

Workers Pension Trust

YEAR ENDED 31 OCTOBER 2016



CHAIRMAN'S ANNUAL STATEMENT REGARDING DC GOVERNANCE

This statement is produced pursuant to **Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015**. It explains how the Trustee of Workers Pension Trust has fulfilled the statutory governance standards that apply to occupational pension schemes which provide benefits on a money purchase basis during the scheme year ended on 31st October 2016.

1. Default Arrangement

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

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

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

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

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

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

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

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

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

The Trustee is legally required to review both the default strategy and the performance of the default arrangement:

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

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

The Trustee is also legally required to revise the Statement of Investment Principles after every review, unless it decides that no action is needed.

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

2. Financial Transactions

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

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

To obtain assurance that the required standards are consistently achieved, the Trustee monitors quarterly the performance of Construction First Limited, JLT Benefit Solutions Limited and the investment managers who are responsible for the administration of the Scheme.

3. Charges and Transaction Costs

Management Charges

To meet the Scheme administration and investment management costs, the Trustee currently deducts 0.3% annually from the value of members' funds and a monthly charge of 1.8% is applied to contributions. This equates to an AMC of 0.465% which is below the charges cap of 0.75% as determined by Regulation.

Investment fund annual management charges

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

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

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

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

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

Transfer charges

There can potentially be a cost associated with transferring between funds. This is embedded in the prices used by the investment managers when buying and selling units in their funds and will typically be below 0.6% of the value of the assets transferred. Cash type funds do not incur any charges in switching.

Value for members

The Trustee considers that the charges detailed above represent reasonable value for money 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.

In making its value for money judgements the Trustee also considers factors such as managers' service levels and the quality of their information materials and systems.

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 money assessment.

4. Trustee Knowledge and Understanding

Under sections 247 and 248 of the Pensions Act 2004 the Directors of the Trustee are required to possess acceptable levels of knowledge and understanding of pensions matters so as to be properly able 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 toolkit within 6 months of appointment.

The Trustee's pension consultant, JLT Employee Benefits, provides regular 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. Regular training, both internal and external, is provided to the Trustee Directors.

The Trustee Directors also self-assess their knowledge which forms the basis of the annual training provided by JLT Employee Benefits.

5. Non-Affiliated Trustee Requirements

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

The Chairman's Statement as at 31 October 2015 included details of how the non-affiliated Trustee requirements have been met in accordance with The Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015.

The terms of office for the Corporate Trustee and Trustee Directors were reviewed in June 2016 in line with the legislative requirements.

6. Members' Views

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

The following are in place:

- A welcome pack to new entrants includes a paragraph "We welcome your views".
"The Trustee of the Scheme are interested to hear your views on any aspect of the Scheme. You may contact us via our website, e-mail: info@workerspensiontrust.co.uk, telephone 028 9087 7142 or write to us at the address below. In order to deal with your enquiry promptly, please quote the reference above together with your full name in all correspondence."
- The contact section of WPT website includes the wording:
"We would be happy to hear from you and would welcome your feedback on any aspect of the Scheme. Send us your comments or questions using the form below":
- A member survey is issued to retiring members asking them to rate our customer service in the following areas:
 - Written communication
 - Telephone communication
 - Accuracy
 - Timelinessand asks for suggestions for providing a better service.

Signed: A A Reynolds
Chairman of the Trustee of Workers Pension Trust

Date: 23 February 2017

Appendix 1

Statement of Investment Principles governing decisions about investments for the purposes of the default arrangement

The Statement of Investment Principles has been prepared by Workers Pension Trust Ltd (the 'Trustee') as Trustee of Workers Pension Trust ('the Scheme') 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 Trust and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, JLT Investment Consulting 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.

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, so each of the Trustee Directors wish to contribute directly to the formulation of investment policy and to the monitoring of the Trust's investment managers. Moreover, the Trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

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

- Setting of investment objectives and formulating investment strategy;
- Selecting funds for member choice;
- The regular review and 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.

The Trustee has appointed JLT Investment Consulting as the independent investment adviser to the Trust.

The Trustee may seek advice from JLT Investment Consulting 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.

JLT Investment Consulting monitors the performance of the Trust's investment managers against their benchmarks.

JLT Investment Consulting 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.

The Trustee selected investment managers having regard to their ability to provide one or more of the identified fund types and their potential to meet the investment objectives of the fund.

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. The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default lifestyle strategy and has determined its investment policy in a way that it considers to address these risks.

The Trustee will review the investment strategy on an annual basis, and make changes as and when it is considered to be appropriate.