

WORKERS PENSION TRUST

YEAR ENDED 31 DECEMBER 2020

CHAIR'S ANNUAL STATEMENT REGARDING DC GOVERNANCE

1. Introduction

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

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

The Trustee Board of Workers Pension Trust ("WPT", "the Scheme") is required to produce a yearly statement to describe how these governance requirements have been met in relation to:

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

This statement covers the period from 1 January 2020 to 31 December 2020, the 2020 Scheme Year ("the Scheme Year").

Governance Standards

New regulations came into force on 1 October 2018 to raise the standards for master trust pension schemes to provide greater security and protection for members. This required master trusts to submit to a rigorous process of review by the Pensions Regulator and obtain authorisation to continue operating. The Scheme received authorisation from the Pensions Regulator in August 2019. Authorisation creates safeguards by ensuring master trusts are run by fit and proper people, have the right systems and processes in place and are financially sustainable. The Trustee Board continues to work closely with the Pensions Regulator and share our commitment to run the Scheme effectively to deliver the best possible outcomes for members.

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

Acquisition of Construction First Limited by Cushon MT Ltd

The funder of WPT, Construction First Limited, was purchased by the Cushon MT Ltd on 1 June 2021. The Trustee are supportive of the proposal that Cushon will become the Scheme Funder and believe that they are suitable for this role, as a result of their holistic approach to workplace savings, market leading technology propositions, experience as an approved scheme funder of the Cushon MT Ltd and the extensive experience of the senior management team.

Furthermore, the Trustee believe that the acquisition is likely to enhance value for members which will be beneficial to the membership, particularly in areas where the Trustee recognises that there are areas for improvement. Further information on value for members can be found later in this statement.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

2. Default investment arrangement

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

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

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

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

Structure of the default arrangement

The default lifestyle strategy is in place to switch investments from an initial Foundation phase (up to age 31), through to the Growth phase (between the ages of 32 to 49) and finally to the Protection phase (from the age of 50), as a member approaches retirement with the aim of protecting members in the lead up to retirement from sudden market movements. The main investment objectives of the three phases are as outlined below:

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

The main objectives of the Trustee Board's default arrangement is outlined in the Statement of Investment Principles (SIP) dated 29 September 2020 which is provided in Appendix 1 of this statement. The Trustee's main objective is to provide members with an investment strategy aligned to their needs that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

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

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

2. Default investment arrangement (continued)

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

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

In considering appropriate investments for WPT, the Trustee Board will obtain and consider written advice from the Investment Advisor, whom the Trustee Board believes to be suitably qualified to provide such advice. The advice received and strategies implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

The Trustee Board is currently reviewing the appropriateness of the default arrangement for members and completed the first stage of its strategic review during on 12 April 2021.

Review of the Default Arrangement

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

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

The last full review of the investment strategy was completed on 7 December 2017, when it was agreed that, based on the member investment profile of the scheme, the current default investment arrangement remained appropriate for the time being. Whilst we recognise that the current strategy review was not formally started until April 2021, the Trustees were setting their objectives with their new advisor in the run up to this and are comfortable they are taking the actions necessary to comply with their obligations.

Following the acquisition of JLT by Mercer, any investment advice provided by JLT would be classed as 'non-independent'. The Trustee Board agreed that they were not comfortable with this approach and agreed to appoint a new Investment Advisor.

The Trustee Board appointed Hymans Robertson as Investment Advisor as a result of this in July 2020, with the main priority identified as progressing the review of the current strategy.

In the latter part of 2020, the Trustee Board agreed a new set of objectives for the Master Trust in conjunction with their new advisers. This followed a workshop to consider potential long-term goals aligned with member needs, with the intention of driving future investment decisions.

The first stage of the formal review of investment strategy was completed on 12 April 2021. This focused on the design of the default strategy and how the Trustee can improve member outcomes. The Trustee expects to have the investment strategy review completed by the Trustee meeting on 1 December 2021.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

2. Default investment arrangement (continued)

Review of the Default Arrangement (continued)

As part of the review of the default arrangement undertaken on 12 April 2021, the Trustee Board considered the following issues:

- The historic performance of the default arrangement against the investment objectives which the Trustee Board had set, to align it with the needs of the membership. This included monitoring the factors underlying this performance including asset allocation and transaction costs;
- The performance, in terms of investment returns and investment risk, of the default arrangement in comparison to other master trusts' default arrangements;
- The performance of the default arrangement funds against their benchmarks;
- The membership demographics of WPT to ensure the default arrangement remains appropriate;
- The fund range and whether it remains appropriate;
- The option to include responsible investments, taking into account environmental, social and governance (ESG) factors;
- DC market developments and whether these are appropriate for WPT; and
- A review of other fund managers as an alternative to LGIM, WPT's current fund manager.

The investment advisor recommended the following:

- That the Trustee removes the foundation phase of the investment strategy.
- To evolve the equity approach to incorporate responsible investment considerations and a factor-based equity strategy (which take into account a range of factors affecting investment returns).
- Introduce a wider variety of assets to the consolidation phase, with a focus on delivering stronger future returns.
- Protect members from the risk that results from the falling value of currency, in the pre-retirement and at-retirement phases.
- Provide a variety of different glidepath options to suit a wider proportion of members.
- Start to reduce member's risk at 15 years from retirement.

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

The SIP includes the Trustee Board's policies on risk, return and other financially material considerations (including responsible investing which considers environmental, social and governance (ESG) factors). It also outlines how WPT's default investment arrangement is intended to ensure that assets are invested in the best interests of members. During 2021 for the first time, the Trustee is required under new legislation to produce an Implementation Statement. This covers any changes to the SIP over the scheme year, how the policies within the SIP have been adhered to and also monitors the voting and engagement of the fund's investment managers amongst other things. The implementation statement forms part of the Annual Trustee Report and Accounts for the year ending 31 December 2020.

The Trustee Board reviews the SIP annually, in conjunction with its investment advisor. This annual review commenced at the August 2020 Trustee Board meeting and was signed on 29 September 2020. The Trustee Board agreed to undertake further work on the default arrangement and fund range in 2021, for which details will be provided in next year's Chair Statement.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

2. Default investment arrangement (continued)

Performance

The Trustee Board monitors the performance of the investment funds offered by WPT quarterly, including those funds, which make up the default arrangement through investment reports received from LGIM, the investment manager and a quarterly investment monitoring report from Hymans Robertson, their investment advisor.

Based on the above, the Trustee Board has concluded that all funds within the default Lifestyle Strategy and funds outside the default arrangement have performed in line with expectations over the quarterly periods covered by this Statement except for the L&G Diversified Fund, which has underperformed relative to its benchmark over the past 5 years. The Trustee will continue to monitor this fund and more details of this underperformance can be found in the section covering the performance of other investment options.

The Trustee is currently reviewing the default arrangement to improve the chance of delivering on the objectives of WPT.

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

Other investment options

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

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

The Trustees carry out an in-depth review of the performance and suitability of these other investment options at least every 3 years. In keeping with the Pensions Regulator's guidance, the Trustee also carries out an annual, high-level review of the performance and suitability of these other investment options. There were no issues identified with the funds outside of the default arrangement except the L&G Diversified Fund, which is explained below.

Performance of the default arrangement:

The following table shows the performance, gross of fees, of each of the funds that make up the default arrangement alongside their benchmarks for the 1 and 3 year time periods.

Underlying Fund	1 Year Return (% p.a.)		3 Year Return (% p.a.)	
	Fund	Benchmark	Fund	Benchmark
L&G Index Linked Gilts Fund	12.40	12.38	6.15	6.13
L&G Diversified Fund	5.76	12.83	5.66	9.85
L&G Pre-Retirement Fund	11.16	11.12	7.07	7.01

Source: LGIM

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

2. Default investment arrangement (continued)

Performance of the other investment options:

The following table shows the performance of each of the funds that are offered outside of the default arrangement alongside their benchmarks for the 1 and 3 year time periods.

Underlying Fund	1 Year Return (% p.a.)		3 Year Return (% p.a.)	
	Fund	Benchmark	Fund	Benchmark
LGIM Sterling Liquidity Fund	0.35	0.13	0.61	0.39
LGIM Under 15 Year Index Linked Gilt Fund	3.24	3.23	2.55	2.54
LGIM All Stocks 6A Corporate Bond Fund	7.21	7.15	4.71	4.60
LGIM Global Equity (50:50) Index Fund	1.26	1.15	4.10	4.03

Source: LGIM

The L&G Index Linked Gilts Fund performed broadly in line with the benchmark whilst the L&G Pre-retirement Fund outperformed the benchmark by 0.04%. The L&G Diversified Fund underperformed the benchmark by 7.07% over the 12 months to 31 December 2020. This can be partly explained by the comparator (FTSE Developed World Index – 50% Hedged), as it is different in composition to the fund itself since it only tracks equity returns. Whilst the long term returns of the fund are expected, by the manager, to be broadly similar to a developed market equity fund, it may perform less strongly than a pure equity fund in stable or positive market conditions, as has been shown in the second half of 2020, as markets rallied following the end of the first lockdowns of the COVID-19 pandemic. This is because the fund holds 20%-50% in bonds at any one time, with the remaining 50%-80% being invested in a diverse range of assets including equities, commodities and property. This may indicate that the fund manager's return expectations are incorrect since the fund has significantly underperformed over the 1, 3 and 5 year period.

3. Administration (processing core financial transactions)

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

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

The Trustee Board delegates the processing of financial transactions to Mercer (third party administrator) and Construction First Limited (in-house administrator). The Trustee Board requires the administrators to meet high standards through service level agreements ("SLAs") which set out the range of services to be delivered and expectations around processing core financial transactions accurately and promptly.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

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

Some examples relating to the processing of core financial transactions are set out in the table below.

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

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

To obtain assurance that the required standards are consistently achieved during the Scheme Year, the Trustee Board received quarterly performance reports from the administrators (which has been reviewed by the independent auditors as part of the AAF 05/20 Master Trust Assurance Framework). The reports covered a wide range of issues including (but not limited to) administration performance, receipt and investment of contributions, cash management, transfers in to and out of WPT, data validation and record keeping, complaints and retirement requests. This is used by the Trustee Board to assess whether the administrators are meeting the requirements in the SLAs covering, for example, quality, accuracy and timeliness of information. The Trustee Board also reviews member feedback including any complaints on a quarterly basis.

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

During the Scheme Year, the Trustee Board reviewed reporting on the completeness and accuracy of common and conditional data by Mercer. Common data validation is completed annually and was last completed in Q3 2020 achieving an overall rating of 98%. Common data includes for example: names, addresses, dates of birth, and national insurance numbers of members. Conditional data validation is completed every three years and was last completed in Q3 2020 achieving an overall rating of 92.6%. Conditional data includes for example: salaries and details of investments of members. The Trustee Board recognises that quality data is essential to good governance.

The Trustee Board commissions an annual independent assurance report in accordance with the AAF 05/20 Master Trust Assurance Framework, which provides assurance on WPT's overall control framework including the processing of core transactions. This involves an independent auditor testing a sample of core transactions for accuracy and timeliness.

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

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

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

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

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

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

Overall, 99% of work was issued within the agreed SLA with Mercer during the Scheme Year which meets the expected target of 95% and above.

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

An extensive review of administration services was conducted during 2016 and will be reviewed again during 2021.

WPT's administrators have confirmed to the Trustee Board that there are adequate internal controls to ensure that core financial transactions relating to WPT are processed promptly and accurately. The Trustee Board is satisfied that over the Scheme Year:

- The administrators were operating appropriate procedures, checks and controls and operating within the agreed SLAs;
- There have been no material administration errors in relation to processing core financial transactions; and
- Core financial transactions have been processed promptly and accurately during the Scheme Year.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

4. Member borne charges, costs and expenses

The charges and costs for investment management, investment transactions, administration, governance and communications are borne by members.

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

Terms used in this section

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

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

Charges for the WPT section

The charges quoted in this Statement are the funds' TERs. The TER includes the AMC and additional expenses. While the AMC is fixed at 0.3% p.a. for most funds, additional expenses, and hence the TER, can vary slightly from day to day. The only exception to this is the Sterling Liquidity Fund, where the AMC is 0.29% p.a. for members who are in this fund in the default arrangement. Members incur the effects of additional expenses in addition to the AMC and additional expenses through a reduction in the unit price. The Trustee Board makes an adjustment to the AMC deduction for members in the default strategy. This adjustment is determined to offset the effect of the additional expenses applicable to a member's holding in the LGIM Sterling Liquidity Fund. There is also an MCC of 1.8% p.a. applied to members' ongoing contributions. Please see Appendix 2a for an illustration of the charges incurred by members in the WPT section.

Charges for the WPTE Section

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

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

4. Member borne charges, costs and expenses (continued)

Transaction costs

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

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

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: stockbroker commissions and stamp duty (or other withholding taxes). These are examples rather than an exhaustive list.

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance. Transaction costs applicable to a member's holding in the LGIM Global Equity FW 50:50 Index Fund are excluded from the additional expenses that must be taken into account for charge cap comparison purposes. This is because it relates to the holding of the assets in the fund rather than the management of the fund.

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

The charges and transaction costs have been supplied by the Legal and General Assurance Services (LGAS), WPT's investment platform provider. For the purposes of the member illustrations shown in Appendix 2, we have taken the average of 3 years' worth of transaction costs. DWP guidance suggests that 5 years' transaction costs are used as an average. Given the relatively new requirements we expect that going forward historic information will improve to enable 5 years information to eventually be used.

The default arrangement is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year.

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

For Members in the WPT Section:

Default Strategy Funds	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 Dec 2020	Transaction Costs (% p.a.) over the year to 31 Dec 2020	Total Costs (% p.a.) over the year to 31 Dec 2020	£ cost per £1,000 fund value
WPT Growth Fund	LGIM Global Equity FW 50:50 Index Fund	0.30%	0.01%	0.33%	£3.26
WPT Capital Protection Fund	LGIM Sterling Liquidity Fund	0.30%	0.00%	0.30%	£3.00
WPT Volatility Reduction Fund	Composite of the following funds:	0.30%	0.00%	0.30%	£3.02
	LGIM AAA-AA-A Bonds-All Stocks Index	0.30%	0.00%	0.30%	£3.00
	LGIM Under 15 Year Index-Linked Gilts	0.30%	0.03%	0.33%	£3.30

WORKERS PENSION TRUST

YEAR ENDED 31 DECEMBER 2020

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

4. Member borne charges, costs and expenses (continued)

Transaction costs (continued)

For Members in the WPT Section (continued):

Non-default Funds (self-selection)	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 Dec 2020	Transaction Costs (% p.a.) over the year to 31 Dec 2020	Total Costs (% p.a.) over the year to 31 Dec 2020	£ cost per £1,000 fund value
WPT Diversified Fund	LGIM Diversified Fund	0.31%	0.00%	0.31%	£3.14
WPT Index Linked Gilts Fund	LGIM Over 5 Year Index-Linked Gilts	0.30%	0.10%	0.40%	£4.00
WPT Annuity Protection Fund	LGIM Pre-Retirement	0.30%	0.03%	0.33%	£3.26
WPT Growth Fund	LGIM Global Equity FW 50:50 Index Fund	0.32%	0.01%	0.33%	£3.26
WPT Capital Protection Fund	LGIM Sterling Liquidity Fund	0.31%	0.00%	0.31%	£3.10
WPT Volatility Reduction Fund	Composite of the following funds:	0.30%	0.00%	0.30%	£3.02
	LGIM AAA-AA-A Bonds-All Stocks Index	0.30%	0.00%	0.30%	£3.00
	LGIM Under 15 Year Index-Linked Gilts	0.30%	0.03%	0.33%	£3.30

Source: LGIM

Please Note:

- Members are also subject to a 1.8% Member Contribution Charge ("MCC") which is not summarised in this table.
- The TERs include the 0.3% p.a. AMC that applies for all funds except members in the default strategy invested in the Sterling Liquidity Fund where the AMC is 0.29% p.a.
- TERs are for the 12 months to 31 December 2020.
- Transaction costs are for the 12 months to 31 December 2020. Where the transaction costs provided from the investment manager for a particular fund were negative (i.e. would have been a credit to members due to the methodology used by the manager in the calculations), they have been presented as 0.00% p.a. in the table above on grounds of prudence.

WORKERS PENSION TRUST

YEAR ENDED 31 DECEMBER 2020

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

4. Member borne charges, costs and expenses (continued)

Transaction costs (continued)

For Members in the WPTE Section:

Default Strategy Funds	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 Dec 2020	Transaction Costs (% p.a.) over the year to 31 Dec 2020	Total Costs (% p.a.) over the year to 31 Dec 2020	£ cost per £1,000 fund value
WPT Growth Fund	LGIM Global Equity FW 50:50 Index Fund	0.75%	0.01%	0.78%	£7.76
WPT Capital Protection Fund	LGIM Sterling Liquidity Fund	0.75%	0.00%	0.75%	£7.50
WPT Volatility Reduction Fund	Composite of the following funds:	0.75%	0.00%	0.75%	£7.52
	LGIM AAA-AA-A Bonds-All Stocks Index	0.75%	0.00%	0.75%	£7.50
	LGIM Under 15 Year Index-Linked Gilts	0.75%	0.03%	0.78%	£7.80

Non-default Funds (self-selection)	Underlying Fund	Total Expense Ratio (% p.a.) over the year to 31 Dec 2020	Transaction Costs (% p.a.) over the year to 31 Dec 2020	Total Costs (% p.a.) over the year to 31 Dec 2020	£ cost per £1,000 fund value
WPT Diversified Fund	LGIM Diversified Fund	0.76%	0.00%	0.76%	£7.64
WPT Index Linked Gilts Fund	LGIM Over 5 Year Index-Linked Gilts	0.75%	0.10%	0.85%	£8.50
WPT Annuity Protection Fund	LGIM Pre-Retirement	0.75%	0.03%	0.78%	£7.76
WPT Growth Fund	LGIM Global Equity FW 50:50 Index Fund	0.77%	0.01%	0.78%	£7.76
WPT Capital Protection Fund	LGIM Sterling Liquidity Fund	0.76%	0.00%	0.76%	£7.60
WPT Volatility Reduction Fund	Composite of the following funds:	0.75%	0.00%	0.75%	£7.52
	LGIM AAA-AA-A Bonds-All Stocks Index	0.75%	0.00%	0.75%	£7.50
	LGIM Under 15 Year Index-Linked Gilts	0.75%	0.03%	0.78%	£7.80

Source: LGIM

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

4. Member borne charges, costs and expenses (continued)

Transaction costs (continued)

For Members in the WPTE Section (continued):

Please Note:

1. The TERs include the 0.75% AMC for WPT-E members for all funds except members in the default strategy invested in the Sterling Liquidity Fund where the AMC is 0.74% p.a.
2. TERs are for the 12 months to 31 December 2020.
3. Transaction costs are for the 12 months to 31 December 2020. Where the transaction costs provided from the investment manager for a particular fund were negative (i.e. would have been a credit to members due to the methodology used by the manager in the calculations), they have been presented as 0.00% p.a. in the table above on grounds of prudence.

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

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

Cumulative effect of costs and charges

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

An illustration of the compounding effect of costs and charges on a WPT-E (formerly members of the Enhance Construction Pension Scheme Northern Ireland) active member's retirement savings has been produced and is set out in Appendix 2b.

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

Security of Assets

In November 2020, the Trustee reviewed information from the platform provider on the provider's financial health and the structure of the funds used by the Trust. This involved an assessment of the Security of Assets Summary for Legal and General Assurance (Pensions Management) Limited for the year ended 31 December 2019. This was then issued to the wider Trustee Board who reviewed it in January 2021.

Value for members

The Trustee Board is committed to providing good value for members.

The Trustee Board considers that the Scheme has areas identified for improvement in terms of value for members with regard to the objectives and performance of each fund, which it monitors regularly. Whilst charges are high compared to other larger Master Trusts and schemes, they are typical for Master Trusts of a similar size to WPT.

During the Scheme Year an investment strategy review was undertaken. Following this the Trustee Board is satisfied that the transaction charges for the funds remain consistent and comply with regulations. The fund charges for the WPT section were below the charge cap of 0.5%p.a. for schemes using an MMC of between 1% and 2%. The fund charges for the WPTE section were at the annual level of the charge cap of 0.75% p.a.

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

WORKERS PENSION TRUST

YEAR ENDED 31 DECEMBER 2020

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

4. Member borne charges, costs and expenses (continued)

Value for members (continued)

In making its value for members judgements, the Trustee Board 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 summary is set out in the Trustee Board's Value for Members Assessment as at December 2020. Please see section 7 for more information.

5. Trustee Board Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2004 and the Pensions 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.

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

Induction

During the last Scheme year two new Member Nominated Trustee Directors and one new sponsor nominated Trustee Director were recruited and appointed in accordance with WPT's documented Policy for Appointing Trustee Directors and the Chair.

A rigorous process is followed for appointments to the Trustee Board to ensure that it comprises people of the right calibre who are suitably qualified to act as Trustee Directors. All Trustee Directors have completed the Pensions Regulator's Trustee Toolkit; an online learning programme designed to help Trustee Directors meet the minimum level of knowledge and understanding required by law, within 6 months of appointment. As part of bringing on a new Trustee Director, training needs are assessed and this forms part of tailored induction training. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

The new Member Nominated Trustee Directors appointed in June 2020 received tailored in-house training and external training facilitated by Hymans Robertson. The following topics were covered:

Training	Date Completed
Overview of the role of a Pension Trustee	24 Sep 20
Trust Law	24 Sep 20
Pension Law	24 Sep 20
Fund Management	24 Sep 20
Running a Defined Contribution Occupational Strategy	12 Nov 20
Investment Strategy & Statement of Investment Principles	26 Nov 20
Trust Deed and Rules	27 Nov 20
Key Scheme Documentation	27 Nov 20
Risk Register	9 Dec 20
Continuity Strategy & Triggering Events	10 Dec 20
Business Plan	10 Dec 20
Chair's Statement	10 Dec 20
Scheme Financials	17 Dec 20

A new sponsor nominated Trustee Director was appointed on 1 October 2020. This individual was previously the Company Secretary of Workers Pension Trust Ltd for eight years and received extensive Trustee training over the past eight years. Therefore, no additional induction training was required for this individual.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

5. Trustee Board Knowledge and Understanding (continued)

Trustee Board knowledge and understanding

The Trustee Directors have previously received training and development in relation to the: Trust Deed and Rules; SIP; DC Code of Practice; Scheme documents; law relating to trusts and pensions; cyber-security; administration; improving member outcomes; and principles relating to the funding and investment of occupational schemes. Investment reports are received quarterly from Hymans Robertson, Investment Advisor, and LGIM, Fund Manager. The Trustee Board considers investment performance quarterly and the SIP is reviewed formally once a year.

The Trustee Directors are conversant with WPT's Trust Deed and Rules as a result of the above training and through day to day exercise of functions such as the exercise of discretions and the use of the current SIP as a result of the annual review undertaken of the SIP. The Trustee Directors understand the principles relating to the investment of Scheme assets and are aware of the diversification of asset classes and associated risks as identified through the work on the investment strategy review and as part of the ongoing quarterly fund performance monitoring. The Trustee Directors are also aware of the Pensions Regulator's codes of practice and how they apply to WPT.

The Trustee Directors are assessed annually to ensure they have appropriate knowledge and understanding of the law relating to pensions and trusts. The Trustee Board received an update on pension issues from the Trustee Board's pension advisor during the Scheme Year. This provided the Trustee Board with up-to-date knowledge in order to make informed decisions. An annual Scheme 'health check' includes a review of Trustee knowledge and understanding and provides a full legislative update each year on the Scheme and is reviewed and considered by the Trustee.

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

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

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

The Chair is a professional Trustee and a Fellow of the Institute and Faculty of Actuaries. In her 25-year career she has gained extensive experience and knowledge, spanning the areas of pension product development, actuarial consultancy, investments, governance, risk management and project management. She has worked with both large and small pension scheme boards.

The Deputy Chair has over 40 years' experience of trade union involvement and was involved in the restructuring of Enhance and the bulk transfer of members' benefits to WPT.

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

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

5. Trustee Board Knowledge and Understanding (continued)

Trustee Board knowledge and understanding (continued)

One of Trustee Directors has many years' experience running pension schemes and previously chaired a private company pension scheme for 20 years. He also the Chair of Workers Pension Trust from 2015 to 2020, a Trustee Director of Enhance from 2008 to 2020 and Construction Benefits Scheme from 1975 to 2010 and was involved in the restructuring of Enhance and the bulk transfer of members' benefits to WPT.

A further Trustee Director has nine years' experience in the insurance sector and eight years' experience in the sale and marketing of personal, group personal and executive pensions. He holds the Chartered Insurance Institute Financial Planning Certificate and is a Fellow of the Institution of Civil Engineers and a member of the Institute of Directors. He was a Trustee Director of Enhance from 2008 to 2020 and Construction Benefits Scheme from 2008 to 2010. He was involved in the restructuring of Enhance and the bulk transfer of members' benefits to WPT. He is the Chair of Construction First Ltd (CFL), the in-house administrator of WPT, and the Chair of Construction Holiday Pay Scheme Ltd., the parent company of CFL which has over 35 years' experience administering pension schemes.

The fifth Trustee Director has over 35 years' experience in pension administration and governance and was the Company Secretary of Workers Pension Trust and Enhance. She has experience in developing and monitoring pension investment strategies, managing service providers, reviewing communication plans, and reviewing company budgets, accounts, and financial control systems. She has been a Director of Construction First Ltd and Construction Holiday Pay Scheme Ltd since 2008. Construction Holiday Pay Scheme Ltd has over 35 years' experience administering pension schemes.

A member nominated Trustee Director, has over 20 years' experience working as a HR professional and is currently a HR Director at Frylite Limited, from which she has gained governance and employment law experience. She has experience in handling employee queries in relation to their pension contributions, annual statements, and upcoming retirements. She has experience working with pension advisers and building positive working relationships.

The final Trustee Director has over 30 years' experience in accounting and payroll, managing the payroll and pension provision for a large organisation. He has experience and a working knowledge of both DB and DC pension administration. As Chief Information Officer for a large organisation. He also has experience in data policy setting and governance of data protection issues including GDPR.

The Trustee Board therefore has a varied mix of experience in a variety of areas and experiences which enriches the formal training that they undertake as a Trustee. The Trustee board therefore believes that there are a good mix of skills and experience on the Board.

Trustee Board Analysis and Training

• Trustee Skills Matrix

The Trustee Board completes a Skills Matrix annually which records the skills, knowledge, understanding and experience of the Trustee Board as a whole. The Trustee Board use a Skills Matrix as an opportunity to discuss whether the optimal mix of skills, expertise and experience is available on the Board and if the balance of skills and experience is spread across the group (not concentrated in only one or two individuals). This was used to inform the annual training plan and the Board appointment process in 2020.

The Skills Matrix assessment was completed in May 2020 and was updated again in October 2020 to incorporate newly appointed Trustee Directors Trustee.

• Training Needs Analysis Questionnaire

The Trustee Directors self-assess their knowledge through an annual Training Needs Analysis Questionnaire which highlights training gaps and informs the annual training plan. This was completed during June 2020 and identified the training requirements for Trustee Directors, both collectively and individually.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

5. Trustee Board Knowledge and Understanding (continued)

Trustee Board Analysis and Training (continued)

• Trustee Training Plan

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

Hymans Robertson, provides regular, bespoke training to the Trustee Directors on matters relating to WPT and pensions law, regulation, and best practice generally, to ensure the Trustee Directors comply with the standards defined by the Pensions Regulator. In house training is also provided. The training programme is reviewed regularly to ensure it is up to date and regular training, both internal and external, is provided to the Trustee Directors. The main areas of training completed by the Trustee Directors during the Scheme Year are outlined in the table below.

Training	Objective	Date Completed
Group Life Assurance and Death Benefit Claims	Provide an overview of rules relating to death benefit claims, terms and conditions of the Insurer and the administration process for death benefit claims	13 Feb 20
Statement of Investment Principles (SIP)	Refresher on the purpose of the SIP and overview of amendments made to the SIP to reflect the new regulatory requirements effective 1 October 2020	27 Aug 20
Role of the Master Trust	Provide an overview of Master Trusts and DC retirement choices	22 Oct 20
Legislation and Regulation	Refresher on legislation and regulation Overview of Task Force on Climate-related Financial Disclosures (TCFD)	22 Oct 20
DC Codes of Practice	Overview of Code 15: Authorisation and Supervision of Master Trusts and Code 13: Governance and administration of occupational trust-based schemes providing money purchase benefits	22 Oct 20
Asset Classes	Refresher on bonds, credit risk, equities and risk versus return	22 Oct 20
Master Trust Provider Selection	Provide an understanding of recent trends, provider review process, best-in-class and a high level assessment of WPT	22 Oct 20
Webinars from the PMI, PLSA, Legal & General and Hymans Robertson relating to a range of pension areas including responsible investing and the impact of COVID-19 on pension schemes	Provide an overview various pension related topics	Throughout 2020

Trustee Board Evaluation

The Chair of the Trustee Board commenced one-to-one meetings with Trustee Directors in November 2020. The aim is to assess how the current regime for Trustee Board meetings and our communication supports the effective functioning of the Trustee Board, and to allow Trustee Directors an opportunity to suggest any improvements, communicate any issues, and to request support as needed to ensure the Trustee Board performs to the best of its ability. The process is due to be completed by 30 June 2021.

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

WORKERS PENSION TRUST

YEAR ENDED 31 DECEMBER 2020

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

6. Trustee Board independence

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

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

Trustee Board composition

During the Scheme Year, the Trustee Board consisted of seven Trustee Directors, including two new Member Nominated Trustee Directors who were appointed on 1 June 2020 and one new Sponsor Nominated Trustee Director who was appointed on 1 October 2020.

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 WPT. Four Trustee Directors are non-affiliated to any service providers, three of which are member-nominated Trustee Directors.

Two Trustee Directors are affiliated to Construction First Limited, WPT's in-house administrator (and Scheme Funder/Sponsor). 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 have completed the Pensions Regulator's Trustee Toolkit. It was agreed that the knowledge base and wealth of experience should be retained.

One Trustee Director was deemed to be non-affiliated until 18 October 2020 and affiliated thereafter. The legislation specifies that a Trustee Director is not to be counted as non-affiliated for any one period of more than 5 years.

Further information on the Trustee Board composition for this Scheme Year ended 31 December 2020 is outlined in the table below.

Trustee Directors	Status	Date Appointed	Date of expiry of first 5-year term of office for non-affiliated purposes
Carole Ryden (Capital Cranfield Pension Trustees Limited) *	Non-affiliated	13 May 2019	12 May 2024
Ciaran Brolly	Non-affiliated	1 July 2018	30 June 2023
Tony Reynolds	Affiliated	12 June 2012**	N/A (Tony is an affiliated Trustee Director from 18 October 2020)
John Armstrong	Affiliated	12 June 2012**	N/A (John is an affiliated Trustee Director)
Shauna Mitchell	Non-affiliated	1 June 2020	31 May 2025
David Andrews	Non-affiliated	1 June 2020	31 May 2025
Margaret Maynes	Affiliated	1 October 2020**	N/A (Margaret is an affiliated Trustee Director)

* Capital Cranfield are an independent professional trustee company, meaning that Carole Ryden brings additional experience and knowledge.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

6. Trustee Board independence (continued)

Master Trusts must disclose how the non-affiliated Trustee Director requirements have been met. (continued)

** Note that John Armstrong and Margaret Maynes are affiliated to Construction First Ltd, WPT's Funder and in-house administrator of WPT. Tony Reynolds was non-affiliated until 17 October 2020 and is affiliated thereafter, Tony is not affiliated to any service provider of WPT. Tony Reynolds and John Armstrong sat on the Trustee Board from 12 June 2012. This was prior to the implementation of the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015 on 17 July 2015, providing until 17 October 2015 to comply with the requirement for an open and transparent appointment process.

Trustee Director appointment process

Appointments of non-affiliated Trustee Directors are open and transparent and conducted in accordance with WPT's documented procedure for appointing Trustee Directors.

In seeking to recruit new Trustee Directors, the Trustee Board considers the expertise required, the balance of skills on the Trustee Board and the fitness and propriety of applicants. The terms of office for the Trustee Directors were reviewed on 27 August 2020 in line with the legislative requirements.

During the Scheme Year, two new non-affiliated Member Nominated Trustee Directors were appointed, and one new affiliated Sponsor Nominated Trustee Director was appointed.

Prior to the appointment of the three new Trustee Directors, they were required to complete the Pensions Regulator's Individual Fit and Proper Form outlining how they meet the requirements of honesty and integrity, competence, conduct and financial soundness. They were also required to complete a basic criminal record check, a Declaration of Fitness and Propriety and to declare any potential conflicts of interest.

Recruitment of non-affiliated Trustee Directors

The following open and transparent recruitment process was followed during April-May 2020 for the appointment of two new Member Nominated Trustee Directors:

- An advertisement for the positions was included on WPT's website which included a link to a brochure containing information on the position, a summary of Trustee Director duties and the selection process.
- An email was issued to members inviting them to apply for the position. An email was also issued to employers, encouraging them to make the position known to members of WPT.
- All candidates were required to complete an application form detailing their experience (including experience in Trusteeship, Pensions, Business/Financial Management, Governance, Communication/Marketing, Information Technology, Legal, Investments, and Administration).
- Eleven applications were received. Application forms were considered by a selection panel comprising of one existing Member Nominated Trustee Director (representing members of WPT), the Chair of the Trustee Board at the time, and the Managing Director of Construction First Ltd (WPT Funder/ sponsor). The selection panel assessed applications against the job specification and key criteria and shortlisted candidates to be interviewed.
- The selection panel interviewed five candidates between 20-22 May 2020 against a list of key criteria including their motivation and knowledge of the Trustee position, relevant experience/ competencies, eligibility, and time commitments.
- Following interview, the selection panel recommended the preferred candidates for appointment to the Trustee Board. Construction First Ltd (Principal Employer/ WPT Funder) appointed the individuals as Trustee Directors effective from 1 June 2020.

In our view, the process used meets the requirements for openness and transparency because the vacancies were widely advertised amongst those people eligible under the regulations that apply, applications were received from a variety of eligible candidates and the selection was made on the basis of the competencies set out in the job description which was available to candidates.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

7. Value for Members Assessment

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

The Scheme funder, Construction First Limited, was purchased by Cushon MT Ltd on 1 June 2021 (after the latest Scheme year-end). The Trustee supported the purchase and was consulted throughout the process. The Trustee believes that the acquisition has the ability to improve value for members in WPT over the longer term as a result of Cushon's scale, technological capabilities, focus on environmental, social and governance issues, financial security and innovation within the workplace pensions space. The Trustee looks forward to working with Cushon going forward and will keep members updated as things progress.

Approach

The Trustee adopted the following approach to assessing Value for Members for the year ending 31 December 2020:

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

Results for the year ending 31 December 2020

The Trustee assessed that the Scheme is performing as expected, in terms of Value for Members for the year ending 31 December 2020. Whilst acknowledging that charges (in isolation) are high for members relative to peers and there is some work required in respect of the investment strategy review, overall value for members is in line with other schemes of a similar size and with membership of a similar profile. Given the other services which members receive which the Board considers to be performing very well members e.g. good range of investment options, good and regular communications and good administration services, the Board concluded that WPT provides value for members as expected when compared to its peers.

The rating criteria used in the assessment were:

Rating	Definition
Outperforming Expectations	The Trustee considers the Scheme to be outperforming expectations in terms of value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Performing Very Well	The Trustee considers the Scheme to be performing very well in terms of value for members, providing services at better quality/cost compared with typical options for similar schemes.
Performing as Expected	The Trustee considers the Scheme to be performing as expected in terms of value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
Areas Identified for Improvement	The Trustee has identified areas for improvements in terms of value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Immediate Action Plan Created	The Trustee considers WPT to require an immediate action plan to improve value for members, as it is providing services within the bottom 20% quality/cost range compared with typical options for similar schemes.

WORKERS PENSION TRUST

YEAR ENDED 31 DECEMBER 2020

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

7. Value for Members Assessment (continued)

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

Service and weighting	Rating	Rationale
Investment	Area identified for improvement	<p>Transaction costs were less than those identified in a DWP survey of UK pension schemes.</p> <p>The Trustee is currently conducting a strategy review to make sure that the investment options remain suitable for members.</p> <p>Investment performance was in line with the funds' objectives, with the exception of the L&G Diversified Fund.</p> <p>The Statement of Investment Principles was last reviewed on 29 September 2020, when changes were made for the responsible investment policies, temporary default arrangements, risk management and the monitoring of advisors.</p> <p>WPT's investment options do not yet fully take responsible investment (including climate change) into account. However, this is being addressed within the current strategy review.</p>
Costs & Charges	Performing as expected	<p>For the WPT section, charges were compliant with the charge cap of 0.50% for schemes with a contribution charge of between 1% and 2%.</p> <p>For the WPT section, charges were compliant with the charge cap, however the LGIM Sterling Liquidity Fund requires manual reduction to ensure compliance.</p> <p>The 0.75% charge for the WPT section is above the average charge identified by the DWP Costs and Charges Survey for 2020 of 0.48% p.a. The charges are, however, broadly comparable to Master Trusts of a similar size with similar demographic profile.</p>
Design	Performing as expected	<p>The Scheme has been designed as an auto-enrolment scheme with a good contributions structure and designed with the demographics of the membership in mind. Given the relatively small pots which members will accrue it has a cash targeting default strategy which is appropriate.</p>
Administration	Performing very well	<p>WPT's administration is carried out by Mercer and CFL.</p> <p>Core financial transactions were assessed to have been processed promptly and accurately, to the extent that this can be assessed by the Service Level Agreements ("SLAs").</p> <p>WPT's administration was carried out by Mercer within the agreed service standards with 98.7% in Q1, 97.76% in Q2, 99.57% in Q3 and 99.55% in Q4 of work carried out within the agreed SLAs.</p> <p>WPT's administration was carried out by CFL within the agreed service standards with 99% in Q1, 96% in Q2, 93% in Q3 and 94% in Q4 of work carried out within the agreed SLAs.</p>

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

7. Value for Members Assessment (continued)

<p>Communication</p>	<p>Performing very well</p>	<p>Members are provided with a welcome pack, annual statements, access to a scheme website which holds all relevant documents and various surveys.</p> <p>Members have on-line access to the Benpal online portal. 90% of members say they find Benpal easy to use.</p> <p>The WPT website was accessed 100,899 times by 19,921 users over the year to 31 December 2020. 68% of these users visited the website for the first time over the year.</p> <p>A modelling tool is available for members to model contribution rate and investment choices and their impact on the value of their funds at retirement.</p> <p>Members can provide feedback to the Trustee via surveys and feedback forms. The average satisfaction rate was 9 out of 10 from 199 respondents.</p>
<p>Governance 20%</p>	<p>Areas identified for improvement</p>	<p>The Trustees met six times during the last year.</p> <p>A governance sub-committee was established during 2020.</p> <p>The Chair of Trustee Board, Carole Ryden from Capital Cranfield is an independent professional Trustee. Three new Trustees were appointed during the year to widen the Trustee board further, two of whom are member-nominated.</p> <p>The Trustee has undertaken a due diligence exercise during the early part of 2021 and raised some concerns with regards to certain aspect of ongoing governance which they are addressing. They have commissioned a full governance review using their independent advisers, Hymans Robertson which is currently underway.</p> <p>The Trustee undertook training on 8 topics during the last year including the 'Role of the Master Trust' and 'DC Codes of Practice'. Furthermore, new member nominate trustee directors undertook additional training.</p> <p>The Trustees have reviewed their own and their advisers' effectiveness during the year.</p>

8. Member feedback

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

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

- * An annual survey is issued to a sample of active members asking them their views on the following areas:
 - o WPT's website
 - o WPT's online portal
 - o Telephone support
 - o Overall customer service

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

8. Member feedback (continued)

- 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.
- The welcome pack to new entrants includes a paragraph "We welcome your views", which includes the wording: "The Trustee of WPT are interested to hear your views on any aspect of WPT. 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."
- The contact section of the WPT website includes the wording: "We would be happy to hear from you and would welcome your feedback on any aspect of WPT. Send us your comments or questions using the form below."
- Members can send a query or contact us via Benpal, the member online portal.

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

A focus group with WPT members took place on 11 August 2020 to obtain feedback on customer service and member communication.

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

The Trustee Board has recently agreed to establish a Communications sub-committee in 2021 which will aim to increase engagement with members and to obtain their feedback.

9. Further information

COVID – 19

The Trustee Board has a duty to operate WPT in the best interest of its members. This includes planning ahead of a crisis like the COVID-19 pandemic which emerged in March 2020. As a result of its comprehensive business continuity plans, the Trustee Board was well prepared, and WPT has remained fully operational, continuing to provide excellent customer service. This is outlined in Appendix 3.

Signed: *Carole Ryden*

Date: 30 June 2021

Carole Ryden
Capital Cranfield Pension Trustees Ltd
Chair of Trustee Board

WORKERS PENSION TRUST

APPENDIX 1: STATEMENT OF INVESTMENT PRINCIPLES

Workers Pension Trust

Statement of Investment Principles

September 2020

Contents

1	Introduction	1
2	Investment Responsibilities	2
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
3	Investment Objectives	4
3.1	Overall Investment Objectives	4
3.2	Self-Select Fund Choices	4
3.3	Types of investments to be held	5
3.4	Additional Contributions	5
4	Default Investment Strategy	6
4.1	Lifestyle Transition Strategy	6
4.2	WPT Growth Fund	7
4.3	WPT Volatility Reduction Fund	8
4.4	WPT Capital Protection Fund	8
4.5	Temporary default arrangements	8
4.6	Members’ Best Interests	9
5	Self-Select Fund Choices	10
6	Responsible Investing	11
6.1	Financially Material Considerations	10
6.2	Non-Financial Matters	10
6.3	Stewardship Policy	11
7	Risk	13
8	Monitoring of Investment Advisor and Manager	16
8.1	Investment adviser	16
8.2	Investment manager	16
9	Code of Best Practice	18
10	Compliance	19
	Appendix 1: Lifestyle Transition Strategy	20
	Appendix 2: Investment Manager Information	20
	Appendix 3: Responsibilities of Parties	23

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 seventh such Statement prepared for the Trust.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, whom it believes to have a degree of knowledge and experience that is appropriate for the management of the Trust's investments; and
- Consulted with the 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 include, but are not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- Selecting member fund choices
- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment 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 Mercer as the independent investment adviser to the Trust. Mercer 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 Mercer 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 Mercer 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.

Mercer monitors the performance of the Trust's investment managers against their benchmarks. In addition, Mercer is responsible for reviewing the information on total fund costs provided by the investment manager on a quarterly basis and communicating any changes to the Trustee.

Mercer 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 Mercer's manager research process, Mercer will advise the Trustee accordingly.

Mercer 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 Mercer 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. The investment manager is also responsible for providing information on the total cost of each investment fund to the investment adviser and the Trustee on a quarterly basis.

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 3.

3. Investment Objectives

3.1 Overall Investment Objectives

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

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

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

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

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

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

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

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

In considering appropriate investments for the Trust, the Trustee will obtain and consider written advice from Mercer, whom the Trustee believes to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

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

3.2 Self-Select Fund Choices

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

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

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

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

3.3 Types of investments to be held

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

3.4 Additional Contributions

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

4. Default Investment Strategy

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

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

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

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

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

Further information is set out below.

4.1 Lifestyle Transition Strategy

The Trustee has set the Trust's investment strategy taking into consideration the requirements of the 2014 Budget and the Finance Act 2014. Changes that came into force in April 2015 removed the requirement for members of Defined Contribution schemes to purchase an annuity at retirement.

Members are able to buy an annuity at retirement, should they so wish, 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 for WPT members aims to provide some form of investment growth with lower volatility compared to equities. As a member approaches retirement a larger proportion of their assets are invested into the WPT Capital Protection Fund to protect the nominal value of the member's assets.

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

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

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

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

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

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

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

The above list is indicative, not exhaustive.

4.2 WPT Growth Fund

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

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

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

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

4.3 WPT Volatility Reduction Fund

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

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

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

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

4.4 WPT Capital Protection Fund

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

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

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

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

4.5 Temporary default arrangements

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

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

4.6 Members' Best Interests

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

5. Self-Select Fund Choices

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

The Trustee has also made available the WPT Annuity Protection Fund and the WPT Diversified Fund. WPT members also have the option of investing in the WPT Index Linked Gilt Fund.

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

The Trustee has agreed to invest the WPT Annuity Protection Fund assets in the 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 the Construction Pension Scheme Northern Ireland.

In making available the WPT Diversified Fund, the Trustee is aware that DC members carry investment risk themselves and that the use of Diversified Growth Funds (DGFs) 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.

6. Responsible Investing

6.1 Financially Material Considerations

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

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

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

The Trustee notes that the Trust's assets are currently held with Legal and General Investment Management. The Trustee is satisfied that the manager takes an active approach to voting and engaging with the companies in which it invests, to encourage long term, responsible corporate behaviour.

The Trustee is in the process of reviewing the investment strategy for the Trust, and as part of this review is considering how to further incorporate ESG principles within both the WPT Lifestyle Strategy and the optional funds available to members.

The Trustee aims to complete the review of investment strategy within three to six months. Once the review is completed, the Trustee will communicate the outcome of the review to members, and will also update this Statement.

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

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

6.2 Non-Financial Matters

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

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

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

6.3 Stewardship Policy

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

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

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

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

Conflicts of interest

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

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

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

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

Voting and engagement

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

The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy and in a manner consistent with enhancing long term shareholder value.

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

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

The Trustee believes it is sometimes appropriate to actively encourage the investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee reviews the investment managers' voting activity at least annually in conjunction with their investment advisor and use this

information as a basis for discussion with the investment managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation and engagement.

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

7. Managing Risk

The Trustee is aware, and seeks to take account, of a number of risks in relation to the Trust's investments. Under the Pensions Act 2004, the Trustee is also required to state its policy regarding the ways in which risks are to be measured and managed. The Trustee monitors the age profile of the Trust's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks:

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

7.1 Principal investment risks

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

Inflation Risk

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

Pension Conversion Risk

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

Lump Sum Risk

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

Investment Return Risk

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

7.2 Other Risk

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

Manager Risk

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

Market timing risk

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

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- Younger members investing in the default lifestyle arrangement have exposure to currency risk through the WPT Growth Fund. This is managed by members maintaining their investment in the WPT Growth Fund for a long term time horizon.
- Currency risk can be more significant for members approaching retirement due to their shorter time horizon. This risk is managed by reducing the allocation to the WPT Growth Fund, and thus currency risk, as members approach retirement.

Credit Risk

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

Liquidity risk

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

Employer risk

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

Solvency risk

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

Climate change and ESG Risk

- This is the risk that climate change and Environmental, Social or Corporate Governance concerns, have a financially material impact on the return of the Trust's assets.
- The Trustee manages this risk by investing with a well-respected investment manager which takes an active approach to engaging with and influencing its investee companies and by a regular review of climate-related and ESG considerations to make sure that the Trustee's policy evolves with emerging trends and developments.

Other risks

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

8. Monitoring of Investment Adviser and Manager

8.1 Investment adviser

The Trustee assesses and reviews the performance of its investment advisor annually as part of a review of all service providers and advisors, and in accordance with the requirements set out by the Competition and Markets Authority.

8.2 Investment manager

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

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

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

Structure of the investment arrangements

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

Role of the investment managers

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

Selection of funds

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

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

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

Manager incentives

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

When selecting funds, the Trustee will ask their Investment Advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Trust's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should a fund manager be found to be giving poor value. The Trustee believes that these steps are the most

effective way of incentivising the fund managers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

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

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

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

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

Portfolio turnover

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

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

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

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

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

Portfolio duration

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

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

Realisation of investments

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

9. Code of Best Practice

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

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

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

When formulating their investment policy, the Trustee has acted in line with the Code of Practice 13.

10 Compliance

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

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

This Statement of Investment Principles, taken as a whole with the Appendices was approved by the Trustee on 29 September 2020.

Signed on behalf of Workers Pension Trust Limited	<i>A A Reynolds</i>	<i>J R Armstrong</i>
on	29 September 2020	29 September 2020
Full name	Anthony Arthur Reynolds	John Richard Armstrong
Position	Chair	Trustee Director

Appendix 1: Lifestyle Transition Strategy

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

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

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

It has also been agreed that:

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

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

Appendix 2: Investment Manager Information

The Trust invests with Legal and General Investment Management ("LGIM").

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

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

Investment funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency	Annual investment management fees ¹	Additional Ongoing charges ⁵
WPT Growth Fund					
LGIM Global Equity (50:50) Index Fund	Composite Index of 50% UK equities and 50% overseas equities	To track the benchmark	Daily	0.075% p.a.	0.02% p.a.
WPT/ WPT-E Volatility Reduction Fund²					
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.	nil
WPT Capital Protection Fund					
LGIM Sterling Liquidity Fund	7 Day LIBID	The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return	Daily	0.110% p.a. (Discount Applied)	0.01% p.a.
Additional Freestyle Funds					
WPT Diversified Fund					
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.	0.03% p.a.
WPT Annuity Protection Fund					
LGIM Pre-Retirement Fund ³	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.	nil

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

WPT Index Linked Gilt Fund⁴

Index Linked Gilt 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.	nil
------------------------------------------------------------------	-----------------------------------------	------------------------	-------	------------	-----

¹ These are LGIM's Annual Management Charges, which are met by the Trustee from the scheme administration charges paid by members.

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

³ 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.

⁴ The WPT Index Linked Gilt Fund is available to former members of the Construction Pension Scheme Northern Ireland.

⁵ Additional ongoing charges may vary from time to time.

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

Appendix 3: Responsibilities of Parties

Trustee

The Trustee's responsibilities include the following:

- Reviewing at least triennially and more frequently if necessary, the content of this Statement in consultation with the Investment 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 Trustee has appointed Hymans Robertson LLP as Investment Advisor to the Trust. The Investment Advisor provides investment advice as required by the Trustee, as well as raising any investment-related issues, of which it believes the Trustee should be aware. The Investment 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 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 Mercer's manager research process, Mercer will advise the Trustee accordingly
- Updating the Trustee on changes in the investment environment, and advising the Trustee, at its request, on how such changes could present either opportunities or problems for the Trust
- Undertaking project work, as requested, including:
 - » Reviews of asset allocation policy and fund range; and
 - » Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodian
- Reviewing the information on total fund costs provided by the investment manager on a quarterly basis and communicating any changes to the Trustee

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 Trust is directly invested as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments

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

Administrator

The Administrator's responsibilities include the following:

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

Custodian

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

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

Appendix 2a Cumulative effect of charges

Tables illustrating the impact of charges and costs for WPT

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

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

The tables below aim to show projections that are representative of the WPT membership. As such, we have included an active member of median age, the youngest active member age and also a deferred member of median age. Furthermore, the tables show projections for low (WPT Capital Protection Fund), medium (default arrangement) and high (WPT Growth Fund) return expectations.

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

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£72,408	£68,389	£4,019
3	£68,507	£64,953	£3,554
5	£64,446	£61,341	£3,105
10	£50,361	£48,365	£1,996
15	£34,051	£32,970	£1,081
20	£19,192	£18,742	£450
25	£6,328	£6,274	£54

Source: Hymans Robertson LLP

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

Years to retirement	WPT Growth		Costs & Charges £
	Before costs and charges £	After costs and charges are taken £	
1	£89,100	£84,365	£4,735
3	£79,812	£75,817	£3,995
5	£71,045	£67,706	£3,339
10	£51,216	£49,198	£2,018
15	£34,051	£32,970	£1,081
20	£19,192	£18,742	£450
25	£6,328	£6,274	£54

Source: Hymans Robertson LLP

WORKERS PENSION TRUST

APPENDIX 2a: CUMULATIVE EFFECT OF CHARGES (WPT)

For an active member of median age when invested fully in the WPT Capital Protection

Years to retirement	WPT Capital Protection Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£55,500	£52,353	£3,147
3	£51,605	£48,832	£2,773
5	£47,672	£45,254	£2,418
10	£37,671	£36,051	£1,620
15	£27,421	£26,468	£953
20	£16,918	£16,489	£429
25	£6,155	£6,100	£55

Source: Hymans Robertson LLP

Assumptions

The assumptions used in these calculations were:

- 39 was calculated as being the median age of the active membership and is used as the representative persona;
- The opening DC pot size is £3,971, which was the average pot size for members aged 39 at 31 December 2020;
- The average salary of £27,957 for active members aged 39 was used, with a real salary growth assumption equal to deterministic inflation of 2.5% p.a.;
- A contribution in current day terms of 8% p.a., which was the average contribution for members aged 39 at 31 December 2020;
- The assumed retirement age was 65;
- The investment return, allowing for inflation, for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	5.50%
WPT Volatility Reduction Fund	0.75%
WPT Capital Protection Fund	2.00%

Source: Hymans Robertson Economic Scenario Service

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

For an active member of 16 years old invested in the default arrangement

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£53,301	£48,544	£4,757
3	£52,324	£47,856	£4,468
5	£51,239	£47,060	£4,179
10	£45,221	£41,936	£3,285
15	£36,667	£34,296	£2,371
20	£28,566	£26,931	£1,635
25	£21,554	£20,470	£1,084
30	£15,483	£14,804	£679
35	£10,501	£10,105	£396
40	£6,574	£6,373	£201
45	£2,879	£2,811	£68
49	£79	£79	£0

Source: Hymans Robertson LLP

WORKERS PENSION TRUST

APPENDIX 2a: CUMULATIVE EFFECT OF CHARGES (WPT)

For an active member of 16 years old invested fully in the WPT Growth Fund

Years to retirement	WPT Growth		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£71,096	£64,791	£6,305
3	£65,785	£60,175	£5,610
5	£60,771	£55,795	£4,976
10	£49,432	£45,795	£3,637
15	£39,617	£37,021	£2,596
20	£31,120	£29,324	£1,796
25	£23,764	£22,572	£1,192
30	£17,396	£16,650	£746
35	£11,884	£11,457	£427
40	£7,112	£6,904	£208
45	£2,981	£2,913	£68
49	£79	£79	£0

Source: Hymans Robertson LLP

For an active member of 16 years old when invested fully in the WPT Capital Protection Fund

Years to retirement	WPT Capital Protection Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£29,244	£26,691	£2,553
3	£28,161	£25,776	£2,385
5	£27,067	£24,847	£2,220
10	£24,284	£22,457	£1,827
15	£21,433	£19,967	£1,466
20	£18,511	£17,375	£1,136
25	£15,516	£14,675	£841
30	£12,448	£11,863	£585
35	£9,304	£8,935	£369
40	£6,081	£5,887	£194
45	£2,779	£2,712	£67
49	£79	£79	£0

Source: Hymans Robertson LLP

Assumptions

The assumptions used in these calculations were:

- 16 was the youngest age of the active membership and is used as the representative persona;
- The opening DC pot size is £79, which was the average pot size for members age 16 at 31 December 2020;
- The average salary of £8,632 for active members aged 16 was used, with a salary growth assumption equal to inflation of 2.5% p.a.;
- A contribution in current day terms of 8% p.a., which was the average contribution for members age 16 at 31 December 2020;
- The assumed retirement age was 65;

WORKERS PENSION TRUST

APPENDIX 2a: CUMULATIVE EFFECT OF CHARGES (WPT)

Assumptions (continued)

- The investment return allowing for inflation for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	5.50%
WPT Volatility Reduction Fund	0.75%
WPT Capital Protection Fund	2.00%

Source: Hymans Robertson Economic Scenario Service

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

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

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£1,919	£1,770	£149
3	£1,933	£1,793	£140
5	£1,944	£1,814	£130
10	£1,840	£1,742	£98
15	£1,622	£1,558	£64
20	£1,404	£1,368	£36
25	£1,215	£1,202	£13
29	£1,083	£1,083	£0

Source: Hymans Robertson LLP

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

Years to retirement	WPT Growth		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£2,429	£2,242	£187
3	£2,293	£2,128	£165
5	£2,164	£2,020	£144
10	£1,874	£1,774	£100
15	£1,622	£1,558	£64
20	£1,404	£1,368	£36
25	£1,215	£1,202	£13
29	£1,083	£1,083	£0

Source: Hymans Robertson LLP

WORKERS PENSION TRUST

APPENDIX 2a: CUMULATIVE EFFECT OF CHARGES (WPT)

For a deferred member of median age when invested fully in the WPT Capital Protection Fund

Years to retirement	WPT Capital Protection Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£944	£868	£76
3	£954	£881	£73
5	£963	£895	£68
10	£987	£932	£55
15	£1,011	£969	£42
20	£1,036	£1,008	£28
25	£1,062	£1,049	£13
29	£1,083	£1,083	£0

Source: Hymans Robertson LLP

Assumptions

The assumptions used in these calculations were:

- A member aged 36 was used as this is the median age of deferred members within the Trust;
- The opening DC pot size is £1,083, which was the average pot size for deferred members aged 36 at 31 December 2020;
- A 0% contribution is made as these are deferred members. Furthermore, salary and salary growth assumptions were not needed for the same reason;
- The investment return, allowing for inflation, for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	5.50%
WPT Volatility Reduction Fund	0.75%
WPT Capital Protection Fund	2.00%

Source: Hymans Robertson Economic Scenario Service

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

Please note that these illustrated values:

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

Appendix 2b Cumulative effect of charges

Tables illustrating the impact of charges and costs for WPT-E

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

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

The tables below aim to show projections that are representative of the WPT membership. As such, we have included an active member of median age, the youngest active member age and also a deferred member of median age. Furthermore, the tables show projections for low (WPT Capital Protection Fund), medium (default arrangement) and high (WPT Growth Fund) return expectations.

For a member of median age invested in the default arrangement

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£66,638	£61,250	£5,388
3	£62,322	£57,782	£4,540
5	£57,856	£54,122	£3,734
10	£43,226	£41,381	£1,845
15	£26,894	£26,401	£493
18	£17,782	£17,782	£0

Source: Hymans Robertson LLP

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

Years to retirement	WPT Growth Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£81,583	£74,945	£6,638
3	£72,355	£67,076	£5,279
5	£63,645	£59,541	£4,104
10	£43,946	£42,073	£1,873
15	£26,894	£26,401	£493
18	£17,782	£17,782	£0

Source: Hymans Robertson LLP

WORKERS PENSION TRUST

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

For a member of median age when invested fully in the WPT Capital Protection Fund

Years to retirement	WPT Capital Protection Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£55,428	£51,131	£4,297
3	£51,160	£47,561	£3,599
5	£46,850	£43,902	£2,948
10	£35,888	£34,349	£1,539
15	£24,655	£24,187	£468
18	£17,782	£17,782	£0

Source: Hymans Robertson LLP

Assumptions

The assumptions used in these calculations were:

- 47 was calculated as being the median age of the active membership and is used as the representative persona;
- The opening DC pot size is £17,782, which was the average pot size for members 47 at 31 December 2020;
- The average salary of £27,939 for active members aged 47 was used, with a real salary growth assumption equal to deterministic inflation of 2.5% p.a.;
- A contribution in current day terms of 9% p.a., which was the average contribution for members aged 47 at 31 December 2020;
- The assumed retirement age was 65;
- The investment return allowing for inflation for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	5.50%
WPT Volatility Reduction Fund	0.75%
WPT Capital Protection Fund	2.00%

Source: Hymans Robertson Economic Scenario Service

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

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

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£77,235	£63,360	£13,875
3	£75,798	£62,760	£13,038
5	£74,202	£62,020	£12,182
10	£65,430	£55,987	£9,443
15	£52,995	£46,392	£6,603
20	£41,223	£36,887	£4,336
25	£31,032	£28,359	£2,673
30	£22,210	£20,707	£1,503
35	£14,963	£14,218	£745
40	£9,234	£8,942	£292
45	£3,842	£3,791	£51
48	£760	£760	£0

Source: Hymans Robertson LLP

WORKERS PENSION TRUST

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

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

Years to retirement	WPT Growth Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£102,737	£83,757	£18,980
3	£95,034	£78,245	£16,789
5	£87,764	£72,966	£14,798
10	£71,322	£60,729	£10,593
15	£57,088	£49,750	£7,338
20	£44,766	£39,900	£4,866
25	£34,099	£31,062	£3,037
30	£24,865	£23,133	£1,732
35	£16,871	£16,019	£852
40	£9,951	£9,636	£315
45	£3,961	£3,909	£52
48	£760	£760	£0

Source: Hymans Robertson LLP

For a member of 17 years old when invested fully in the WPT Capital Protection Fund

Years to retirement	WPT Growth Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£42,575	£36,058	£6,517
3	£40,984	£34,936	£6,048
5	£39,378	£33,787	£5,591
10	£35,294	£30,785	£4,509
15	£31,108	£27,592	£3,516
20	£26,818	£24,196	£2,622
25	£22,423	£20,583	£1,840
30	£17,919	£16,739	£1,180
35	£13,303	£12,651	£652
40	£8,573	£8,302	£271
45	£3,726	£3,676	£50
48	£760	£760	£0

Source: Hymans Robertson LLP

Assumptions

The assumptions used in these calculations were:

- 17 was the youngest age of the active membership and is used as the representative persona;
- The opening DC pot size is £760, which was the average pot size for members aged 17 at 31 December 2020;
- The average salary of £11,244 for active members aged 17 was used, with a real salary growth assumption equal to deterministic inflation of 2.5% p.a.;
- A contribution, in current day terms, of 9% p.a., which was the average contribution for members aged 17 at 31 December 2020;
- The assumed retirement age was 65;

WORKERS PENSION TRUST

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

Assumptions (continued)

- The investment return allowing for inflation for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	5.50%
WPT Volatility Reduction Fund	0.75%
WPT Capital Protection Fund	2.00%

Source: Hymans Robertson Economic Scenario Service

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

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

Years to retirement	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£4,602	£4,010	£592
3	£4,636	£4,100	£536
5	£4,661	£4,183	£478
10	£4,413	£4,107	£306
15	£3,889	£3,753	£136
20	£3,367	£3,367	£0

Source: Hymans Robertson LLP

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

Years to retirement	WPT Growth Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£5,825	£5,085	£740
3	£5,498	£4,869	£629
5	£5,190	£4,662	£528
10	£4,493	£4,183	£310
15	£3,889	£3,753	£136
20	£3,367	£3,367	£0

Source: Hymans Robertson LLP

For a member of median age when invested fully in the WPT Capital Protection Fund

Years to retirement	WPT Growth Fund		
	Before costs and charges £	After costs and charges are taken £	Costs & Charges £
1	£3,068	£2,662	£406
3	£3,098	£2,729	£369
5	£3,129	£2,797	£332
10	£3,206	£2,976	£230
15	£3,286	£3,165	£121
20	£3,367	£3,367	£0

Source: Hymans Robertson LLP

WORKERS PENSION TRUST

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

Assumptions

The assumptions used in these calculations were:

- A member aged 45 was used as this is the median age of deferred members within WPT-E;
- The opening DC pot size is £3,367, which was the average pot size for deferred members aged 45 at 31 December 2020;
- A 0% contribution is made as these are deferred members. Furthermore, salary and salary growth assumptions were not needed for the same reason;
- The investment return, allowing for inflation, for each fund above was:

Fund	Return % p.a.
WPT Growth Fund	5.50%
WPT Volatility Reduction Fund	0.75%
WPT Capital Protection Fund	2.00%

Source: Hymans Robertson Economic Scenario Service

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

Please note that these illustrated values:

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

APPENDIX 3: TRUSTEE BOARD COVID-19 UPDATE (MARCH 2021)

1. Business continuity

As a result of the government announcements and advice given in the past nine months concerning COVID-19, the Trustee Board has implemented its detailed business continuity arrangements. This involved adapting internal work practices and client service delivery supported by comprehensive communications to all members and employers so as to continue operating WPT in a safe and consistent manner.

The Business Continuity Plan (BCP) has been deployed, with all staff working remotely. WPT's Administrators, Construction First Ltd and Mercer continue to provide regular Business Continuity updates to the Trustee Board.

2. Administration

Construction First Ltd is continuing to successfully deliver key services to members and employers including handling calls, emails and processing claims on a daily basis. Construction First Ltd continues to closely monitor the completeness and accuracy of contributions received from employers, including any outstanding contributions.

Mercer is continuing to delivery key priority work including retirement settlements, bereavement claims, transfer out settlements, investments and disinvestments and regulatory tasks.

Service standards are being kept under review by WPT's management team daily and by the Trustee Board. There are no areas for concern at present.

3. Finances

The Trustee Board has considered the potential financial impact of COVID-19 on the financial performance of WPT and is confident that WPT has adequate resources to continue in operational existence for the foreseeable future, with adequate reserves in place to protect members.

4. Investment performance

The Trustee Board continues to review the impact of COVID-19 on members' investments following the Scheme year-end (31 December 2020).

Communications have been issued to members in response to the COVID-19 impact on financial markets and what this might mean to members' pension savings.

Members have been advised that if they are thinking about amending their investment choices, they should consider seeking independent financial advice. Members have also been warned about recent pension scams.

Members have been reminded that the current default investment strategy is designed to manage the level of risk depending on how close a member is to retirement. WPT also offers a range of different types of investments, some which are considered lower-risk and can offer an alternative to share market investing.