errors were identified after the end of the Scheme Year, and the Trustee is working to rectify them.</li> <li>Mercer's performance against the agreed service standards was 98.5% in Q2 2022, 99.7% in Q3 2022, 99.5% in Q4 2022 and 99.8% in Q1 2023. CMTNI performance against the agreed service standards was, on average, 99.35% over the reporting period.</li> <li>The Trustee has been working to complete a data cleansing and member tracing exercise, ahead of the transfer to the CMT.</li> <li>The Trustee has reviewed its data and cyber policies to ensure they remained up to date and that the Trustee maintained appropriate disaster recovery plans.</li> </ul>
Communications	Performing as expected	<ul style="list-style-type: none"> <li>Members are provided with a welcome pack, annual statements, access to a Scheme website which holds all relevant documents and various surveys. Members have on-line access to the Benpal online portal where they can see their fund values, make changes to their contributions or</li> </ul>



# WORKERS PENSION TRUST

## 12 MONTH PERIOD ENDED 31 March 2023

Service	Rating	Rationale
		<p>investments, as well as access a modelling tool to project their fund to retirement. The WPT website was accessed approximately 333,000 times over the reporting period, with greater engagement in Q1 2023 (about 20% more than Q4 2022).</p> <ul style="list-style-type: none"> <li>• A modelling tool is available for members to model contribution rate and investment choices and their impact on the value of their funds at retirement.</li> <li>• After the end of the reporting period, communications were sent to employers and members in June 2023 to inform them of the upcoming transfer to the CMT.</li> </ul>
<b>Design / Retirement</b>	<b>Performing as expected</b>	<ul style="list-style-type: none"> <li>• The Scheme has been designed as an auto-enrolment scheme, with a typical contribution structure and with the demographics of the membership in mind. Most members are expected to take their benefits as cash, and the current investment strategy is targeting cash withdrawal on retirement. This is based on current experience of members' choices at retirement.</li> <li>• As part of the changes agreed following the investment review, the at-retirement strategy will be optimised to improve the chance that members' funds keep pace with inflation prior to retirement.</li> </ul>
<b>Governance</b>	<b>Performing very well</b>	<ul style="list-style-type: none"> <li>• The Trustee maintains a Trustee Planner with clear objectives for the year. Over the reporting period, one new Trustee Director was appointed and one Trustee Director resigned. At the time of writing (August 2023), the Board is made up of two professional Trustee Directors and two member-nominated Directors. This ensures that the Board has a wide range of pensions knowledge and expertise, as well as member representation.</li> <li>• The Trustee undertook multiple training sessions during the year, on topics such as Taskforce for Climate-related Financial Disclosures ("TCFD"), Pension Dashboards, equality, diversity and inclusion. These were delivered by the Scheme's advisers and were bespoke to the Scheme. Training needs were assessed via a questionnaire, and the results incorporated in training over the Scheme year.</li> <li>• A new governance process for action monitoring and meetings was put in place over the reporting period, which has included setting up regular meetings between different parties to progress specific areas of work, and action logs being sent weekly to all relevant parties.</li> </ul>

The Trustee has agreed an action plan for the following Scheme Year to improve value where necessary, as follows:

- To explore the practicalities of removing the foundation phase of the current default prior to the transfer to the CMT.
- To consider the costs involved in equalising the charges for the WPT and WPT-E sections, which will be considered further by CMT after the transfer.
- To complete the data cleansing and member tracing project ahead of the transfer to CMT.

# WORKERS PENSION TRUST

## 12 MONTH PERIOD ENDED 31 March 2023

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- To finalise the review of cyber security policies.
- To pass on the results of the EDI review within the Trustee Board, to the CMT Trustee after the transfer.

### 8. Member feedback

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The Trustee is always pleased to hear the views of members and encourage them to make their views about WPT known.

The following arrangements are in place and were in place during the Scheme Year, to allow the Trustee to monitor the perceived quality and service that members are receiving and to identify areas for improvement:

- 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.

- The welcome pack to new entrants includes a paragraph “We welcome your views,” which includes the wording:

“The Trustee of WPT is interested to hear your views on any aspect of WPT. You may contact us via our website, e-mail: [info@workerspensiontrust.co.uk](mailto:info@workerspensiontrust.co.uk), telephone 0345475055 or write to us at the address below.”

- The contact section of the WPT website includes the wording:

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

- Members can send a query or contact us via Benpal, the member online portal.

Feedback from members is reviewed on a weekly basis to identify any recurring themes or new issues that may have arisen.

There is a Communication Plan which is reviewed annually by the Trustee. It considers the best way to encourage members to make their views about WPT known.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

**Signed:** Mark Hedges

**Date:** 13 September  
**2023**

*[for the online version: a signed version of the Chair's Statement can be obtained upon request from [info@workerspensiontrust.co.uk](mailto:info@workerspensiontrust.co.uk)]*

# Workers Pension Trust

## Statement of Investment Principles

September 2023

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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 (Northern Ireland) Order 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 ninth 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 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 WPT Scheme Funder (Cushon MT NI Limited (CMTNI))

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 include, but are 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 advisors
- The compliance of the investment arrangements with the principles set out in the Statement

### 2.2 Investment advisor's duties and responsibilities

The Trustee has appointed an Investment Advisor to the Trust. The Investment Advisor 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 Investment Advisor (see Appendix 3) 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 the Investment Advisor 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.

The Investment Advisor monitors the performance of the Trust's investment managers against their benchmarks. In addition, the Investment Advisor is responsible for reviewing the information on Total Expense Ratios (TERs) provided by the investment manager on a quarterly basis and communicating any changes to the Trustee.

The Investment Advisor 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 the Investment Advisor's manager research process, the Investment Advisor will advise the Trustee accordingly.



The Investment Advisor is remunerated on a fee basis for the investment advice it provides and does not receive any commission in relation to the Trust.

Hymans Robertson LLP is authorised and regulated by the Financial Conduct Authority (“FCA”).

## **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 the managers’ mandates and annual management charges applied by the investment managers are set out in Appendix 2. The assets are held on an investment platform provided by Mobius Life Limited, which is authorised and regulated by the Prudential Regulation Authority (“PRA”) and by the Financial Conduct Authority (FCA).

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 has 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 portfolio it manages. The platform provider is responsible for providing information on the total cost of each investment fund to the investment advisor and the Trustee on a quarterly basis.

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.

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 managed 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 3.

## 3 Investment Objectives

### 3.1 Overall Investment Objectives

The Trustee's main objective is to provide members with an investment strategy aligned to their best interests that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default strategy. It recognises that in a defined contribution arrangement, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

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

The Trustee has determined its investment policy in such a way as to address the risks set out in Section 7 of this Statement. To help mitigate the most significant of these risks, the Trustee has:

- Implemented a lifestyle strategy as a default option, which transitions members' investment from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

When deciding on the investment options available to members, the Trustee took into account the expected return on such investments and was mindful to offer a range of funds with varying levels of expected returns for members to choose from.

When it comes to realisation of investments, the Trustee considers the impact of transaction costs before making any changes.

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

In considering appropriate investments for the Trust, the Trustee will obtain and consider written advice from The Investment Advisor, which the Trustee believes to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions (Northern Ireland) Order 1995, as amended.

The items set out in this Statement are in relation to what the Trustee deems as relevant 'financially material considerations' both for the self-select fund choices of the Trust and the default strategy. The Trustee believes the appropriate time horizon over which to assess these considerations should be based on an individual member's expected membership period. This would be dependent on the members' age and when they expect to take their retirement benefits. It is for this reason that the default is a lifestyle strategy.

### 3.2 Self-Select Fund Choices

Members can opt out of the default option and can choose to invest in self-select funds instead. The range of investment options covers multiple asset classes and allows members to achieve sufficient diversification, and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

Further information on the self-select funds available to members is set out in Section 5.

The Trustee will continue to keep the fund range under review and will make changes if appropriate.

### **3.3 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.

### **3.4 Additional Contributions**

The Trust provides a facility for members to pay 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 Default Investment Strategy

The default option for the Trust is the WPT Lifestyle Strategy.

Members can opt out of the WPT Lifestyle Strategy and alternative options are described in Section 5.

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

In order to deal with the risks identified in Sections 7 of this Statement, the Trustee has structured the investments of the WPT Lifestyle Strategy as follows:

Type of risk	Investment vehicle	Approach
Investment return	WPT Growth Fund	Global Equity fund
Market volatility risk	WPT/ WPT - E 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 set the Trust's investment strategy taking into consideration the requirements of the 2014 Budget and the Finance Act 2014. Changes that came into force in April 2015 removed the requirement for members of Defined Contribution schemes to purchase an annuity at retirement.

Members are able to buy an annuity at retirement, should they so wish, or 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 are also 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 deemed lower risk assets as a member approaches Normal Retirement Age – this is known as a lifestyle transition strategy.

An initial 'Foundation phase' is 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 is 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 are 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 WPT Volatility Reduction Fund for WPT members aims to provide some form of investment growth with lower volatility compared to equities. As a member approaches retirement a larger proportion of their assets are invested into the WPT Capital Protection Fund to protect the nominal value of the member's assets.

The use of a lifestyling strategy, helps to reduce Market Switching Risk. In particular, the transition from growth assets to protection assets is undertaken on a quarterly basis over a fifteen-year period so that little reliance is placed on market conditions on any one transition date.

Furthermore, no negative switching is permitted during the transition period – for example during the period from age 50, the transition approach does 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.

In summary, by investing in the manner outlined above, the Trustee expects to deliver growth over the member's lifetime within the Trust without excessive risk taking, with an increased focus in the final fifteen years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considers this approach to be in the best interests of relevant members and relevant beneficiaries.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the default investment strategy. The Trustee believes that the appropriate time horizon over which to assess these considerations should be based on an individual member's expected membership period. This would be dependent on the members' age and when they expect to retire.

Taking into account the demographics of the Trust membership and the Trustee's views of the benefits members will take at retirement, the Trustee believes that the current default is appropriate. The Trustee will continue to review this over time, at least triennially, or after any significant changes to the Trust's demographic, if sooner. A list of triggers has been compiled, which will instigate a review of the Trusts' investments at regular intervals. The list is as follows:

- Over / Under performance of funds
- Introduction of new investment vehicles
- Changes to any Fund Manager
- Changes to, or new information in relation to fund charges
- Changing retirement trends
- Trends in retirement decisions
- Ad-hoc external factors e.g. budget changes

The above list is indicative, not exhaustive.

## 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 risk adjusted 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 and WPTE Volatility Reduction Funds, the Trustee has set an objective to provide some form of investment growth with lower volatility compared to equities. The latter fund was transferred from the Construction Pension Scheme Northern Ireland and is available to former members of that scheme.

The Trustee has agreed to invest both the WPT and WPTE 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 provides 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.

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 Temporary default arrangements**

From time to time it may be necessary for an investment manager to suspend trading in a fund or close the fund to new investment. As a result, members contributions may be redirected to a suitable alternative investment fund, leading to the creation of a temporary default arrangement. Members will be notified if such action is required.

Once the suspension in trading has been lifted the Trustee will arrange for members' investments and future contributions to be invested based on their original choices.

### **4.6 Members' Best Interests**

The Trustee will carry out an investment review triennially or following any significant change in membership, covering not only the performance of the default strategy, but also its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which takes place quarterly. The Trustee will evolve the strategy in line with the Trust membership characteristics so that assets are invested in the best interests of the members in the default investment strategy.

## 5 Self-Select 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. WPT members also have the option of investing in the WPT Index Linked Gilt 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 Future World Annuity Aware Fund 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.

The WPT Index Linked Gilt Fund currently invests in LGIM's over 5 Year Index Linked Gilt Fund and is available to former members of the Construction Pension Scheme Northern Ireland.

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) should give greater protection against capital falls than equities and can be very beneficial to the member's investment experience.

DGFs typically aim to provide returns in the region of cash plus 3.5% to 4.0% (net of fees) over the long term, but with a lower volatility than an investment in equities.

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

The LGIM Diversified Fund is a type of DGF, holding between 20% and 50% in bonds and the remaining 50% to 80% is held in a range of assets which may include equities, bonds, property, commodities and listed infrastructure, private equity and global real estate companies. The exposure to each asset class will primarily be through investing in passively managed funds, although active management may be used for some asset classes where LGIM believes there is an advantage in doing so. The Fund aims to provide long-term investment growth through exposure to a diversified range of asset classes.

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.

## 6 Responsible Investing

### 6.1 Financially Material Considerations

The Trustee considers many risks which it anticipates could impact the financial performance of the Trust's investments. In considering the appropriate time horizon over which such issues should be considered, the Trustee believes these should be viewed at a member level. Such risks are set out in the next section of this statement.

The Trustee recognises that environmental, social and corporate governance ("ESG") factors, such as climate change, can have a financially material impact over the investment risk and return outcomes of the Trust's portfolio and it is therefore in members' best interests that these factors are taken into account within the investment process.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

The Trustee requires its investment managers to take an active approach to voting and engaging with the companies in which they invest, to encourage long term, responsible corporate behaviour.

The Trustee reviews the investment strategy for the Trust at least every three years, and as part of this review considers how to further incorporate ESG principles, drawing on evolving best practices where appropriate.

The Trustee will communicate the outcome of reviews of the investment strategy to members through the annual Chair's Statement and Implementation Statement.

The Trustee also undertakes a review of the SIP on an annual basis, and future reviews will include an annual review of ESG considerations to make sure that its policy evolves in line with emerging trends and developments.

### 6.2 Non-Financial Matters

The Trustee has determined that the financial interests of the Trust's members are the first priority when choosing investments.

They have sought members' views on ESG issues, and as part of the ongoing strategy review, will consider non-financial matters, such as ethical views, and whether to actively seek members' preferences on non-financial matters when setting the investment strategy for the Trust.

The Trustee will also review the policy on non-financial matters at future reviews of this Statement.



### 6.3 Stewardship Policy

The Trust is invested solely in pooled investment funds. The principal objectives for most of these funds is to track specific market indices. The Trustee is responsible for selecting the specific market indices to be tracked by the investment manager. The investment manager is responsible for engaging and monitoring investee companies and exercising voting rights. The Trustee requires the investment manager to use its discretion to prioritise the long-term financial interests of investors, to the extent that this is possible.

If the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee would exercise its right in accordance with what it believes to be in the best interests of the majority of the Trust's membership.

The Trust offers members the default arrangement and a choice of self-select funds. The Trustee prioritises its stewardship activities on the default arrangement, which is used by the vast majority of members, and also accounts for the majority of the Trust's assets. The Trustee will, with the support of its investment advisor, ensure that their stewardship activities are carried out in accordance with stated policies.

The Trustee aims to meet with all fund managers on an annual basis. The Trustee will provide the fund manager with an agenda for discussion, including (where appropriate) issues relating to individual holdings, voting record and other ESG issues. As part of this process, investment managers will be challenged both directly by the Trustee and by its investment advisor on the impact of any significant issues and action being taken to promote shareholder value.

It is the Trustee's intention that the investment managers appointed to run the Trust's assets will share similar principles to them from an RI perspective, and therefore any voting and engagement with underlying companies will be in line with the Trustee's investment beliefs. However, we note that investment managers will be carrying out voting and engagement across a number of clients.

The Trustee reviews each manager's track record of voting and engagement as part of the annual Implementation Statement and consider stewardship themes to focus the evaluation of significant votes. The Trustee determines that climate change is an ongoing priority theme and will consider wider themes with its investment advisor on an annual basis.

With support from the investment advisor, the Trustee will establish stewardship priorities on an annual basis.

The Trustee also has a standalone Responsible Investment and Stewardship Policy, which the Trustee will review in line with regulation and at least every 3 years, or more frequently if necessary.

#### Conflicts of interest

When choosing investment managers' funds, the Trustee will seek to establish that each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest in writing to the Trustee.

When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Trust.

The investment manager is responsible for day-to-day investment decisions. This includes consideration, where relevant, of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee requires the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Trust and will ensure that each investment manager has an appropriate conflicts of interest policy in place.

## **Voting and engagement**

The Trustee believes that engagement with the companies in which the Trust invests through pooled investment funds, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Trust's investments.

The Trustee will periodically review the voting and engagement policies of the investment managers to determine that these policies are appropriate. On an annual basis, the Trustee will request that the investment managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from investment managers on how portfolios may be affected by a particular issue.

The Trustee believes it is sometimes appropriate to actively encourage the investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee reviews the investment managers' voting activity at least annually in conjunction with their investment advisor and use this information as a basis for discussion with the investment managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation and engagement.

The Trustee will review engagement activity undertaken by the investment managers as part of its broader monitoring activity, including an assessment of areas where further engagement or action may be beneficial.

## 7 Managing Risk

The Trustee is aware, and seeks to take account, of a number of risks in relation to the Trust's investments. Under the Pensions (Northern Ireland) Order 2005 the Trustee is also required to state its policy regarding the ways in which risks are to be measured and managed. The Trustee monitors the age profile of the Trust's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks:

- The Trust is typically open to new entrants from age 16
- As a result, investment risks for the Trust's younger members who have not retired need to be considered over a time horizon of at least 49 years;
- A majority of members are expected to take their pension pot as cash;
- As a result, investment risks for a majority of members who are eligible to draw on their pension pot need to be considered over a short time horizon up to NRD. For example, for a member aged 60, investment risks need to be considered over a period of up to 5 years;
- Investment risks for members choosing to use their pension pot to support income drawdown in retirement should be considered over a time horizon of at least 10 years, i.e. the period from NRD to when annuity rates may be expected to become attractive;
- Some members may choose to buy an annuity and investment risks for this group need to be considered carefully. There may be a difference between the member's time horizon and the time horizon for underlying investments which are expected to reflect the maturity profile (and interest rate sensitivity) of the assets backing an insurer's annuity business.

### 7.1 Principal investment risks

The Trustee believes that the principal investment risks most members will face are:

#### Inflation Risk

- This is the risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).
- To manage this risk the Trustee makes available a range of funds across various asset classes, with the majority expected to keep pace with inflation.

#### Pension Conversion Risk

- This is the risk that a member is invested in a strategy that does not reflect the way in which they intend to access their savings at retirement.
- The Trustee makes available a range of funds which enable members to manage this risk.
- The Trustee will review the default strategy at least triennially to assess whether the targeted destination remains appropriate.

## Lump Sum Risk

- The risk is that, when approaching retirement, a member is expecting to take part of their fund as a cash lump sum but remains exposed to investment markets which can move up or down in value.
- To manage this risk the investments within the default lifestyle strategy transition to the WPT Capital Protection Fund as a member approaches their normal retirement age.

## Investment Return Risk

- The risk is that a member is not invested in asset classes that are expected to generate attractive returns over the long run.
- To manage this risk the Trustee makes available a range of funds across various asset classes with different risk and return properties. Within the default strategy, the Trustee considers members' time horizon and their ability to take investment risk with the prospect of achieving attractive long-term returns. For example, the WPT Growth Fund, which is an equity-based fund, is used for the accumulation phase which has the longest time horizon for members.

## 7.2 Other risks

The Trustee believes that other investment risks members may face include:

### Manager risk

- Manager risk relates to the failure of an investment manager to fulfil their objectives or policy for a particular investment fund.
- It is managed by investing the majority of the Trust's assets with a passive investment manager whose aim is to track the benchmark.
- Manager risk can be monitored by comparing the actual returns achieved by the investment manager relative to the underlying benchmark index and determining whether this is in line with stated fund objectives. Manager risk can be monitored further by assessing the investment manager's approach relative to stated policies e.g. in relation to stewardship.

### Market timing risk

- Market timing arises if members' assets are moved between funds accessing different investment markets. The risk materialises if there is significant variation in returns between funds immediately prior to moving members' assets. The risk is more material if a switch between funds involves a large transaction size and the impact of market timing risk is greater.
- Members' assets within the default lifestyle strategy are moved from equities to lower risk assets as they approach retirement. Market timing risk is managed by moving members' assets gradually over a 15-year period to retirement. This has the effect of spreading market timing risk and not exposing members to deviations in fund returns on a particular date.

### Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk

that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

- Younger members investing in the default lifestyle arrangement have exposure to currency risk through the WPT Growth Fund. This is managed by members maintaining their investment in the WPT Growth Fund for a long-term time horizon.
- Currency risk can be more significant for members approaching retirement due to their shorter time horizon. This risk is managed by reducing the allocation to the WPT Growth Fund, and thus currency risk, as members approach retirement.

### **Credit Risk**

- Credit risk relates to the ability for the borrower to repay their debt to a lender. Credit risk is more common in bond investments where the investor expects to receive interest and maturity payments from the borrower. Credit risk can vary depending on the security of underlying bond investments.
- The Trust is exposed to indirect credit risk through the investment manager's investment in bond markets. This risk is managed by adopting a broad market index to which the investment manager is required to track.
- Direct credit risk can arise from pooled investment vehicles and is managed by the underlying assets of the pooled arrangements being ring-fenced from the investment manager and the regulatory environment in which they operate.

### **Liquidity risk**

- Liquidity risk relates to the ability to realise the value of assets quickly at a given market price. For example, cash investments are typically associated with high levels of liquidity.
- This risk is monitored according to the level of cash flows required by the Trust over a specified period, reflecting how members are accessing their pension pot.
- Liquidity risk is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

### **Employer risk**

- Employer risk relates to the ability and degree of willingness of the Principal Employer to support the continuation of the Trust.
- This risk is mitigated by the Trustee maintaining a reserve account, which can be used to manage the Trust's orderly wind up in the event of the Principal Employer being unable to provide continued support.

### **Solvency risk**

- Solvency risk is the risk of an entity not being able to fulfil its financial obligations in full. The value of members' assets is determined by the value of their investment in markets. These investments are priced on a daily basis and are ringfenced within the investment manager's business. Solvency risk is not likely to be a significant risk for members of the Trust.

### **Climate change and ESG Risk**

- This is the risk that climate change and Environmental, Social or Corporate Governance concerns, have a financially material impact on the return of the Trust's assets.

- The Trustee manages this risk by investing with a well-respected investment manager which takes an active approach to engaging with and influencing its investee companies and by a regular review of climate-related and ESG considerations to make sure that the Trustee's policy evolves with emerging trends and developments.

### **Other risks**

- Other risks exist which could impact on the price of members' assets, and therefore the return that can be achieved. An example of other risks is political risk. In this situation, the value of assets invested in a particular country could be impacted by changes in policy e.g. taxation or a change in political regime.
- The Trustee monitors other risks as part of their broader review of performance from the Trust's investment funds, the historic performance from investment markets and assessment of changes in the economic outlook.
- Other risks are managed through diversification of assets across the default lifestyle arrangement across countries, sectors and asset classes.

## 8 Monitoring of Investment Advisor and Manager

### 8.1 Investment advisor

The Trustee assesses and reviews the performance of its investment advisor annually as part of a review of all service providers and advisors, and in accordance with the objectives set and the regulatory requirements.

### 8.2 Investment manager

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

The Trustee reviews investment manager performance at each Trustee meeting, and requests advice from the Investment Advisor where there are questions or concerns.

The Investment Advisor will advise the Trustee of any significant developments relating to the investment strategy, investment manager or underlying funds e.g. where there exists a significant concern that the existing approach will not be able to meet the long-term objectives.

#### Structure of the investment arrangements

The Trust is invested solely in pooled investment funds. Contributions buy units in the investment funds. This enables the Trust to invest in a range of funds giving a good spread of investments in a cost-effective manner.

#### Role of the investment managers

The investment of contributions in individual investment funds means that the Trustee has delegated day to day investment decisions to the investment managers.

#### Selection of funds

The Trustee will invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Trust and its members.

The Trustee will seek to obtain funds which meet the Trustee's investment beliefs, and are expected to improve outcomes for members, but this is subject to being consistent with the charge cap for the default arrangement. The Trustee requires the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustee will review the suitability of the investment fund range at least every three years.

#### Manager incentives

The Trustee will seek transparency of all costs and charges borne by members. The Trustee is not aware of any circumstances which would lead the investment manager to act in a manner inconsistent with the funds' objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee will ask its Investment Advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no

inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Trust's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should a fund manager be found to be giving poor value. The Trustee believes that these steps are the most effective way of incentivising the fund managers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee also undertakes a review, at least every three years, of both the appropriateness of the investment options and the suitability of the Trust's investment management arrangements.

The Trustee monitors the investment managers against a series of metrics on a quarterly basis over a time horizon of up to 5 years including:

- Performance of their funds' respective benchmarks;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

### **Portfolio turnover**

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

For the passively managed funds used in the Trust, the turnover of holdings is driven by changes in the underlying benchmark index. As a result, the turnover of holdings is outside the control of the investment manager.

When selecting actively managed funds, the Trustee will consider, with the help of its investment advisor, the expected level of turnover commensurate with a fund's investment objectives. The Trustee will also consider the investment manager's investment processes and the nature of the fund's assets as part of this process.

The Trustee considers performance net of charge and costs, including the costs of trading within the portfolio. The Trustee will ask the investment managers to report on at least an annual basis to support their assessment of transaction and turnover costs. The Trustee will seek to compare this information against peer groups or costs for an appropriate index to determine whether value is being provided for members.

Where a fund has significantly under or outperformed its benchmark, the Trustee will identify with the investment manager whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

### **Portfolio duration**

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Trust members' investment horizon. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.



All funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. The Trustee generally expects that each fund will be used for at least three years, being the period over which performance of the fund can be appropriately evaluated.

### **Realisation of investments**

The Trustee expects that the investment managers will normally be able to sell the funds within a reasonable timescale. However, there may be occasions where an investment manager needs to impose restrictions on the timing of sales and purchases of funds to protect the interests of all investors. Such instances may include material uncertainty in the valuation of underlying assets. The Trustee recognises that most members' pension pots have a significant investment timeframe, and liquidity risk becomes less of a concern relative to long term investment returns.

## 9 Code of Best Practice

The Pensions Regulator's code on standards for DC schemes came into effect in November 2013 as part of a wider initiative to improve governance and member outcomes for DC schemes. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places a greater emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustee. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>

In addition, the Code of Practice 15 on authorisation and supervision of master trusts came into force in October 2018, setting out the requirements for master trusts to achieve and maintain their authorised status. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-15-authorisation-and-supervision-of-master-trusts>

When formulating their investment policy, the Trustee has acted in line with the Code of Practice 13 and 15 as amended from time to time.

## 10 Compliance

The Trust's Statement of Investment Principles is available on its website: <https://workerspensiontrust.co.uk/>. The annual report and accounts is 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 auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices was approved by the Trustee on 13 September 2023.

<b>Signed on behalf of Workers Pension Trust Limited</b>	<b>Mark Hedges</b>	<b>Roger Mattingly</b>
<b>on</b>	13 September 2023	13 September 2023
<b>Full name</b>	Mark Hedges (On behalf of Capital Cranfield Trustees Limited)	Roger Mattingly (On behalf of Ross Trustees Service Ltd)
<b>Position</b>	Chair, Trustee Board	Trustee Director

## 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/ WPT- E 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%

\* The WPTE Volatility Reduction Fund was transferred from the Construction Pension Scheme Northern Ireland and is used for former members of that scheme.

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 invests in pooled funds managed by Legal and General Investment Management ("LGIM") via the Mobius Life investment-only platform.

The Trustee monitors 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 the manager:

### Default Investment funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency	WPT Total Expense Ratio (% p.a.) <sup>1</sup>	WPT-E Total Expense Ratio (% p.a.) <sup>1</sup>
<b>WPT Growth Fund</b>					
LGIM Global Equity Fixed Weights (50:50) Index Fund	Composite Index of 50% UK equities and 50% overseas equities	To track the benchmark	Daily	0.30% p.a.	0.75% p.a.
<b>WPT/ WPT-E Volatility Reduction Fund<sup>2</sup></b>					
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	0.30% p.a.	0.75% p.a.
<b>WPT Capital Protection Fund</b>					
LGIM Sterling Liquidity Fund	SONIA	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	0.30% p.a.	0.75% p.a.

<sup>1</sup> TERs shown are correct for the year to 31 March 2023 and may vary slightly from year to year. WPT members also pay a 1.8% charge on contributions into the Trust. The TERs include the 0.30% AMC for WPT members and the 0.75% AMC for WPT-E members, respectively, for all funds except members in the default strategy invested in the Sterling Liquidity Fund where the AMC is 0.29% p.a. for WPT members and 0.74% p.a. for WPT-E members.

<sup>2</sup> The WPT-E Volatility Reduction Fund was transferred from the Construction Pension Scheme Northern Ireland and is available to former members of that scheme.

<sup>3</sup> The PRF aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product. The benchmark is the current position, which will be reviewed from time to time by LGIM and may be subject to change.

<sup>4</sup> The WPT-E Index Linked Gilt Fund is available to former members of the Construction Pension Scheme Northern Ireland.

## Self-Select Investment funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency	WPT Total Expense Ratio (% p.a.) <sup>1</sup>	WPTE Total Expense Ratio (% p.a.) <sup>1</sup>
<b>WPT Growth Fund</b>					
LGIM Global Equity Fixed Weights (50:50) Index Fund	Composite Index of 50% UK equities and 50% overseas equities	To track the benchmark	Daily	0.34% p.a.	0.79% p.a.
<b>WPT/ WPT-E Volatility Reduction Fund<sup>2</sup></b>					
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	0.30% p.a.	0.75% p.a.
<b>WPT Capital Protection Fund</b>					
LGIM Sterling Liquidity Fund	SONIA	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	0.31% p.a.	0.76% p.a.
<b>WPT Diversified Fund</b>					
LGIM Diversified Fund	FTSE Developed World Index (50% hedged to GBP),	To provide long-term investment growth through exposure to a diversified range of asset classes.	Daily	0.32% p.a.	0.77% p.a.
<b>WPT Annuity Protection Fund</b>					
LGIM Future World Annuity Aware Fund <sup>3</sup>	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	0.30% p.a.	0.75% p.a.
<b>WPT Index Linked Gilt Fund<sup>4</sup></b>					
Index Linked Gilts Fund - LGIM Over 5 Year Index-Linked Gilt Fund	FTSE A Index-Linked (over 5 year) Index	To track the benchmark	Daily	n/a	0.75% p.a.

<sup>1</sup>: TERs shown are correct for the year to 31 March 2023 and may vary slightly from year to year.

<sup>2</sup> The WPTE Volatility Reduction Fund was transferred from the Construction Pension Scheme Northern Ireland and is available to former members of that scheme.

<sup>3</sup> The PRF aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product. The benchmark is the current position, which will be reviewed from time to time by LGIM and may be subject to change.

<sup>4</sup> The WPTE Index Linked Gilt Fund is available to former members of the Construction Pension Scheme Northern Ireland.

The figures above exclude fund transaction costs, which will vary from year to year. Details of these are included in the Chair's annual statement.

# Appendix 3: 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 Advisor and modifying it if deemed appropriate
- Appointing the Platform Provider and 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 Advisor
- Consulting with the WPT Scheme Funder regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

## Investment advisor

The Trustee has appointed Hymans Robertson LLP as Investment Advisor to the Trust. The Investment Advisor 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. The Investment Advisor'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 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 the Investment Advisor's manager research process, the Investment Advisor 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 Trust
- 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 custodian
- Reviewing the information on total fund costs provided by investment managers on a quarterly basis and communicating any changes to the Trustee

## 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 Trust 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
- Providing information on the total cost of each investment fund to the investment advisor and the Trustee on a quarterly basis.

## **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 Trust
- Undertaking all appropriate administration relating to the Trust's assets
- Processing all dividends and tax reclaims in a timely manner
- Dealing with corporate actions

## **Roles and responsibilities relating to Responsible Investment and Stewardship**

The Trustee, with support from CMTNI its advisers, and the investment managers, retain overall responsibility for ESG considerations (including climate change). Their responsibilities are summarised below.

- Agree (and regularly review) the Scheme's beliefs and strategic direction regarding responsible investment and set ambitions or areas to prioritise.
- Set, in conjunction with CMTNI, a responsible investment policy that reflects these beliefs and is used as a basis for driving and monitoring the integration of ESG within investment arrangements.
- Carry out regular reviews of the investment managers' approaches to and effectiveness in RI. ESG criteria will be applied when appointing investment managers, with explicit consideration of the fund's approach to responsible investment and climate change.
- Consider the investment managers' track record on voting and engagement with the management of companies in which they are invested and report on this via the annual Implementation Statement.
- With support from the investment advisors, establish stewardship priorities on an annual basis
- Receive regular climate-related updates from their advisers, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.
- Assess how external advisers and providers have performed against their climate responsibilities and, where relevant, the Trustee will explicitly include these responsibilities in adviser objectives.
- Decide which ESG-related bodies to support and sign up for.
- Respond to regulatory (and other stakeholder) queries.

- Fulfil regulatory requirements with respect to ESG, including preparing the annual Implementation Statement and oversee delivery of Taskforce on Climate-related Financial Disclosures (“TCFD”) reporting, including:
  - Undertaking scenario analysis to understand and manage exposures
  - Agreeing interim targets and carbon journey planning
  - Monitoring progress against targets
  - Agreeing methodology and metrics used for climate reporting
- Continue to develop their understanding of responsible investment, including climate change, through regular training on prevailing risks and sustainable investment opportunities.

The Scheme Funder, Cushon, provides ongoing support to the Trustee in terms of investment strategy and responsible investment. Their responsibilities include:

- Working with the Trustee to review the strategic direction regarding responsible investment and agree a policy that reflects the Trustee’ beliefs.
- Proposing investment strategies and managers which are aligned to the Trustee’ beliefs and policies.
- Communicating with members regarding the investment strategy and providing engagement tools to collate member views.
- Providing updates on the Scheme’s investments with respect to responsible investment and climate change.

The Trustee employs an independent investment adviser, whose responsibilities include, but are not limited to, the following:

- Advising on the inclusion of ESG and climate considerations, that may arise as risks or opportunities, in the Scheme’s governance arrangements, investment strategy, risk management and monitoring.
- Assessing proposed mandates from an ESG and climate perspective as part of the manager selection process.
- Reviewing the arrangements from an ESG and climate perspective.
- Assisting with the selection, collection and presentation of metrics, targets and scenario analysis required for the annual TCFD report.
- Collating information on the voting and engagement activity of underlying managers for inclusion in the Implementation Statement.
- Assist the Trustees with developing stewardship themes to discuss with their managers as part of annual engagement activity;
- Providing scenario analysis and monitoring against targets for inclusion in the annual TCFD report.
- Providing training and relevant updates to the Trustee on relevant ESG and climate-related matters.

The Legal Adviser’s responsibilities include, but are not limited to, the following:

- Providing training to the Trustee on ESG and climate-related legal matters, and ensuring the Trustee is aware of its ESG and climate-related statutory and fiduciary obligations.
- Where requested, assisting in the documentation of the arrangements with the Scheme’s third parties with respect to ESG and climate-related matters.

The Investment Managers’ responsibilities include, but are not limited to, the following:

- Identifying, assessing and managing ESG and climate-related risks and opportunities in relation to the Scheme’s investments.
- Exercising voting rights and engaging with portfolio companies in relation to ESG and climate-related risks and opportunities, on behalf of and in the best interest of members.
- Providing the agreed climate-related metrics in relation to the Scheme’s investments and focus on increasing the quality and availability of these metrics.

## Appendix 2a

### Tables illustrating the impact of charges and costs for WPT

The following tables show the potential impact of the costs and charges borne by members on projected values at retirement in today's money for typical members joining at a range of ages and opening fund values/contribution levels.

The methodology for calculating the expected investment returns for Statutory Money Purchase Illustrations ("SMPI") Projections has been updated from the last Chair's Statement. The Trustee has taken the approach to combine the inflation assumption with various 'risk premia' assumptions (that adjust for different factors that may pose a risk to the strength of member returns) to reflect the long-term view on returns for various asset classes.

The tables below aim to show projections that are representative of the WPT membership. As such, we have included an active member of median age, the youngest active member age and also a deferred member of median age. Furthermore, the tables show projections for the default arrangement, as well as the highest charging fund (the WPT Growth Fund) and the lowest charging fund (the WPT Annuity Protection Fund).

#### For an active member of median age invested in the default arrangement

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£55,913	£52,967	£2,946
3	£52,370	£49,799	£2,571
5	£48,783	£46,572	£2,211
10	£36,963	£35,629	£1,334
15	£23,802	£23,166	£636
20	£12,123	£11,943	£180
23	£6,000	£6,000	£0

Source: Hymans Robertson LLP

#### For an active member of median age invested fully in the WPT Growth Fund

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£69,155	£65,264	£3,891
3	£61,301	£58,087	£3,214
5	£53,957	£51,335	£2,622
10	£37,617	£36,151	£1,466
15	£23,802	£23,118	£684
20	£12,123	£11,933	£190
23	£6,000	£6,000	£0

Source: Hymans Robertson LLP

**For an active member of median age invested fully in the WPT Annuity Protection Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£37,000	£34,981	£2,019
3	£34,579	£32,801	£1,778
5	£32,085	£30,541	£1,544
10	£25,519	£24,513	£1,006
15	£18,451	£17,908	£543
20	£10,842	£10,670	£172
23	£6,000	£6,000	£0

Source: Hymans Robertson LLP

**Assumptions**

The assumptions used in these calculations were:

- 42 was calculated as being the median age of the active membership and is used as the representative persona;
- The opening DC pot size is £6,000, which was the average pot size for active members at 31 March 2023;
- The average salary of £22,000 for active members was used, with salaries assumed to increase in line with inflation at 2.5% p.a.;
- A contribution in current day terms of 8% p.a., which was the average contribution for active members at 31 March 2023;
- The assumed retirement age was 65;
- The investment return, allowing for inflation, for each fund above was:
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Fund	Return % p.a.
WPT Growth Fund	6.00%
WPT Volatility Reduction Fund	1.00%
WPT Capital Protection Fund	2.50%
WPT Annuity Protection Fund	1.00%

**For an active member of 20 years old invested in the default arrangement**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£33,386	£30,522	£2,864
3	£32,477	£29,812	£2,665
5	£31,538	£29,072	£2,466
10	£27,186	£25,314	£1,872
15	£21,412	£20,118	£1,294
20	£16,103	£15,257	£846
25	£11,614	£11,091	£523

30	£7,819	£7,520	£299
35	£4,735	£4,585	£150
40	£2,268	£2,211	£57
45	£0	£0	£0

Source: Hymans Robertson LLP

**For an active member of 20 years old invested fully in the WPT Growth Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£43,765	£39,609	£4,156
3	£40,082	£36,439	£3,643
5	£36,638	£33,456	£3,182
10	£28,976	£26,745	£2,231
15	£22,497	£20,980	£1,517
20	£17,020	£16,029	£991
25	£12,389	£11,778	£611
30	£8,474	£8,127	£347
35	£5,164	£4,995	£169
40	£2,366	£2,306	£60
45	£0	£0	£0

Source: Hymans Robertson LLP

**For an active member of 20 years old invested fully in the WPT Annuity Protection Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£14,069	£12,897	£1,172
3	£13,608	£12,508	£1,100
5	£13,133	£12,106	£1,027
10	£11,883	£11,034	£849
15	£10,537	£9,856	£681
20	£9,088	£8,566	£522
25	£7,528	£7,151	£377
30	£5,848	£5,600	£248
35	£4,041	£3,901	£140
40	£2,095	£2,039	£56
45	£0	£0	£0

Source: Hymans Robertson LLP

## Assumptions

The assumptions used in these calculations were:

- 20 was the youngest age of the active membership and is used as the representative persona;
- The opening DC pot size is £0, which was the average pot size for members age 20 at 31 March 2023;
- The average salary of £5,500 for active members aged 20 was used, with salaries assumed to increase in line with inflation at 2.5% p.a.;
- A contribution in current day terms of 8% p.a., which was the average contribution for active members at 31 March 2023;
- The assumed retirement age was 65;
- The investment return allowing for inflation for each fund above was:
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Fund	Return % p.a.
WPT Growth Fund	6.00%
WPT Volatility Reduction Fund	1.00%
WPT Capital Protection Fund	2.50%
WPT Annuity Protection Fund	1.00%

### For a deferred member of median age invested in the default arrangement

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£3,087	£2,864	£223
3	£3,083	£2,878	£205
5	£3,077	£2,889	£188
10	£2,855	£2,721	£134
15	£2,460	£2,380	£80
20	£2,079	£2,042	£37
25	£1,758	£1,753	£5
26	£1,700	£1,700	£0

Source: Hymans Robertson LLP

### For a deferred member of median age invested fully in the WPT Growth Fund

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£3,935	£3,617	£318
3	£3,680	£3,405	£275
5	£3,441	£3,206	£235
10	£2,909	£2,756	£153
15	£2,460	£2,370	£90
20	£2,079	£2,038	£41
25	£1,758	£1,752	£6
26	£1,700	£1,700	£0

Source: Hymans Robertson LLP

**For a deferred member of median age invested fully in the WPT Annuity Protection Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£1,176	£1,088	£88
3	£1,211	£1,127	£84
5	£1,247	£1,168	£79
10	£1,343	£1,278	£65
15	£1,446	£1,397	£49
20	£1,556	£1,527	£29
25	£1,675	£1,670	£5
26	£1,700	£1,700	£0

Source: Hymans Robertson LLP

**Assumptions**

The assumptions used in these calculations were:

- A member aged 39 was used as this is the median age of deferred members;
- The opening DC pot size is £1,700, which was the average pot size for deferred members at 31 March 2023;
- No contributions are assumed, as these are deferred members. Furthermore, salary and salary growth assumptions were not needed for the same reason;
- The investment return, allowing for inflation, for each fund above was:
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Fund	Return % p.a.
WPT Growth Fund	6.00%
WPT Volatility Reduction Fund	1.00%
WPT Capital Protection Fund	2.50%
WPT Annuity Protection Fund	1.00%

Please note that these illustrated values:

- Take into account the 0.3% p.a. charge to members in the WPT section plus the 1.8% Member Contribution Charge as well as transaction costs;
- Assume an average of transaction costs over the last four years;
- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow; and
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

## Appendix 2b

### Tables illustrating the impact of charges and costs for WPTE

The following tables show the potential impact of the costs and charges borne by members on projected values at retirement in today's money for typical members joining at a range of ages and opening fund values/contribution levels:

The methodology for calculating the expected investment returns for Statutory Money Purchase Illustrations ("SMPI") Projections has been updated from the last Chair's Statement. The Trustee has taken the approach to combine the inflation assumption with various 'risk premia' assumptions (that adjust for different factors that may pose a risk to the strength of member returns) to reflect the long-term view on returns for various asset classes.

The tables below aim to show projections that are representative of the WPT membership. As such, we have included an active member of median age, the youngest active member age and also a deferred member of median age. Furthermore, the tables show projections for the default arrangement, as well as the highest charging fund (the WPT Growth Fund) and the lowest charging fund (the WPT Index Linked Gilts Fund).

#### For a member of median age invested in the default arrangement

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£76,293	£69,890	£6,403
3	£71,225	£65,831	£5,394
5	£66,097	£61,658	£4,439
10	£49,443	£47,250	£2,193
15	£31,081	£30,495	£586
19	£0	£0	£0

Source: Hymans Robertson LLP

#### For a member of median age invested fully in the WPT Growth Fund

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£94,218	£85,812	£8,406
3	£83,285	£76,624	£6,661
5	£73,061	£67,900	£5,161
10	£50,313	£47,970	£2,343
15	£31,081	£30,464	£617
19	£0	£0	£0

Source: Hymans Robertson LLP



**For a member of median age invested fully in the WPT Index Linked Gilts Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£48,356	£44,273	£4,083
3	£45,701	£42,166	£3,535
5	£42,911	£39,915	£2,996
10	£35,304	£33,587	£1,717
15	£26,698	£26,116	£582
19	£0	£0	£0

Source: Hymans Robertson LLP

**Assumptions**

The assumptions used in these calculations were:

- 47 was calculated as being the median age of the active membership and is used as the representative persona;
- The opening DC pot size is £21,000, which was the average pot size for active members at 31 March 2023;
- The average salary of £28,000 for active members was used, with salaries assumed to increase in line with inflation at 2.5% p.a.;
- A contribution in current day terms of 9% p.a., which was the average contribution at 31 March 2023;
- The assumed retirement age was 65;
- The investment return allowing for inflation for each fund above was:
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Fund	Return % p.a.
WPT Growth Fund	6.00%
WPT Volatility Reduction Fund	1.00%
WPT Capital Protection Fund	2.50%
WPT Index Linked Gilts Fund	0.00%

**For a member of 17 years old invested in the default arrangement**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£83,660	£68,322	£15,338
3	£81,604	£67,284	£14,320
5	£79,472	£66,171	£13,301
10	£69,066	£58,940	£10,126
15	£54,982	£48,060	£6,922
20	£41,984	£37,553	£4,431
25	£30,995	£28,343	£2,652

30	£21,704	£20,267	£1,437
35	£14,219	£13,542	£677
40	£8,377	£8,132	£245
45	£3,009	£2,976	£33
49	£0	£0	£0

Source: Hymans Robertson LLP

**For a member of 17 years old invested fully in the WPT Growth Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£111,993	£89,867	£22,126
3	£102,828	£83,418	£19,410
5	£94,258	£77,296	£16,962
10	£75,191	£63,310	£11,881
15	£59,069	£51,026	£8,043
20	£45,440	£40,235	£5,205
25	£33,917	£30,756	£3,161
30	£24,174	£22,430	£1,744
35	£15,938	£15,117	£821
40	£8,974	£8,693	£281
45	£3,086	£3,051	£35
49	£0	£0	£0

Source: Hymans Robertson LLP

**For a member of 17 years old invested fully in the WPT Index Linked Gilts Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£27,193	£23,262	£3,931
3	£26,565	£22,837	£3,728
5	£25,905	£22,384	£3,521
10	£24,105	£21,108	£2,997
15	£22,069	£19,603	£2,466
20	£19,765	£17,825	£1,940
25	£17,159	£15,726	£1,433
30	£14,210	£13,249	£961
35	£10,873	£10,323	£550
40	£7,098	£6,870	£228
45	£2,827	£2,792	£35
49	£0	£0	£0

Source: Hymans Robertson LLP

## Assumptions

The assumptions used in these calculations were:

- 17 was the youngest age of the active membership and is used as the representative persona;
- The opening DC pot size is £0, which was the average pot size for members aged 17 at 31 March 2023;
- The average salary of £11,000 for active members aged 17 was used, with salaries assumed to increase in line with inflation at 2.5% p.a.;
- A contribution, in current day terms, of 9% p.a., which was the average contribution at 31 March 2023;
- The assumed retirement age was 65;
- The investment return allowing for inflation for each fund above was:
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Fund	Return % p.a.
WPT Growth Fund	6.00%
WPT Volatility Reduction Fund	1.00%
WPT Capital Protection Fund	2.50%
WPT Index Linked Gilts Fund	0.00%

### For a deferred member of median age invested in the default arrangement

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£5,553	£4,903	£650
3	£5,546	£4,970	£576
5	£5,534	£5,033	£501
10	£5,135	£4,844	£291
15	£4,424	£4,329	£95
19	£0	£0	£0

Source: Hymans Robertson LLP

### For a deferred member of median age invested fully in the WPT Growth Fund

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£7,079	£6,216	£863
3	£6,619	£5,902	£717
5	£6,189	£5,604	£585
10	£5,233	£4,922	£311
15	£4,424	£4,324	£100
19	£0	£0	£0

Source: Hymans Robertson LLP

**For a deferred member of median age invested fully in the WPT Index Linked Gilts Fund**

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£2,629	£2,274	£355
3	£2,762	£2,431	£331
5	£2,902	£2,598	£304
10	£3,283	£3,067	£216
15	£3,714	£3,621	£93
19	£0	£0	£0

Source: Hymans Robertson LLP

**Assumptions**

The assumptions used in these calculations were:

- A member aged 47 was used as this is the median age of deferred members within WPTE;
- The opening DC pot size is £4,000, which was the average pot size for deferred members at 31 March 2023;
- No contributions are assumed as these are deferred members. Furthermore, salary and salary growth assumptions were not needed for the same reason;
- The investment return, allowing for inflation, for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	6.00%
WPT Volatility Reduction Fund	1.00%
WPT Capital Protection Fund	2.50%
WPT Index Linked Gilts Fund	0.00%

Source: Hymans Robertson Economic Scenario Service

- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that these illustrated values:

- Take into account the 0.75% p.a. charge to members in the WPTE section as well as transaction costs;
- Assume an average of transaction costs over the last four years;
- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow; and
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.