

### CHAIRMAN'S ANNUAL STATEMENT REGARDING DC GOVERNANCE

This statement is produced pursuant to **Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015**. It explains how the Trustee of Workers Pension Trust has fulfilled the statutory governance standards that apply to occupational pension schemes which provide benefits on a money purchase basis during the scheme year ended on 31 October 2018.

#### 1. Default Arrangement

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

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

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

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

**WPT Volatility Reduction Fund** – This fund invests in LGIM's Under 15 Year Index-Linked Gilt Fund and LGIM's All Stocks Index Corporate Bond Fund.

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

**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 the most suitable as a member approaches retirement and where the proceeds will be taken as cash.

The default Lifestyle Strategy is in place to switch investments from an initial Foundation phase (up to age 31), through to the Growth phase (between the ages of 32-49) and finally to the Protection phase (from the age of 50), as a member approaches retirement.

- Foundation Phase - The foundation phase aims to provide both stability and investment growth. Members' funds are split during this phase between the Enhance Growth Fund and the Enhance Capital Protection Fund.
- Growth Phase - The growth phase aims to maximise the potential for growth through 100% equity investment. The Enhance Growth Fund is used for the growth phase.
- Protection Phase - The protection phase is based on the assumption that the member retires at 65 years. The protection phase starts at age 50 and is completed at age 65. To spread market timing risk, quarterly switches are in place to switch members' assets from the Enhance Growth Fund to a combination of the Enhance Growth Fund, the Enhance Volatility Reduction Fund and the Enhance Capital Protection Fund. At retirement, members' funds will be invested 100% in the Enhance Capital Protection Fund.

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

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

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

### CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

#### 1. Default Arrangement (continued)

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

The Trustee is also legally required to revise the Statement of Investment Principles after every review, unless it decides that no action is needed. The Statement of Investment Principles (including those applying to the default arrangement) was previously revised on 16 June 2015. Prior to that update, the Trustee, in conjunction with its investment advisers, undertook a comprehensive review of the appropriateness of all the funds made available under Workers Pension Trust, having regard in particular to regulations governing transparency and the charge cap. It concluded that they were broadly in line with the industry's best practice arrangements and the new regulatory requirements.

This review also took into account the removal of the requirement to purchase an annuity from April 2015, with some changes to both the default arrangement and self-selection options being adopted and communicated to members. The Statement of Investment Principles was amended to reflect the changes and is attached as Appendix 1.

In the normal course of events, the Statement of Investment Principles is also reviewed annually by the Trustee, in conjunction with its investment consultant. This annual review commenced at the 7 December 2017 Trustee meeting and was concluded at the 14 February 2018 Trustee meeting. The investment consultant reported that in his view, based on the investment objectives that were set as part of the last investment review and based on the demographic information about the membership and the benefits that have been taken by members, the investment approach for the default strategy remains appropriate.

Given that no change to the default Lifestyle Strategy has been made, it followed that no change to the Statement of Investment Principles was required.

Following the transfer of members of the Enhance Construction Pension Scheme Northern Ireland (Enhance) to Workers Pension Trust, the Statement of Investment Principles has been updated, and the latest version dated 21 February 2019 is attached to these accounts.

It is intended that a full review of the investment strategy and fund range will be undertaken ahead of next year's Chairman's Statement and reported on in that Statement.

As part of this review, the Statement of Investment Principles will be updated to meet the new legislative requirements.

#### Performance

The investment managers provide quarterly investment reports and the Trustee reviews summary reports at each quarterly Trustee meeting to check that performance is in line with expectations.

The Trustee also considered investment performance with its investment consultant at the 7 December 2017 Trustee meeting.

Based on the above, the Trustee has concluded that funds within the default Lifestyle Strategy have performed in line with their benchmarks over the quarterly periods covered by this Statement.

Performance of the funds outside the default strategy was in line with expectations, except for the WPT Diversified Fund, where this was marginally behind expectations driven by equity market falls over Q1 2018.

At the February 2018 Trustee meeting, the Trustee decided to change the composition of the WPT Diversified Fund to replace the JLT Growth Fund with the LGIM Diversified Fund and this was implemented in July 2018.

A full explanation of the default Lifestyle Strategy and performance of funds is published on the Scheme website. Members are provided with a summary of the default Lifestyle Strategy in their annual benefit statement.

### CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

#### 2. Financial Transactions

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Workers Pension Trust's core financial transactions are processed promptly and accurately in accordance with the comprehensive written service level agreements (SLAs), covering the Scheme's administrative operations including points summarised below, the Trustee has in place with Construction First Limited (in-house administrator), JLT Employee Benefits (third-party administrator) and the investment managers. The following are examples of how these core financial transactions are treated:

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

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

To obtain assurance that the required standards are consistently achieved, the Trustee monitors quarterly the performance of Construction First Limited and JLT Employee Benefits who are responsible for the administration of Workers Pension Trust. The Trustees receive regular reports to help monitor that the SLAs are being met. The Trustee compares performance against targets set out in the SLAs to ensure no issues arise. Performance penalties are in place and there were no issues during the year.

#### 3. Charges and Transaction Costs

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##### Annual Management Charge (AMC)

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

Former Enhance Construction Pension Scheme Northern Ireland ("Enhance") members, who transferred to WPT on 30 July 2018, currently comprise a separate category of member (WPT-E) and the Trustee currently deducts 0.75%p.a. from the value of these members' funds to meet the cost of the Scheme's administration and investment of the funds. The AMC complies with the charges cap of 0.75%p.a. as determined by the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015. This is the same AMC that members were charged in Enhance.

##### Investment fund annual management charges & Transaction Costs

The funds included in the default arrangement and non-default funds incur annual charges and transaction costs. Investment management annual charges are not borne by the member. From July 2018 with the replacement of the JLT Growth Fund by the LGIM Diversified Fund, members will no longer bear the investment management annual charges in relation to the WPT Diversified Fund.

There can potentially be costs incurred internally within funds in relation to the investment manager's buying and selling of different stocks and securities. These are often referred to as 'transaction costs'. Some types of investment have higher transaction costs than others but are an essential part of the investment manager's operation of the fund.

# WORKERS PENSION TRUST

YEAR ENDED 31 OCTOBER 2018

## CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

### 3. Charges and Transaction Costs (continued)

#### Investment fund annual management charges & Transaction Costs (continued)

Transaction costs aren't included in the annual management charge. The impact of transaction costs on each member's accumulated fund will depend on their particular investment choices.

The Trustee has been investigating with LGIM, the investment manager, in regard to the increased transparency of reporting of costs and charges as this evolves to satisfy itself that the Scheme continues to meet the legislative requirements, and in particular that the charges in relation to the funds within the default Lifestyle Strategy meet the charge cap requirements.

The investigation revealed additional charges of 0.02% in relation to the LGIM Global Equity FW 50:50 Index Fund. The investment manager has however confirmed to the Trustee that this additional charge is excluded from the additional expenses that have to be taken into account for charge cap comparison purposes, because it relates to the holding of the assets in the fund rather than the management of the fund.

This investigation also revealed an internal fund operation charge of 0.0125%p.a. (£1.25 per £10,000 invested) within LGIM's Sterling Liquidity Fund of which the Trustee previously had not been made aware. The result of this was that for former members of Enhance (WPT-E) who are invested in the default Lifestyle Strategy their investment charges would have exceeded the 0.75% charge cap.

Having identified the issue in relation to LGIM's Sterling Liquidity Fund the Trustee has immediately taken action and is in the process of compensating affected members for this in relation to the year Scheme year ending 31 October 2018. The total amount of the shortfall amounts to approximately £1,300 across 4,926 members. The compensation process is expected to be completed by 31 March 2019, after which the Scheme will be fully charge cap compliant.

A summary of the transaction costs and additional ongoing charges for the funds offered by the Scheme is set out in the table below:

	Default Arrangement Funds	Underlying Fund	Additional Charges <sup>1</sup>	Transaction Costs <sup>2,3</sup>
1	WPT Growth Fund	LGIM Global Equity FW 50:50 Index Fund	0.02%	0.00%
2	WPT Capital Protection Fund	LGIM Sterling Liquidity Fund	0.01%	0.00%
3	WPT Volatility Reduction Fund	Average of underlying	0.00%	0.00%
		LGIM AAA-AA-A Bonds-All Stocks Index	0.00%	0.00%
		LGIM Under 15 Year Index-Linked Gilts	0.00%	0.00%

	Non-default Funds (self-selection)	Underlying Fund	Additional Charges <sup>1</sup>	Transaction Costs <sup>2,3</sup>
1	WPT Diversified Fund	LGIM Diversified Fund	0.03%	0.00%
2	WPT Index Linked Gilts Fund	LGIM Over 5 Year Index-Linked Gilts	0.00%	0.01%
3	WPT Annuity Protection Fund	LGIM Pre-Retirement	0.00%	0.00%

# WORKERS PENSION TRUST

## YEAR ENDED 31 OCTOBER 2018

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4	WPT Growth Fund	LGIM Global Equity FW 50:50 Index Fund	0.02%	0.00%
5	WPT Capital Protection Fund	LGIM Sterling Liquidity Fund	0.01%	0.00%
6	WPT Volatility Reduction Fund	Average of underlying	0.00%	0.00%
		LGIM AAA-AA-A Bonds-All Stocks Index	0.00%	0.00%
		LGIM Under 15 Year Index-Linked Gilts	0.00%	0.00%

1. Additional expenses include dividend expenses, bank interest, class action fees, rounding, consultancy fees and custodian fees. These are examples and are not an exhaustive list. These are deducted in the day to day running of the fund by LGIM and are therefore borne by the member through a reduction in the unit price. Additional expenses are not included within the 0.75% Scheme AMC / 0.3% AMC + 1.8% monthly contribution charge as appropriate.

The investment manager has confirmed that the additional charge of 0.02% in relation to the LGIM Global Equity FW 50:50 Index Fund is excluded from the additional expenses that have to be taken into account for charge cap comparison purposes, because it relates to the holding of the assets in the fund rather than the management of the fund.

2. Transaction costs are for the 12 months from 1 October 2017 to 30 September 2018
3. Transaction costs are incurred within the running of the fund and are therefore borne by members through a reduction in the unit price. 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% in the table above on grounds of prudence.

Source: Based on information provided by LGIM

The Scheme website [www.workerspensiontrust.co.uk/members](http://www.workerspensiontrust.co.uk/members) has relevant information on Scheme charges and members are notified of annual charges in their annual benefit statement.

### CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

#### 3. Charges and Transaction Costs (continued)

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

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

These illustrations of the effect of costs and charges on a member's fund follow statutory guidance.

##### **Value for members**

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

During the Scheme year an investment review was undertaken and following this the Trustee is satisfied that the transaction charges for the funds remain consistent and comply with regulations. Fund charges are considered to be very low, with the exception of the JLT Growth Fund, which was replaced by the L&G Diversified Fund in July 2018 to provide better fund performance.

The default arrangement, performance and charges applied to the funds are reviewed at regular intervals to enable the Trustee to assess value for members. The Trustee also ensures, so far as reasonably practicable, that all costs and charges borne by members are transparent and communicated clearly to Scheme members at the point of selection, to enable them to make a value for members assessment. All fund information and factsheets are available on the Scheme website and members made aware of where to find them via the annual benefit statements.

In making its value for members judgements the Trustee appreciates that low costs do not necessarily mean better value and therefore have also considered factors such as: the quality of customer service; member communications and support; scheme design; the efficiency of administrative services; the robustness of scheme governance; fund management and performance of the funds in the context of the investment objectives. A full analysis is set out in the Trustee's Value for Members Assessment as at October 2018, which is attached as Appendix 3a and 3b.

#### 4. Trustee Knowledge and Understanding

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

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

The Trustee Directors are conversant with the Scheme's Trust Deed and Rules and the Statement of Investment Principles. The Trustee Directors also have extensive knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of Scheme assets, which enables them to properly exercise their functions as the Trustee of the Scheme. The Trustee Board is supported on technical matters by professional advisers where required and this includes attendance of professional advisers at relevant Trustee Board meetings. In October 2017- October 2018 the Trustee Board engaged with professional advisers on a number of occasions to assist with Trustee decisions in various areas. The Trustee evaluates adviser performance annually.

CHAIRMAN’S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

**4. Trustee Knowledge and Understanding (continued)**

The effectiveness of the Trustee Board is reviewed annually by self-assessment and for the year ended 31 October 2018 this review was completed in July 2018. This review looks into individual Trustee knowledge and understanding and whether the Trustee Board has sufficient knowledge and skills for the role of Trustee. It also reviews steps which need to be taken to address any training gaps. The Trustee Directors self-assess their knowledge through a Training Needs Analysis Questionnaire which forms the basis of the annual training provided by the Trustee’s pension consultant, JLT Employee Benefits. Training Logs are maintained. Details of the training undertaken during the year are set out below.

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

Training	Date Completed
Statement of Investment Principles	07-Dec-17
Custodian Arrangements	14-Feb-18
New Trustee Induction Training: <ul style="list-style-type: none"> <li>• Overview of the role of a pension trustee</li> <li>• Trust Law</li> <li>• Pensions Law</li> <li>• Running a DC Scheme</li> <li>• Fund management</li> <li>• SIP</li> </ul>	02-Aug-18
General Data Protection Regulations (GDPR)	27-Sep-18
Law relating to Trusts	27-Sep-18
Law relating to Pensions	27-Sep-18

The Trustee Directors have also received training and development over the years in relation to: the trust deed and rules; the Statement of Investment Principles (SIP); DC Code of Practice; Scheme documents; law relating to trusts and pensions; improving member outcomes; and principles relating to the funding and investment of occupational schemes. Investment performance is considered at each quarterly Trustee meeting and the SIP is reviewed formally once a year.

The Trustee Directors completed a skills matrix in June 2018. The assessment results are being used to inform the Trustee training plan for 2019.

The Trustee receives monthly current pension issue reports from the Trustee’s pension consultant, JLT Employee Benefits. This provides the Trustee with up to date knowledge in order to make informed decisions.

An annual Scheme ‘health check’ provides a full legislative update each year on the Scheme and is reviewed and considered by the Trustee.

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

**5. Non-Affiliated Trustee Requirements**

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

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

# WORKERS PENSION TRUST

YEAR ENDED 31 OCTOBER 2018

## CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

### 5. Non-Affiliated Trustee Requirements (continued)

#### Trustee Board composition

For the reporting period of this Statement, the Trustee Board consists of five Trustee Directors (one Trustee Director retired from the Board in June 2018).

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

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

The table below outlines the Trustee Board composition for this Scheme year ended 31 October 2018.

Trustee Directors	Status
A A Reynolds	Chair Non-affiliated
J R Armstrong	Affiliated
W A Doran	Affiliated
M Mulholland	Member Nominated Director Non-affiliated
C Brolly	Member Nominated Director Non-affiliated – Appointed 1 July 2018
M Keenan	Member Nominated Director Non-affiliated- Retired 30 June 2018

#### Trustee appointment process

Appointments of non-affiliated Trustee Directors are open and transparent and conducted in accordance with the Scheme's documented procedure for appointing Trustee Directors. Ciaran Brolly was appointed as a non-affiliated Trustee Director during the scheme year. The recruitment process was in accordance with the Scheme's documented procedures for appointing non-affiliated Trustee Directors from the Joint Council for the Building and Civil Engineering Industry. The Joint Council is a member representative committee. The Joint Council represents members of the scheme who are members of several trade unions.

Ciaran Brolly sits on the Joint Council as a representative of a number of trade unions that have members in the Scheme. As the outgoing non-affiliated Trustee Director was nominated from the Joint Council, the Trustee decided that his replacement should also come from the Joint Council. The Joint Council was notified of the vacancy on the Board by the Principal Employer and was invited to nominate a director. Ciaran Brolly was nominated by the Joint Council and was appointed to the Board on 1 July 2018.

The terms of office for the Trustee Directors were reviewed in May 2018 in line with the legislative requirements.



CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

**6. Members' Views**

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

The following are in place:

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

"The Trustees of the Scheme are interested to hear your views on any aspect of the Scheme. You may contact us via our website, e-mail: [info@workerspensiontrust.co.uk](mailto:info@workerspensiontrust.co.uk), telephone 028 9087 7142 or write to us at the address below."

- The contact section of WPT website includes the wording:

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

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

and asks for suggestions for providing a better service.

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



Signed: .....

**Chairman of the Trustee of Workers Pension Trust**

**Date:** 11 March 2019

WORKERS PENSION TRUST

APPENDIX 1: STATEMENT OF INVESTMENT PRINCIPLES

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Workers Pension Trust

Statement of Investment Principles

February 2019

# Contents

<b>1</b>	<b>Introduction .....</b>	<b>1</b>
<b>2</b>	<b>Investment responsibilities .....</b>	<b>2</b>
2.1	Trustee’s duties and responsibilities .....	2
2.2	Investment adviser’s duties and responsibilities .....	2
2.3	Investment managers’ duties and responsibilities .....	3
2.4	Summary of responsibilities .....	3
<b>3</b>	<b>Investment objectives.....</b>	<b>4</b>
<b>4</b>	<b>Investment strategy and fund selection.....</b>	<b>5</b>
4.1	Lifestyle Transition Strategy .....	5
4.2	WPT Growth Fund .....	6
4.3	WPT Volatility Reduction Fund.....	6
4.4	WPT Capital Protection Fund .....	6
4.5	Fund choices.....	7
4.6	Types of investments to be held .....	7
4.7	Additional contributions.....	7
4.8	Social, environmental and ethical policy.....	8
4.9	Corporate governance and voting policy .....	8
<b>5</b>	<b>Risk .....</b>	<b>9</b>
<b>6</b>	<b>Monitoring of investment adviser and manager .....</b>	<b>10</b>
6.1	Investment adviser .....	10
6.2	Investment managers.....	10
<b>7</b>	<b>Code of best practice .....</b>	<b>11</b>
<b>8</b>	<b>Compliance.....</b>	<b>12</b>
	<b>Appendix 1: Lifestyle transition strategy.....</b>	<b>13</b>
	<b>Appendix 2: Investment manager information .....</b>	<b>14</b>
	<b>Appendix 3: Principles for investment governance of defined contribution work based pension schemes .....</b>	<b>16</b>
	<b>Appendix 4: Responsibilities of parties .....</b>	<b>17</b>

# 1. Introduction

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

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

In preparing the Statement, the Trustee has:

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

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

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

## 2. Investment responsibilities

### 2.1 Trustee's duties and responsibilities

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

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

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

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

### 2.2 Investment adviser's duties and responsibilities

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

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

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

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

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

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

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

## 2.3 Investment managers' duties and responsibilities

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

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

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

The Trustee considered a range of active and passive approaches to investment management and assessed these against its investment objectives. The Trustee selected an investment manager having regard to its ability to provide one or more of the identified fund types and its 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 manager is responsible for all decisions concerning the selection and de-selection of the individual stocks within the portfolio it manages.

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

The investment manager engaged by the Trustee is authorised and regulated by the FCA.

The investment manager is remunerated by ad valorem charges based on the value of the assets that it manages 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 the manager.

## 2.4 Summary of responsibilities

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

### 3. Investment objectives

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

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

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

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

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

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

## 4. Investment strategy and fund selection

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

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

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

In order to deal with the risks identified in Section 3 of this Statement, the Trustee has structured the investments of the WPT Lifestyle 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 Scheme'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, and also have an option of taking up to 100% of their funds as cash, part of which would be subject to their marginal tax rate. Members 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 protection 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 and WPT E Volatility Reduction Fund for WPT E members aim 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.

## 4.2 WPT Growth Fund

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

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

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

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

## 4.3 WPT Volatility Reduction Fund

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

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

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

The Trustee has agreed to invest the assets of the WPT Diversified Fund into the 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.

## 4.6 Types of investments to be held

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

## 4.7 Additional contributions

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

## **4.8 Social, environmental and ethical policy**

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

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

The Trustee will be giving further consideration to Environment, Social and Governance factors in 2019 and updating the Statement of Investment Principles accordingly.

## **4.9 Corporate governance and voting policy**

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

## 5. Risk

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

### Solvency risk and mismatching risk

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

### Manager risk

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

### Liquidity risk

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

### Political risk

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

### Corporate governance risk

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

### Sponsor risk

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

## 6. Monitoring of investment adviser and manager

### 6.1 Investment adviser

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

### 6.2 Investment 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 JLTEB where there are questions or concerns.

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

## 7. Code of best practice

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

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

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

## 8. Compliance

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

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

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

Signed on behalf of the Workers  
Pension Trust Limited

WA Doran

JR Armstrong

On

16-6-2015

16-6-2015

Full Name

W A DORAN

J R ARMSTRONG

Position

CHAIRMAN

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 WPT Volatility Reduction Fund was transferred from Enhance 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 will initially invest with the following investment manager:

- Legal and General Investment Management ("LGIM")

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

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

### Investment funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency	Annual investment management fees <sup>1</sup>
<b>WPT Growth Fund</b>				
LGIM Global Equity (50:50) Index Fund	Composite Index of 50% UK equities and 50% overseas equities	To track the benchmark	Daily	0.145% 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	0.125%p.a.
<b>WPT Capital Protection Fund</b>				
LGIM Sterling Liquidity Fund	7 Day LIBID	The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return	Daily	0.125% p.a.
<b>Additional Freestyle Funds</b>				
<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	0.30% p.a.
<b>WPT Annuity Protection Fund</b>				
LGIM Pre-Retirement Fund <sup>3</sup>	A composite of gilts and corporate bond funds that will vary	The Fund aims to provide diversified exposure to assets that reflect the	Daily	0.15% p.a.

	over time according to the appropriate asset mix.	investments underlying a typical traditional level annuity product.		
<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	0.10% p.a.

<sup>1</sup> These are LGIM's Annual Management Charges, which are met by the Trustee from the Scheme administration charges paid by members.

<sup>2</sup> The WPT Volatility Reduction Fund was transferred from Enhance 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 Index Linked Gilt Fund is available to former members of Enhance Construction Pension Scheme - Northern Ireland.

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

## Principle 1: Clear roles and responsibilities

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

## Principle 2: Effective decision making

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

## Principle 3: Appropriate investment options

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

## Principle 4: Appropriate default strategy

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

## Principle 5: Effective performance assessment

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

## Principle 6: Clear and relevant communications

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

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

## Appendix 4: Responsibilities of parties

### Trustee

The Trustee's responsibilities include the following:

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

### Investment adviser

The Investment Adviser's responsibilities include the following:

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

### Investment manager

The Investment Manager's responsibilities include the following:

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

## **Administrator**

The Administrator's responsibilities include the following:

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

## **Custodian**

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

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

## **Workers Pension Trust**

### **Addendum to Statement of Investment Principles (February 2019)**

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#### **Investment Triggers**

A list of triggers to review investments at regular intervals 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.

# WORKERS PENSION TRUST

## APPENDIX 2a: CUMULATIVE EFFECT OF CHARGES (WPT)

### Appendix 2a Cumulative effect of charges

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member				
	WPT Lifestyle Strategy		WPT Growth Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£2,492	£2,457	£2,492	£2,457
3	£6,008	£5,885	£6,008	£5,885
5	£9,805	£9,562	£9,805	£9,562
10	£20,670	£19,970	£20,670	£19,970
15	£33,656	£32,215	£33,828	£32,379
20	£47,103	£44,668	£49,761	£47,175
25	£56,403	£53,004	£69,056	£64,816
27	£58,938	£55,190	£77,869	£72,788
Total Fees	£3,174		£3,435	

#### Assumptions

The above illustrations have been produced for an "average" member of the Scheme based on the Scheme's membership data. The majority of members are invested in the WPT Lifestyle Strategy, which is the "Default Strategy" for members who do not make an investment decision. The WPT Lifestyle Strategy comprises the WPT Growth Fund, the WPT Capital Protection Fund and WPT Volatility Reduction Fund. Further details are set out in section 1 of the Chair's Statement.

The illustration for the WPT Lifestyle Strategy assumes the member's asset allocation remains fully invested in the current default strategy.

An illustration is also shown for the WPT Growth Fund, which is the most popular self-select fund chosen by members who have opted out of the WPT Lifestyle Strategy. The illustration for the WPT Growth Fund assumes 100% of the member's assets are invested in that fund up to Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of the lost investment returns on the fees charged.

The lower projected fund value for the WPT Lifestyle Strategy reflects the de-risking that takes place as a member approaches Normal Retirement Age to protect the value of the pot against the falls that can be experienced in stock markets.

Age	38 <i>(the average age of the Scheme's membership)</i>
Scheme Retirement Age	65
Starting Pot Size	£832 <i>(the average pot size of the Scheme's membership)</i>
Starting Salary	£19,702 <i>(the average salary of the Scheme's membership)</i>
Fund Charges allowed for	0.3% Annual Management Charge

# WORKERS PENSION TRUST

## APPENDIX 2a: CUMULATIVE EFFECT OF CHARGES (WPT)

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	1.8% Contribution based charge Plus transaction costs and on-going expenses based on information from the current Scheme year
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a. ( <i>i.e. inflation</i> )
Employer annual contributions	3% p.a. ( <i>auto-enrolment minimums from April 2019</i> )
Employee annual contributions	5% p.a. ( <i>auto-enrolment minimums from April 2019</i> )
Expected future nominal returns on investment:	
• Default Strategy	
○ WPT Growth Fund	6.5%p.a.
○ WPT Volatility Reduction Fund	1.8%p.a.
○ WPT Capital Protection Fund	1.5%p.a.
• WPT Growth Fund	6.5%p.a.



APPENDIX 2b: CUMULATIVE EFFECT OF CHARGES (WPT-E)

**Appendix 2b Cumulative effect of charges**

The compounding effect of charges on an active member’s fund can be illustrated as follows:

Illustrations for an “Average” member				
	WPT- E Lifestyle Strategy		WPT Growth Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£6,661	£6,620	£6,661	£6,620
3	£11,656	£11,470	£11,656	£11,470
5	£17,048	£16,629	£17,048	£16,629
10	£32,164	£30,706	£32,480	£31,006
15	£47,508	£44,382	£51,168	£47,775
20	£58,613	£53,611	£73,798	£67,335
21	£60,341	£54,965	£78,868	£71,622
Total Fees	£4,990		£5,514	

**Assumptions**

The above illustrations have been produced for an “average” member of the Scheme based on the Scheme’s membership data. The majority of members are invested in the WPT-E Lifestyle Strategy, which is the “Default Strategy” for members who do not make an investment decision. The WPT-E Lifestyle Strategy comprises the WPT Growth Fund, the WPT Capital Protection Fund and WPT Volatility Reduction Fund. Further details are set out in section 1 of the Chair’s Statement.

The illustration for the WPT-E Lifestyle Strategy assumes the member’s asset allocation remains fully invested in the current default strategy.

An illustration is also shown for the WPT Growth Fund, which is the most popular self-select fund chosen by members who have opted out of the WPT-E Lifestyle Strategy. The illustration for the WPT Growth Fund assumes 100% of the member’s assets are invested in that fund up to Scheme retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of the lost investment returns on the fees charged.

The lower projected fund value for the WPT- E Lifestyle Strategy reflects the de-risking that takes place as a member approaches Normal Retirement Age to protect the value of the pot against the falls that can be experienced in stock markets.

Age	44 <i>(the average age of the Scheme’s membership)</i>
Scheme Retirement Age	65
Starting Pot Size	£4,304 <i>(the average pot size of the Scheme’s membership)</i>
Starting Salary	£23,562 <i>(the average salary of the Scheme’s membership)</i>
Fund Charges allowed for	0.75% Annual Management Charge Plus transaction costs and on-going expenses based on information from the current Scheme year

# WORKERS PENSION TRUST

## APPENDIX 2b: CUMULATIVE EFFECT OF CHARGES (WPT-E)

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Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a. ( <i>i.e. inflation</i> )
Employer annual contributions	4% p.a.
Employee annual contributions	5% p.a.
Expected future nominal returns on investment:	
• Default Strategy	
○ WPT Growth Fund	6.5%p.a.
○ WPT Volatility Reduction Fund	1.8%p.a.
○ WPT Capital Protection Fund	1.5%p.a.
• WPT Growth Fund	6.5%p.a.

# Workers Pension Trust

Delivering Value for Members

October 2018



## Contents

Executive Summary .....	1
Introduction.....	2
1.0 Scheme Governance .....	5
2.0 Design.....	9
3.0 Investment.....	11
4.0 Administration.....	15
5.0 Communications.....	17
6.0 Charges .....	19
7.0 Do we provide value for members? .....	22
Appendix 1.....	23

### Executive Summary

Workers Pension Trust is a workplace pension scheme, governed by a Chair and Trustee Members (Workers Pension Trust Limited) who have a legal obligation to assess Workers Pension Trust on an annual basis and report on whether the scheme is providing value for members for the charges that they pay.

This document sets out the Trustees' assessment of value for members, based on the Pensions Regulator guidance.

The Pensions Regulator (tPR), the UK regulator of workplace pension schemes, whose objective is to protect the benefits of members and maximise compliance, issues regulatory guidance to help the Trustees assess whether Workers Pension Trust provides value for members.

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

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

### Introduction

A Value for Members (VfM) review is conducted annually and summarised in the Chair's Statement published in the Scheme's Annual Report and Accounts. The most recent VfM review was carried out between November 2017 and October 2018.

The scope of this VfM assessment goes beyond solely looking at value for money, and considers broader elements of good value such as the way Workers Pension Trust is governed, how it is administered, our investment approach and quality of services. As membership of Workers Pension Trust is comprised mainly of low to medium earners, costs and charges is a prime consideration for the Trustees.

### The Principles of our Assessment

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

#### 1. *Governance:*

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

#### 2. *Design:*

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

#### 3. *Investment:*

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

#### 4. *Administration:*

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

#### 5. *Communications:*

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

#### 6. *Charges:*

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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

# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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### Quantitative Assessment Approach:

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

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



### 1.0 Scheme Governance

#### Governance standards

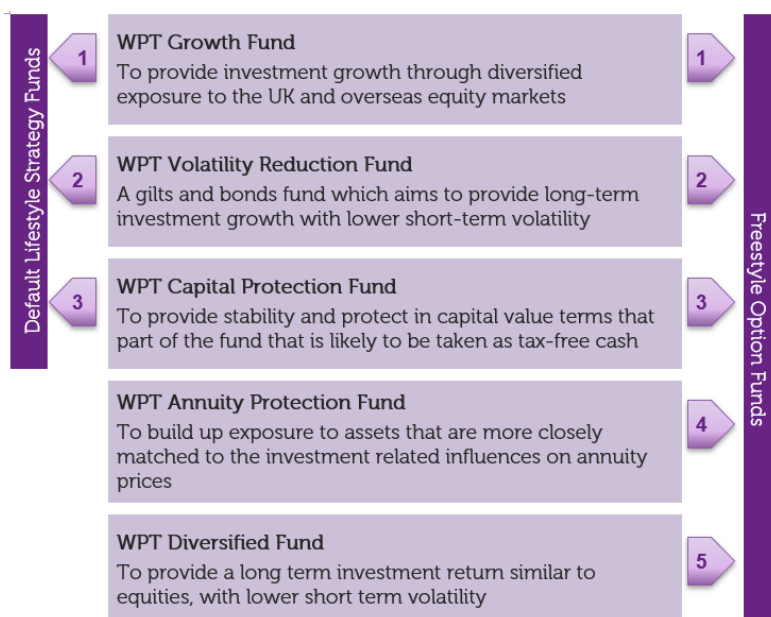
Workers Pension Trust (WPT) is set up under Trust to ensure assets are protected. This means that there are no shareholders or owners. The scheme is governed by a Board of Trustee Directors who ensure that WPT is run in the best interests of its Members, and in accordance with scheme rules and the law.

In February 2017 WPT attained the Master Trust Assurance Framework quality standard and is the first scheme in Northern Ireland to receive this recognition. The assurance is based on the framework developed by the Institute of Chartered Accountants England and Wales (ICAEW), in partnership with the Pensions Regulator. It is a voluntary, independently audited annual assessment of how we operate against a series of control objectives relating to governance and administration.

#### Investment principles and standards

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

**Figure 1 WPT Default Lifestyle Strategy and Freestyle Option**



The Statement of Investment Principles (SIP) outlines the principles of governing investments and the activities undertaken by the Trustees to ensure the effective implementation of these

APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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principles. It sets out how decisions about investment of pension contributions must be made for the benefit of WPT members.

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

### Trustee oversight & risk management

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

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

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

**Continuity Strategy:** Trustees have a Continuity Strategy in place. The purpose of this Strategy is to address how Member entitlements are to be protected in the event of the scheme being wound up.

### Evaluation of Governance

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

# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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

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

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

## 2.0 Design

### Overview

Workers Pension Trust (WPT) is a trust based, defined contribution scheme which was specifically developed to meet the auto-enrolment needs of businesses predominantly based in Northern Ireland. The in-house scheme administrator has over 35 years' experience in operating a multi-employer trust-based pension scheme. Trustees have taken professional investment advice, and have designed a default investment strategy for member accounts to be invested in mainstream pooled investment funds accessed through Legal & General Assurance (Pensions Management) Limited.

### Open to all

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

### Flexible contribution structure

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

### Additional features

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

### Evaluation of Design

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

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

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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

### 3.0 Investment

#### Current investment choices

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

The funds available to members of Workers Pension Trust (WPT) are set out in Table 1.

**Table 1 WPT Investment Funds**

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

The default approach for WPT members is a Lifestyle Strategy which is designed to deliver a balance of investment growth and protection appropriate to different stages of the scheme membership. This is set out in Table 2 and switches investments from an initial Foundation phase (up to age 30), through to the Growth phase (between the ages of 32-49) and finally to the Protection phase (from the age of 50), as a member approaches retirement.

- Foundation Phase**

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

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

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

# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

**Table 2 Default Lifestyle Strategy**

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

### Review of fund performance

At each Trustee meeting, the Trustee Board reviews the performance of the investment funds against their respective benchmarks and targets using the fund managers' investment reports. The investment consultant monitors the performance of the Trust's investment managers and advises the Trustees of any significant developments relating to the funds managed on behalf of WPT members. In February 2018, the Trustee decided to change the composition of the WPT Diversified Fund to replace the JLT Growth Fund with the LGIM Diversified Fund to provide better value for members.

### Default Lifestyle Strategy fund performance

As described above, the Default Lifestyle strategy is invested in a mix of funds and WPT also makes available a number of optional funds for members who wish to make their own investment choices.

Table 3 focuses on the growth stage of the main auto-enrolment (AE) default funds in the market. Members will remain in this type of investment for most of their working lives, often until at least age 55 years when they can start taking their benefits. Therefore, it is very important these savings deliver good returns.

The information used in this assessment is sourced from AE Watch; an initiative set up by Professional Pensions and JLT Employee Benefits to examine the investment performance of DC default funds. For anonymity reasons, the pension providers have not been named against their ranking. The study does however include a list of pension providers involved in this comparison, see Appendix 1.



# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

**Table 3: Default Growth Fund Performance: Three year annualised returns**

Provider	Fund performance
1: WPT	8.37%
2	8.24%
3	7.84%
4	7.81%
5	7.60%
6	6.88%
7	6.80%
8	6.66%
9	6.00%
10	5.83%
11	4.66%

Table 3 highlights how the WPT Growth Fund has the highest fund performance, with the greatest return over a three-year period compared to the other 10 default growth funds.

The WPT Growth Fund is invested in the L&G Global Equity (50:50) Index fund. It aims to provide investment growth through exposure to UK and overseas equity markets.

The strong performance of the WPT Growth Fund reflects the positive equity markets over the period and the fact that it invests solely in equities. This represents a positive message for WPT members.

Source: Financial Express, JLT Data. Data is three years to 31 March 2018, published in AE Watch: How DC defaults are performing (7 June 2018)

### Investment Returns v Industry Benchmarks

The Trustees have reviewed the performance of the funds used by WPT within the Default Lifestyle Strategy from March 2016 - March 2018. A breakdown of fund performance in relation to investment returns versus benchmark returns is highlighted in Table 4. The performance of the three funds this period largely mirrors the benchmark return figures, which indicates the three funds are performing as expected. Where there are variances from benchmark figures (ranging from 0.06%-0.28%), the funds have performed above their benchmarks.

# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

**Table 4 Default Strategy Funds: Investment Returns vs Benchmark Returns 2016-2018**

2018 Default Strategy Funds	Return	Benchmark	Variance
L&G Global Equity (50:50) Index	2.50%	2.43%	0.07%
L&G Sterling Liquidity Fund	0.37%	0.22%	0.15%
L&G Volatility Reduction Fund	0.06%	-0.03%	0.09%

2017 Default Strategy Funds	Return	Benchmark	Variance
L&G Global Equity (50:50) Index	27.44%	27.20%	0.24%
L&G Sterling Liquidity Fund	0.48%	0.20%	0.28%
L&G Volatility Reduction Fund	8.71%	8.65%	0.06%

2016 Default Strategy Funds	Return	Benchmark	Variance
L&G Global Equity (50:50) Index	-2.57%	-2.69%	0.12%
L&G Sterling Liquidity Fund	0.56%	0.36%	0.20%
L&G Volatility Reduction Fund	7.63%	7.56%	0.07%

### Evaluation of Investment

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

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

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

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

### 4.0 Administration

#### Business model

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

#### Handling of member contributions

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

#### Maintenance of member records

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

#### Information security

The Trustees take the protection of member data seriously. There are security controls and back up processes in place to protect member data. Data is held in accordance with WPT's General Data Protection Policy and Procedures.

#### Complaint handling

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

#### Preparation of financial statements

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

#### Evaluation of Administration

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

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

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

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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

### 5.0 Communications

#### Customer service

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

#### Clear member communication

WPT is committed to producing clear, accurate and understandable materials that are appropriate for its members. A range of communication channels are used to keep members updated, such as face-to-face, post, email and through the WPT website. Members are updated on costs and charges, investment choices, and how they can access their retirement savings. Members are directed to other sources of guidance and advice, including The Pensions Advisory Service, the Money Advice Service, Pension Wise and the JLT Pension Decision Service.

A communications plan is regularly reviewed and tailored to meet the needs of members. WPT also provides a range of workplace communication templates to ensure employers are communicating effectively with employees, with regard to their pensions.

The Trustees listen to member feedback via online surveys and make regular improvements based on this. In our most recent survey, 90% of members who used the WPT website found it easy to use.

#### Support at retirement

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

Members at retirement have the option to:

- ✓ Take their whole pot as cash
- ✓ Get a guaranteed income (an annual pension or annuity) with an insurance company
- ✓ Take some of their pot as cash and use the rest to get a guaranteed income with an insurance company
- ✓ Keep their pot invested and take it at a later date

Members are directed towards the Pension Wise service which provides impartial guidance and information to members to help them make a decision on how to take their pension pot. Members are also warned about pensions scams.

The scheme operates a telephone helpline to assist members with completing their retirement forms. Surveys are also issued to retired members in order to gain feedback as to the effectiveness of retirement communications. In our retirement customer surveys for 2018, members rated our service 9 out of 10 for excellence.

### Evaluation of Communication

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

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

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

The Trustees have concluded that a score of 2: 'Meets expectations' is appropriate. Trustees are confident that communication with members is sufficient and understandable. WPT directs members to sources of guidance and advice to plan for their retirement and there is sufficient information available to members through the website. A member portal is being developed which will allow members to access their pension fund information online, change their investment choices, update their beneficiary nominations, view their annual benefit statements, model the impact of paying higher contributions, as well as view news articles and updates from the scheme.

### 6.0 Charges

Workers Pension Trust (WPT) is run on a not-for-profit basis, however, the scheme does need to cover the costs of managing the pension fund. These are made up of:

- An Annual Management Charge (AMC) of 0.3% which is deducted off the value of the pension fund each year.  
For example: If the fund is worth £4800 this means that the AMC for that year would be £14.40.
- A contribution charge of 1.8% which is deducted on each contribution going into the pension fund.  
For example: £20 is added to the fund each month. The contribution charge would then be £0.36 per month or a total of £4.32 per year.
- Transaction costs which are the cost of buying and selling investments on a member's behalf. These costs are minimal.

The scheme's overall charge structure is equivalent to approximately 0.496% AMC which is within the 0.75% cap on members' charges for schemes used for auto enrolment and therefore offers members a competitive rate.

### Comparison of charges

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

#### i. Ongoing Charges

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

Ongoing Charges	WPT	NEST <sup>(1)</sup>	Now Pensions <sup>(2)</sup>	The People's Pension <sup>(3)</sup>	Welplan <sup>(4)</sup>
Percentage of members pot taken as a charge per year (AMC*)	0.3%	0.3%	0.3%	0.5%	0.6%
Percentage of each contribution paid in taken as a charge	1.8%	1.8%	n/a	n/a	n/a
Monthly administration charge	n/a	n/a	£1.50	n/a	n/a

\*AMC – Annual Management Charge

(1) NEST 'Information about costs and charges' – January 2018

(2) NOW Pensions 'Auto enrolment costs and charges' – May 2018

(3) The People's Pension 'Costs & Charges' – March 2014

# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

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*(4) Welplan Pensions 'Scheme Charging Structure' – July 2017*

The table illustrates how Workers Pension Trust offers value for money with regard to ongoing charges for members, when compared to other pension schemes.



# WORKERS PENSION TRUST

## APPENDIX 3a: VALUE FOR MEMBERS ASSESSMENT (WPT)

### ii. Transaction Costs

There can potentially be costs incurred internally within funds in relation to the investment manager's buying and selling of different stocks and securities. These are often referred to as 'transaction costs'. Some types of investment have higher transaction costs than others but are an essential part of the investment manager's operation of the fund.

Transaction costs aren't included in the annual management charge. The impact of transaction costs on each member's accumulated fund will depend on their particular investment choices.

There are a number of methods used to calculate transaction costs which can result in a lack of consistency. Typical average transaction costs for schemes' default investment options are highlighted in table below;

	Transaction Costs
Workers Pension Trust <sup>(1)</sup>	0.00-0.02%
NEST <sup>(2)</sup>	0.003-0.063%
NOW Pensions <sup>(3)</sup>	0.00%
The People's Pension <sup>(3)</sup>	0.04%

(1) Transaction costs for the 12 months from 1 October 2017 to 30 September 2018. Based on information provided by LGIM.

(2) NEST 'Annual report and accounts 2017/18'

(3) NOW Pensions 'Costs & charges'

(4) The People's Pension 'One pager from The People's Pension: Transaction costs' - January 2017

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

### Evaluation of Costs

The Trustees have considered costs and charges in relation to the scheme in this section. WPT's costs are reasonable when compared to the terms members might experience in other schemes. The scheme's overall charge of approximately 0.496% falls below the regulatory cap of 0.75% and therefore offers members a competitive rate. Furthermore, the scheme's transaction costs are also reasonable compared to those of the other providers shown. To assist evaluation of costs, the Trustees have adopted a scoring table:

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

The Trustees have concluded that a score of 3: 'Exceeds expectations' is appropriate. Trustees are confident that the cost of joining the scheme is reasonable in relation to the range and quality of the services provided and outcomes achieved for members.

### 7.0 Do we provide value for members?

The Trustees' assessment is based on six considerations which highlight how Workers Pension Trust (WPT) provides value for members:

1. Governance: WPT has excellent standards of governance as shown by achieving the Master Trust Assurance Framework quality standard. WPT is set up to deliver good outcomes for members and scheme objectives are being met.
2. Design: WPT is a well-designed scheme which is fit for purpose. It is set up to be open and flexible to members, and inclusive of all types of businesses.
3. Investment: investment funds on offer present sufficient choice for members. Related charges are fair in relation to the outcomes and benefits received by members, and investment returns delivered to members are in line with industry benchmarks.
4. Administration: the scheme is administered appropriately with the service provided being reliable, timely and accurate.
5. Communications: sufficient information is provided to members in an easy-read format. WPT directs members to sources of guidance and advice to plan for their retirement and there is sufficient information available to members through the website.
6. Costs: the cost of joining WPT is reasonable in relation to the range and quality of the services provided and compared to the terms WPT members might experience in other schemes that are available to them.

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

## Appendix 1

The following main pension providers were included in the WPT fund performance comparison and are listed in no particular order.

Provider	Top 10 Default Growth Funds
Aegon	Default Equity & Bond Lifestyle
Aviva	Diversified Assets Fund 2
Friends Life	My Future Growth
L&G	LGIM Multi Assets Fund
Royal London	RL Governed Portfolio 4
Scottish Widows	Pension Portfolio 2
Standard Life	Active Plus 3
Zurich	Zurich Passive Multi-Asset 4
The People's Pension	Global Investments up to 85% shares
Mercer	Mercer Growth fund

Our local team is here to help

028 9087 7142

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# Workers Pension Trust

Delivering Value for WPT-E Members

October 2018



## Contents

Executive Summary .....	1
Background to WPT-E .....	2
Introduction.....	2
1.0 Scheme Governance .....	4
2.0 Design.....	7
3.0 Investment.....	8
4.0 Administration.....	12
5.0 Communications.....	15
6.0 Charges .....	17
7.0 Do we provide value for members? .....	19
Appendix 1.....	20

### Executive Summary

Workers Pension Trust is a workplace pension scheme, governed by a Chair and Trustee Members (Workers Pension Trust Limited) who have a legal obligation to assess Workers Pension Trust on an annual basis and report on whether the scheme is providing value for members for the charges that they pay.

This document sets out the Trustees' assessment of value for members, based on the Pensions Regulator guidance.

The Pensions Regulator (tPR), the UK regulator of workplace pension schemes, whose objective is to protect the benefits of members and maximise compliance, issues regulatory guidance to help the Trustees determine whether Workers Pension Trust provides value for members.

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

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

### Background to WPT-E

On 30 July 2018, participating employers and members of the Enhance Construction Pension Scheme Northern Ireland (Enhance) transferred to Workers Pension Trust on the same terms and conditions applicable to them under Enhance.

With effect from 30 July 2018, pension benefits are held under a new section of Workers Pension Trust, known as 'WPT-E'.

This assessment focuses on Value for Members for WPT-E members.

### Introduction

A Value for Members (VfM) review is conducted annually and summarised in the Chair's Statement published in the Scheme's Annual Report and Accounts. The most recent VfM review was carried out between November 2017 and October 2018.

The scope of this VfM assessment goes beyond solely looking at value for money, and considers broader elements of good value such as the way Workers Pension Trust is governed, how it is administered, our investment approach and quality of services. As membership of Workers Pension Trust is comprised mainly of low to medium earners, costs and charges is a prime consideration for the Trustees.

### The Principles of our Assessment

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

#### 1. *Governance:*

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

#### 2. *Design:*

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

#### 3. *Investment:*

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



## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

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### 4. *Administration:*

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

### 5. *Communications:*

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

### 6. *Charges:*

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

### Quantitative Assessment Approach:

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

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

### 1.0 Scheme Governance

#### Governance standards

Workers Pension Trust (WPT) is set up under Trust to ensure assets are protected. This means that there are no shareholders or owners. The scheme is governed by a Board of Trustee Directors who ensure that WPT is run in the best interests of its Members, and in accordance with scheme rules and the law.

In February 2017 WPT attained the Master Trust Assurance Framework quality standard and is the first scheme in Northern Ireland to receive this recognition. The assurance is based on the framework developed by the Institute of Chartered Accountants England and Wales (ICAEW), in partnership with the Pensions Regulator. It is a voluntary, independently audited annual assessment of how we operate against a series of control objectives relating to governance and administration.

#### Investment principles and standards

The Trust Deed and Rules specifies the investment powers of the Trustees. Trustees receive professional advice from an investment consultant in order to agree an investment strategy which is designed to be appropriate for the majority of scheme members and meet the changing investment needs of a typical pension investor as they progress through life towards retirement. This is known as a Default Lifestyle Strategy. If a member does not wish to be part of the Lifestyle Strategy they have the option to make their own investment choices from 6 investment funds (see Figure 1). This is known as the Freestyle Option and includes an additional Annuity Protection Fund, Diversified Fund and Index-Linked Gilts Fund. The investment performance of the 6 funds is monitored by the Trustees on a quarterly basis.

# WORKERS PENSION TRUST

## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

Figure 2 WPT Default Lifestyle Strategy and Freestyle Option



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

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

### Trustee Oversight & Risk Management

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

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

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

**Continuity Strategy:** Trustees have a Continuity Strategy in place. The purpose of this Strategy is to address how Member entitlements are to be protected in the event of the scheme being wound up.

### Evaluation of Governance

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

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

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

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

### 2.0 Design

#### Overview

In July 2018, Enhance Construction Pension Scheme Northern Ireland (Enhance) members transferred to Workers Pension Trust on the same terms and conditions applicable to them under Enhance. Pension benefits are now held under a new section of Workers Pension Trust, known as 'WPT-E'. The WPT-E section of the scheme is only open to those employers and employees who transferred from Enhance. This section has been specifically developed to meet the pension needs and auto-enrolment duties of the construction industry in Northern Ireland.

Workers Pension Trust also offers a separate section which is available to all employers and is suitable for all employees. This section of the scheme was specifically developed to meet the auto-enrolment needs of businesses predominantly based in Northern Ireland. It accommodates both weekly and monthly paid employees from all business sectors and provides the same service regardless of whether their employer is a small or a large company, and regardless of their level of contributions.

The in-house scheme administrator of Workers Pension Trust has over 35 years' experience in operating a multi-employer trust-based pension scheme. Trustees have taken professional investment advice and have designed a default investment strategy for member accounts to be invested in mainstream pooled investment funds accessed through Legal & General Assurance (Pensions Management) Limited.

#### Additional features

Workers Pension Trust offers a localised NI service without the use of call-centres. The scheme also provides lump sum death in service cover.

#### Evaluation of Design

The Trustees have considered various aspects of the design of the scheme in this section. The scheme offers a separate section (WPT-E) which has been specifically designed for those members who transferred from Enhance. The scheme also offers a separate section which is open to all employers, regardless of level of contributions or size of employer, where everyone can benefit from all the services on offer. To assist evaluation of design, the Trustees have adopted a scoring table:

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

The Trustees have concluded that a score of 3: 'Exceeds expectations' is appropriate. Trustees are confident that WPT is a well-designed scheme which is fit for purpose. Trustees are confident the scheme is meeting the agreed objectives and is affordable and understandable to members.

### 3.0 Investment

#### Current Investment Choices

A member can invest in a maximum of 6 funds at any one time as agreed by the Trustees based on the advice of the investment consultant. The Trustees believe this is an optimum number, as to provide wider choice could confuse the membership and create inertia. It would not provide value given the small number of members (approx. 2%) who do not select the default fund. Members may switch once per annum without incurring a charge. Subsequent switches would incur a charge in the region of £150 plus VAT. This charge would be confirmed to the member for their approval prior to the switch taking place. There is no charge for undertaking quarterly switches completed as part of the Default Lifestyle Strategy.

The funds available to members of Workers Pension Trust (WPT) are set out in Table 1 below.

**Table 3 WPT Investment Funds**

<b>WPT Growth Fund</b> (L&G Global Equity Fixed Weights (50:50) Index Fund)	A passively managed equity fund
<b>WPT Capital Protection Fund</b> (L&G Sterling Liquidity Fund)	A cash and money market investment fund
<b>WPT Volatility Reduction Fund</b> (L&G Under 15 Year Index Linked Gilt Fund and All Stocks AAA-AA-A Corporate Bond Fund)	A passively managed bond fund
<b>WPT Annuity Protection Fund</b> (L&G Pre-Retirement Fund)	A strategically managed bond fund
<b>WPT Diversified Fund</b> (L&G Diversified Fund)	A diversified growth fund
<b>WPT Index-Linked Gilts Fund</b> (L&G Over 5 Year Index-Linked Gilts Index Fund)	A passively managed index-linked gilts fund

The default approach for WPT members is a Lifestyle Strategy which is designed to deliver a balance of investment growth and protection appropriate to different stages of the scheme membership. This is set out in see Table 2 and switches investments from an initial Foundation phase (up to age 30), through to the Growth phase (between the ages of 32-49) and finally to the Protection phase (from the age of 50), as a member approaches retirement.

- **Foundation Phase**  
The foundation phase aims to provide both stability and investment growth. Members' funds are split 50/50 during this phase between the WPT Growth Fund and the WPT Capital Protection Fund.
- **Growth Phase**  
The growth phase aims to maximise the potential for growth through 100% equity investment. The WPT Growth Fund is used for the growth phase.
- **Protection Phase**  
The protection phase is based on the assumption that the member retires at 65 years. This phase starts at age 50 and is completed at age 65. To spread market timing risk, quarterly switches are in place to transition members' funds. At age 65 members' funds will be invested 100% in the WPT Capital Protection Fund.

# WORKERS PENSION TRUST

## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

**Table 4 Default Lifestyle Strategy**

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

### Review of Fund Performance

At each Trustee meeting, the Trustee Board reviews the performance of the investment funds against their respective benchmarks and targets using the fund managers' investment reports. The investment consultant monitors the performance of the Trust's investment managers and advises the Trustees of any significant developments relating to the funds managed on behalf of WPT members. In February 2018, the Trustee decided to change the composition of the WPT Diversified Fund to replace the JLT Growth Fund with the LGIM Diversified Fund to provide better value for members.

### Default Fund Performance

As described above, the Default Lifestyle strategy is invested in a mix of funds and WPT also makes available a number of optional funds for members who wish to make their own investment choices.

Table 3 focuses on the growth stage of the main auto-enrolment (AE) default funds in the market. Members will remain in this type of investment for most of their working lives, often until at least age 55 years when they can start taking their benefits. Therefore, it is very important these savings deliver good returns.

The information used in this assessment is sourced from AE Watch; an initiative set up by Professional Pensions and JLT Employee Benefits to examine the investment performance of DC default funds. For anonymity reasons, the pension providers have not been named against their ranking. The study does however include a list of pension providers involved in this comparison, see Appendix 1.

# WORKERS PENSION TRUST

## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

**Table 3: Default Growth Fund Performance: Three year annualised returns**

Provider	Fund performance
1: WPT	8.37%
2	8.24%
3	7.84%
4	7.81%
5	7.60%
6	6.88%
7	6.80%
8	6.66%
9	6.00%
10	5.83%
11	4.66%

Table 3 highlights how the WPT Growth Fund has the highest fund performance, with the greatest return over a three-year period compared to the other 10 default growth funds.

The WPT Growth Fund is invested in the L&G Global Equity (50:50) Index fund. It aims to provide investment growth through exposure to UK and overseas equity markets.

The strong performance of the WPT Growth Fund reflects the positive equity markets over the period and the fact that it invests solely in equities. This represents a positive message for WPT members.

Source: Financial Express, JLT Data. Data is three years to 31 March 2018, published in AE Watch: How DC defaults are performing (7 June 2018)

### Investment Returns v Industry Benchmarks

The Trustees have reviewed the performance of the funds used by WPT within the Default Lifestyle Strategy from March 2016 - March 2018. A breakdown of fund performance in relation to investment returns versus benchmark returns is highlighted in Table 4. The performance of the three funds this period largely mirrors the benchmark return figures, which indicates the three funds are performing as expected. Where there are variances from benchmark figures (ranging from 0.06%-0.28%), the funds have performed above their benchmarks.



# WORKERS PENSION TRUST

## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

**Table 4 Default Strategy Funds: Investment Returns vs Benchmark Returns 2016-2018**

2018 Default Strategy Funds	Return	Benchmark	Variance
L&G Global Equity (50:50) Index	2.50%	2.43%	<b>0.07%</b>
L&G Sterling Liquidity Fund	0.37%	0.22%	<b>0.15%</b>
L&G Volatility Reduction Fund	0.06%	-0.03%	<b>0.09%</b>

2017 Default Strategy Funds	Return	Benchmark	Variance
L&G Global Equity (50:50) Index	27.44%	27.20%	<b>0.24%</b>
L&G Sterling Liquidity Fund	0.48%	0.20%	<b>0.28%</b>
L&G Volatility Reduction Fund	8.71%	8.65%	<b>0.06%</b>

2016 Default Strategy Funds	Return	Benchmark	Variance
L&G Global Equity (50:50) Index	-2.57%	-2.69%	<b>0.12%</b>
L&G Sterling Liquidity Fund	0.56%	0.36%	<b>0.20%</b>
L&G Volatility Reduction Fund	7.63%	7.56%	<b>0.07%</b>

### Evaluation of Investment

The Trustees have considered various aspects of the investment strategy and this section highlights that investment options are well managed. A professional investment consultancy service is utilised to advise Trustees on investments. Each investment option is regularly reviewed and monitored against key investment principles. Members have sufficient choice in terms of their investment options, with WPT offering 6 funds in which to invest. The scheme also provides a Default Lifestyle Strategy which is designed to deliver a balance of investment growth and protection appropriate to different stages of scheme membership. These funds are performing in line with their benchmark figures and are meeting the objectives set out in the Statement of Investment Principles. The WPT Growth Fund has performed very well in comparison to other default growth funds.

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

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

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

### 4.0 Administration

#### Business Model

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

#### Handling of member contributions

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

#### Maintenance of member records

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

#### Information security

The Trustees take the protection of member data seriously. There are security controls and back up processes in place to protect member data. Data is held in accordance with WPT's General Data Protection Policy and Procedures.

#### Complaint handling

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

#### Preparation of financial statements

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

#### Evaluation of Administration

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

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

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

# WORKERS PENSION TRUST

## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

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

### 5.0 Communications

#### Customer service

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

#### Clear member communication

WPT is committed to producing clear, accurate and understandable materials that are appropriate for its members. A range of communication channels are used to keep members updated, such as face-to-face, post, email and through the WPT website. Members are updated on costs and charges, investment choices, and how they can access their retirement savings. Members are directed to other sources of guidance and advice, including The Pensions Advisory Service, the Money Advice Service, Pension Wise and the JLT Pension Decision Service.

A communications plan is regularly reviewed and tailored to meet the needs of members. WPT also provides employers with a range of workplace communication templates to ensure employers are communicating effectively with employees, with regard to their pensions.

The Trustees listen to member feedback via online surveys and make regular improvements based on this. In our most recent survey, 90% of members who used the WPT website found it easy to use.

#### Support at retirement

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

Members at retirement have the option to:

- ✓ Take their whole pot as cash
- ✓ Get a guaranteed income (an annual pension or annuity) with an insurance company
- ✓ Take some of their pot as cash and use the rest to get a guaranteed income with an insurance company
- ✓ Keep their pot invested and take it at a later date

Members are directed towards the Pension Wise service which provides impartial guidance and information to members to help them make a decision on how to take their pension pot.

Members are also warned about pensions scams.

The scheme operates a telephone helpline to assist members with completing their retirement forms. Surveys are also issued to retired members in order to gain feedback as to the effectiveness of retirement communications. In our retirement customer surveys for 2018, members rated our service 9 out of 10 for excellence.

### Evaluation of Communication

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

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

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

The Trustees have concluded that a score of 2: 'Meets expectations' is appropriate. Trustees are confident that communication with members is sufficient and understandable. WPT directs members to sources of guidance and advice to plan for their retirement and there is sufficient information available to members through the website. A member portal is being developed which will allow members to access their pension fund information online, change their investment choices, update their beneficiary nominations, view their annual benefit statements, model the impact of paying higher contributions, as well as view news articles and updates from the scheme.

### 6.0 Charges

Workers Pension Trust (WPT) is run on a not-for-profit basis, however, the scheme does need to cover the costs of managing the pension fund. These are made up of:

- An Annual Management Charge (AMC) of 0.75% which is deducted off the value of the pension fund each year, which complies with the charges cap.

For example: If the fund is worth £1,000 this means that the AMC for that year would be £7.50.

- Transaction costs which are the cost of buying and selling investments on a member's behalf. These costs are minimal.

### Comparison of charges

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

#### i. Ongoing Charges

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

Ongoing Charges	WPT-E	NEST <sup>(1)</sup>	Now Pensions <sup>(2)</sup>	The People's Pension <sup>(3)</sup>	Welplan <sup>(4)</sup>
Percentage of members pot taken as a charge per year (AMC*)	0.75%	0.3%	0.3%	0.5%	0.6%
Percentage of each contribution paid in taken as a charge	n/a	1.8%	n/a	n/a	n/a
Monthly administration charge	n/a	n/a	£1.50	n/a	n/a

\*AMC – Annual Management Charge

(1) NEST 'Information about costs and charges' – January 2018

(2) NOW Pensions 'Auto enrolment costs and charges' – May 2018

(3) The People's Pension 'Costs & Charges' – March 2014

(4) Welplan Pensions 'Scheme Charging Structure' – July 2017

# WORKERS PENSION TRUST

## APPENDIX 3b: VALUE FOR MEMBERS ASSESSMENT (WPT-E)

### ii. Transaction Costs

There can potentially be costs incurred internally within funds in relation to the investment manager's buying and selling of different stocks and securities. These are often referred to as 'transaction costs'. Some types of investment have higher transaction costs than others but are an essential part of the investment manager's operation of the fund.

Transaction costs aren't included in the annual management charge. The impact of transaction costs on each member's accumulated fund will depend on their particular investment choices.

There are a number of methods used to calculate transaction costs which can result in a lack of consistency. Typical average transaction costs for schemes' default investment option are highlighted in table below;

	Transaction Costs
WPT-E <sup>(1)</sup>	0.00-0.01%
NEST <sup>(2)</sup>	0.003-0.063%
NOW Pensions <sup>(3)</sup>	0.00%
The People's Pension <sup>(3)</sup>	0.04%

(1) Transaction costs for the 12 months from 1 October 2017 to 30 September 2018. Based on information provided by LGIM.

(2) NEST 'Annual report and accounts 2017/18'

(3) NOW Pensions 'Costs & charges'

(4) The People's Pension 'One pager from The People's Pension: Transaction costs' - January 2017

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

### Evaluation of Costs

The Trustees have considered costs and charges in relation to the scheme in this section. WPT's cost is reasonable when compared to the terms members might experience in other schemes. The scheme's overall charge of 0.75% falls within the regulatory cap of 0.75%. Furthermore, the Scheme's transaction costs are also reasonable compared to those of the other providers shown. To assist evaluation of costs, the Trustees have adopted a scoring table:

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

The Trustees have concluded that a score of 2: 'Meets expectations' is appropriate. Trustees are confident that the cost of joining the scheme is reasonable in relation to the range and quality of the services provided and outcomes for members. The Trustee will keep the charging structure under review.

### 7.0 Do we provide value for members?

The Trustees' assessment is based on six considerations which highlight how Workers Pension Trust (WPT) provides value for members:

7. Governance: WPT has excellent standards of governance as shown by achieving the Master Trust Assurance Framework quality standard. WPT is set up to deliver good outcomes for members and scheme objectives are being met.
8. Design: WPT is a well-designed scheme which is fit for purpose. It is set up to be open and flexible to members, and inclusive of all types of businesses. The Scheme's WPT-E section has been specifically designed for those members who transferred from Enhance.
9. Investment: investment funds on offer present sufficient choice for members. Related charges are fair in relation to the outcomes and benefits received by members, and investment returns delivered to members are in line with industry benchmarks.
10. Administration: the scheme is administered appropriately with the service provided being reliable, timely and accurate.
11. Communications: sufficient information is provided to members in an easy-read format. WPT directs members to sources of guidance and advice to plan for their retirement and there is sufficient information available to members through the website.
12. Costs: the cost of joining WPT is reasonable in relation to the range and quality of the services provided and compared to the terms WPT members might experience in other schemes that are available to them.

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



## Appendix 1

The following main pension providers were included in the WPT fund performance comparison and are listed in no particular order.

<b>Provider</b>	<b>Top 10 Default Growth Funds</b>
Aegon	Default Equity & Bond Lifestyle
Aviva	Diversified Assets Fund 2
Friends Life	My Future Growth
L&G	LGIM Multi Assets Fund
Royal London	RL Governed Portfolio 4
Scottish Widows	Pension Portfolio 2
Standard Life	Active Plus 3
Zurich	Zurich Passive Multi-Asset 4
The People's Pension	Global Investments up to 85% shares
Mercer	Mercer Growth fund

Our local team is here to help

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