

May 2023

Defined contribution (DC) scheme value for members update

Prepared for members and participating employers by the scheme Trustee, Verity Trustees Limited.



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Trustees of defined contribution (DC) pension schemes are legally required to carry out an annual value for members (VfM) assessment. This report summarises the Trustee's VfM assessment for the scheme year ending 30 September 2022.

Introduction and background

TPT's defined contribution (DC) scheme ('the scheme') is an authorised master trust used as the workplace pension for over 2,500 employers across the UK. As at 30 September 2022, the scheme had 312,684 members, 131,338 of whom were actively contributing. Over 94% members were invested in the scheme's default target date funds (TDFs).

TPT is a not-for-profit organisation, which means we're run entirely for the benefit of our members. Our mission statement is 'making membership worthwhile' and our core values are:

Committed | Cost Effective | Customer Focused | Inclusive | Innovative | Integrity

We firmly believe that robust governance is essential in order to help our members achieve the best possible outcome from the scheme. As part of the control framework we use, we're subject to an annual review from an independent service auditor to check we're operating satisfactorily – the most recent of which was completed by Crowe UK LLP on 5 December 2022.

In order to maintain our status as an authorised master trust with the Pensions Regulator, we must demonstrate on an ongoing basis that the scheme:

- is run by 'fit and proper persons'
- has an achievable and realistic business plan
- is financially sustainable in a variety of possible economic and other scenarios
- has systems and processes in place to run effectively
- has robust plans in place should it need to address a serious issue

When undertaking this value for members assessment, we considered all relevant legal and regulatory materials and followed the process set-out below:

1. Agree the criteria to be used for assessing value for members.
2. Review the scope and quality of the scheme against each of these criteria.
3. Review the performance of the scheme during the period.
4. Review progress since last year's value for members assessment.
5. Consider the improvements made to member and employer services in the period.
6. Identify potential future improvements.
7. Obtain independent professional advice.

Providing value for members clearly involves looking at much more than just scheme charges. We consider each of the following seven key areas, all of which are covered in more detail throughout this report:

- scheme governance and management
- costs and charges
- member engagement
- retirement journey
- investments
- environmental, social and governance (ESG) factors
- scheme administration

Scheme governance and management

We have a multi-layered approach to governance, with the Trustee supported by our management oversight board (MOB) and executive board, along with a range of experienced professional advisers. Our external advisers are appointed using a rigorous procurement process, and are monitored on an ongoing basis with formal reviews taking place at least every five years.

The Trustee is responsible for all aspects of running the scheme, including administration, investment, governance and communications. For the scheme year ending 30 September 2022, there were eight Trustee Directors:

- an independent professional chair
- three nominated by the scheme's employers
- three nominated by the scheme's members
- one selected by the rest of the Trustee Directors

In addition, TPT has a dedicated DC Oversight Committee, which includes the DC Director who has overall responsibility for implementing the Trustee's DC strategy. The DC Oversight Committee also acts as the 'scheme strategist' for the purposes of TPT's master trust authorisation.

Following a review, from 1 October 2022 two additional Trustee Directors were appointed (taking the total to 10) – one nominated by members, one by employers.

The Trustee Directors have a diverse range of experience and hold a range of professional qualifications. Trustee Directors are required to undertake relevant training and complete an annual appraisal process to assess their performance.

Value for members conclusion:

- ✓ the scheme has a long-established, comprehensive governance structure and is subject to an annual independent audit under the ICAEW master trust control framework
- ✓ the Trustee has a diverse range of experience with Trustee Directors holding a range of complementary professional qualifications
- ✓ all Trustee Directors follow a structured personal development plan with feedback and training provided to ensure they are performing well in their role
- ✓ the Trustee is well supported by the highly experienced management oversight board, executive board, DC Oversight Committee and several external professional advisers
- ✓ TPT employs over 200 people with a range of professional backgrounds and specialist experience, including actuaries, lawyers, accountants and a large number of staff with relevant qualifications from the Pensions Management Institute

Costs and charges

Members benefit from our very simple charging structure, with a single all-inclusive annual management charge (AMC) covering all services outlined in this report.

Employers meet any scheme set-up charges or additional costs incurred as a result of bespoking our services.

The AMC paid by members varies depending on which fund(s) they're invested in, as shown in the table on the following page. The majority of members are invested in our default target date funds (TDFs), which have an AMC of 0.5%. Very simplistically, this means that for every £1,000 a member has saved with TPT, they will pay £5 in management charges each year.

In practice, the AMC is taken from members' funds daily via an adjustment in the relevant unit price, so members do not explicitly see a deduction from their account.

Information about charges is included on our educational member website, in member guides, on fund factsheets, in members' online accounts and on annual benefit statements.

The auto-enrolment charge cap

The majority of new joiners to our DC scheme are automatically enrolled by their employer in line with workplace pension legislation. Where a scheme is used for auto-enrolment purposes, the default investment option is subject to a charge cap of 0.75% a year. Both our standard (0.5%) and ethical (0.63%) TDFs are charged significantly below this cap.

Investment management costs

As is standard in fund management, although members do not pay any explicit charges other than the AMC, there are other costs incurred by the investment managers. For example, custodian fees, legal fees, depository expenses, transaction fees and taxes. Where applicable, these charges are deducted from members' funds in addition to the AMC. However, as these additional costs are spread across all members in a fund they are relatively low – using our standard TDFs as an example, the total charge (known as a 'total expense ratio' or TER) paid by members would typically be around 0.53% (an increase of just 0.03% over the AMC).

Costs and charges

Default Funds

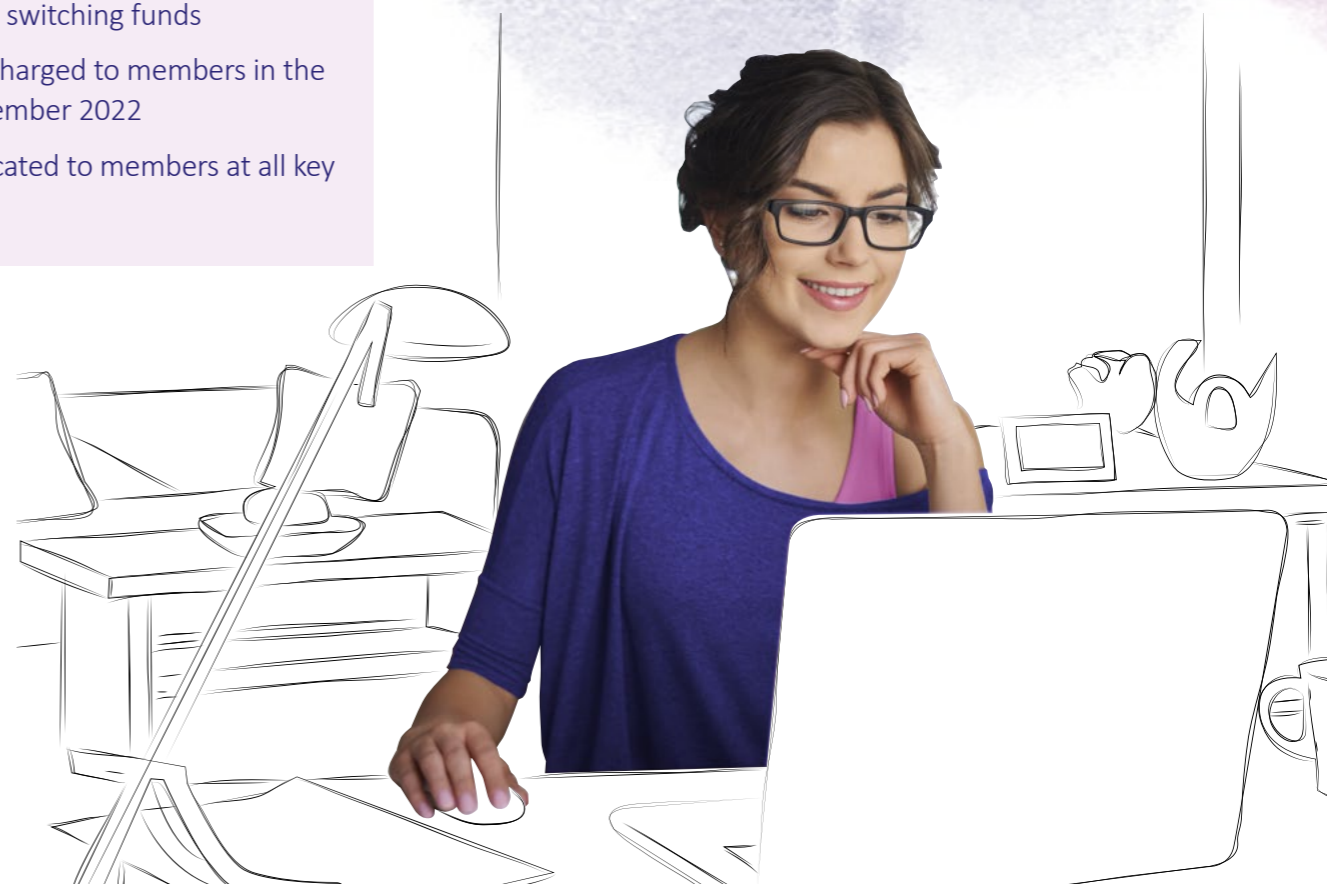
Target Date Funds	0.50%
Ethical Target Date Funds (post-1999 joiners)	0.63%
Ethical Target Date Funds (pre-1999 joiners)	0.50%

Self-Select Funds

Global Equity Fund	0.45%
Socially Responsible Investment Fund	0.45%
Bond Fund	0.45%
Index-Linked Gilts Fund	0.45%
Cash Fund	0.44%
Property Fund	1.00%
Diversified Growth Fund	0.52%
Islamic Global Equity Fund	0.33%

Value for members conclusion:

- ✓ the vast majority of members pay an AMC of 0.5% for all services – significantly below the auto-enrolment charge cap
- ✓ our TDFs have an AMC that remains constant throughout a member's savings journey
- ✓ members are not charged for switching funds
- ✓ there were no one-off costs charged to members in the 12-month period to 30 September 2022
- ✓ charges are clearly communicated to members at all key touch points



Member engagement

Supporting members at every stage of their pensions journey is a vital part of delivering good value. Our aim is to provide a modern, compelling pensions experience- ensuring members have access to the right tools and support, at the right time, to make informed decisions.

Our engagement and education initiatives are designed to meet three key Trustee objectives:

Help members:

1. optimise their contributions to improve outcomes
2. make informed and personal decisions about their TPT pension
3. have a realistic expectation about what their TPT pension will deliver

We provide a comprehensive range of tools and services and ensure members can interact with us in the way that best suits their needs, whether online, over the telephone or via traditional mail. Most recently, we've introduced our **'picture your future' interactive video quiz and pensions savings tool**. These help members understand how much money they might need in retirement and how much they should be saving in order to achieve their desired standard of living.

Other educational tools and engagement services include:

- **Member website:** with targeted content and educational videos for each stage of the member journey (save, grow, plan and spend).
- **Secure online account:** members can use the secure online portal to check the value of their pension and carry out a number of transactional tasks including fund switching and updating personal information.
- **Personalised video benefit statements:** 90-second animated videos sent to active members to highlight key information from their annual benefit statement.
- **New-joiner welcome programme:** including a dedicated area on our member website, with a welcome video and a series of email 'nudges' throughout their first year of membership. The programme aims to engage new joiners with their TPT pension savings and provides them with important information such as how to activate their secure online account.
- **Member and employer newsletters:** to help keep members and employers up to date on their TPT savings, pensions in general as well as broader financial wellbeing issues. We also send relevant and timely email updates to members throughout the year.

Member engagement

Listening to members and acting on their feedback

We use independent partners to carry out regular research amongst our members, including a monthly customer satisfaction survey conducted by The Leadership Factor (TLF). This survey is conducted via telephone so that supporting comments can be gathered alongside scores for key areas of our service, such as:

- speed of service
- understanding member needs
- clarity of the information provided
- keeping members informed

These surveys help us to monitor our service, track improvements and benchmark our performance against other organisations using TLF's broader satisfaction index data. The insights gained are used to shape our services and developments.

In addition, we carry out regular ad-hoc member research, to monitor levels of engagement and understanding and identify any areas where greater support is needed. Most recently, this included a comprehensive engagement survey conducted by Gusto Research with over 1,500 active members.

This covered a range of pension issues from how confident members feel making decisions about their savings, through to their understanding of their employer's workplace pension scheme and how valuable they find the tools and support available from TPT.

Value for members conclusion:

- ✓ we have a comprehensive member engagement and education programme, which is continually evolving with new tools and services launched each year
- ✓ communications are provided to members in a range of different formats to accommodate different preferences for accessing information
- ✓ many communications are targeted based on a member's life stage and segmented by age
- ✓ where relevant, communications are personalised for each member
- ✓ bespoke communications tailored to each employer are also available
- ✓ communications and engagement are tracked through a number of metrics, including website visits, logins to members' secure online accounts, email open and click rates, and direct member feedback
- ✓ an ongoing roadmap of future developments is in place. A summary of some of our planned future developments is included on page 14 of this document

Retirement journey

DC pensions offer valuable flexibilities, including a wide range of options for how members can access their pension savings at retirement. However, the range of choice available makes proper education, support and guidance at this crucial time absolutely essential.

TPT is a friend and supporter of the PLSA's Retirement Living Standards and we have incorporated information on the Standards into our member communications throughout their savings journey. In addition, our new picture your future video quiz helps members understand how the Standards apply 'to me and my life'. Members also have access to pension savings tools, allowing them to explore the impact different decisions may have on their income in retirement.

Our educational website for members includes an entire section dedicated to accessing their DC pension savings ('spend'). Specific retirement communications start when a member is six months away from their target retirement age so that they're aware of the important decisions they will need to make and the tools that are available to them.

In our last scheme year, we introduced the facility for members to take their benefits as a series of lump sums, rather than a single payment. Members currently have the ability to take up to four withdrawals per year at no charge, and the Trustee has plans to increase the range of retirement flexibilities further in the coming years as part of our ongoing development project.

Access to guidance and advice

In addition to our targeted communications, digital tools and member helpline, we've partnered with Mercer to provide members with a 45-minute telephone guidance meeting at no charge as part of our routine 'at retirement' service.

We know that some members will also need regulated financial advice to help them with their retirement options, so we've partnered with Origen to offer this at a cost-effective fixed fee of £500+VAT.

Value for members conclusion:

- ✓ members have access to the full range of options for accessing their benefits at retirement, which now includes the ability to take multiple lump sums directly from the scheme, with more product developments planned in the future
- ✓ targeted retirement communications are provided to allow members to focus on key decisions, with interactive tools and educational videos to help them
- ✓ members are offered both free guidance and cost-effective regulated advice from specialist organisations at retirement

Investments

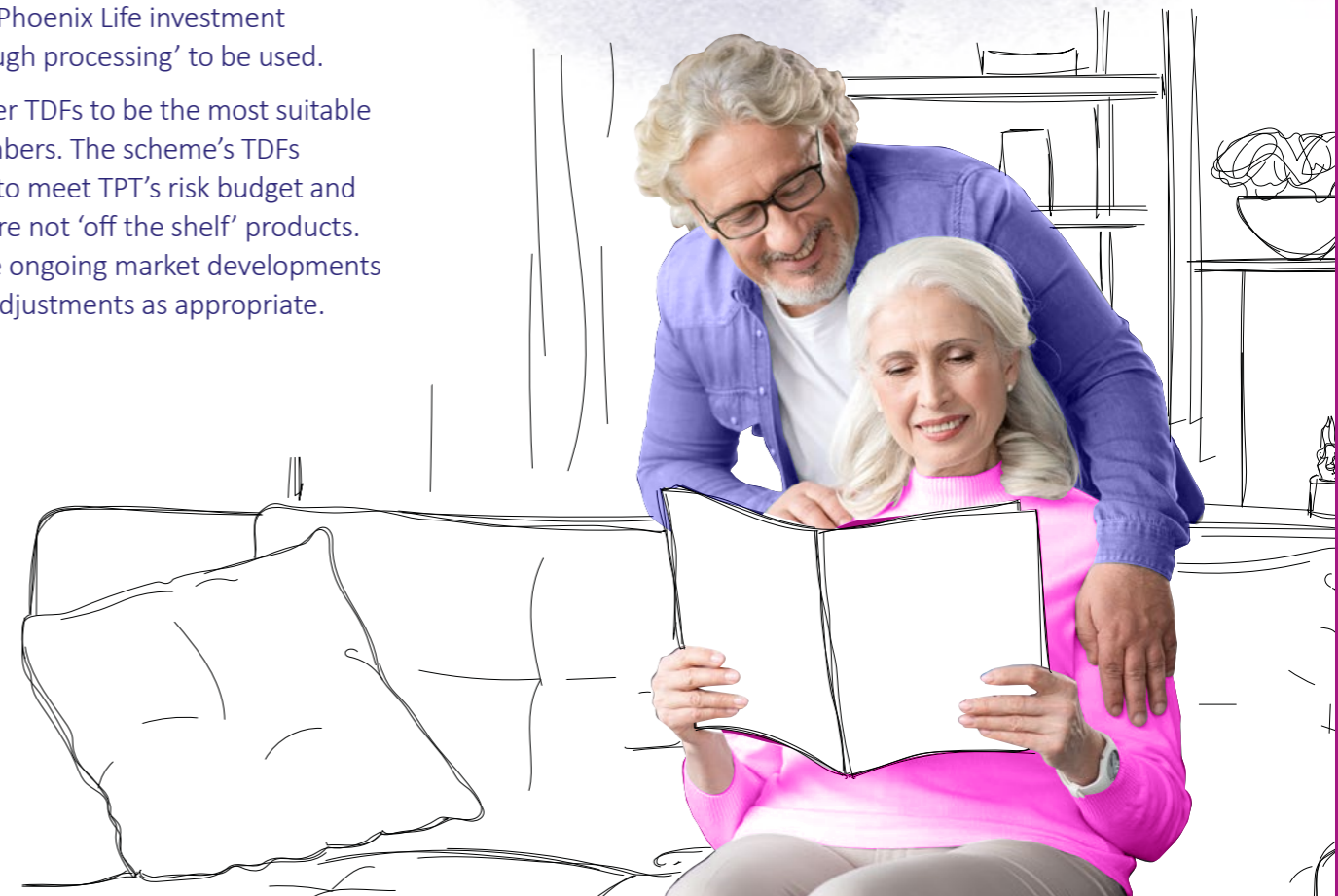
Over 94% of members are invested in one of our default target date funds (TDFs) and we have two ranges: standard and ethical. In addition to the scheme's default arrangement, members have access to eight self-select funds (see page 5), including a Shariah-compliant Islamic Global Equity Fund.

Our TDFs provide a glide path to retirement, aiming for growth in the earlier years and moving to more-conservative asset allocations in the run up to the 'target date'. Crucially, this gradual de-risking is not an automated process – instead the portfolio manager proactively evolves the risk profile of each TDF; switching investments and adjusting asset allocations when it is prudent and cost effective to do so (rather than at pre-set points in time).

The investment objective for the scheme's default arrangements is set by the Trustee and reviewed annually, along with the range of self-select funds available. The Trustee's investment committee works with our professional investment advisers as appropriate.

The scheme's investments are managed by AllianceBernstein (AB) and facilitated through the Phoenix Life investment platform, allowing 'straight through processing' to be used.

The Trustee continues to consider TDFs to be the most suitable strategy for the majority of members. The scheme's TDFs have been designed specifically to meet TPT's risk budget and member characteristics – they are not 'off the shelf' products. The structure enables AB to take ongoing market developments into account and make tactical adjustments as appropriate.



Investments

AB uses annual stochastic modelling of member outcomes (looking at different age cohorts of members), supported by its capital markets engine assumptions, to design and adapt the strategic asset allocation within the default strategy. Over the past 12 months, this has led to a number of changes, including the introduction of private equity and sustainable opportunities ('impact') allocations.

The main risk to members is that investment returns throughout their membership fail to keep pace with inflation and hence their savings lose value in 'real' terms. Our TDFs have an investment benchmark that is expressed as a return in excess of inflation (as measured by the Consumer Prices Index (CPI) to show if they are keeping pace with inflation.

While aiming to achieve these long-term returns, AB seeks to dampen the impact of short-term market volatility by adjusting the asset allocation within each TDF.

Investment management costs

Extreme market volatility led to poor performance for most investors in the year to 30 September 2022. However, in the view of the Trustee's investment adviser, the diversification across different asset classes has helped TPT's members, and long-term performance of the default strategy remains strong throughout the retirement journey. The adviser also observed that other master trusts had fared worse during the difficult investment market conditions.

Value for members conclusion:

- ✓ the Trustee believe the default TDFs are suitable for the majority of members and incorporate a well-designed investment glide path to retirement
- ✓ TDFs provide significantly more investment flexibility and future-proofing than a 'lifestyle' approach (the main alternative for DC defaults)
- ✓ long-term performance remains strong for members throughout their savings journey, and diversification over the year to 30 September 2022 means that the TDFs performed well compared to the investments of other DC master trusts
- ✓ members have access to a range of self-select funds that cover all main asset classes and include socially responsible and faith-based investment options

Environmental, social and governance (ESG) factors

TPT is a responsible investor (RI) and recently completed a multi-year strategic review to ensure our RI principles were embedded across all our investment strategies. We believe that environmental, social and governance (ESG) factors can have a positive impact on financial performance and that incorporating this information into investment decision-making helps to reduce risk and provide better outcomes for members.

We launched our climate action plan in 2022, which includes a commitment to halving the carbon intensity of our investments by 2030 and achieving a net zero position by 2050. AB's climate action plans are fully aligned with ours and therefore integrated into the default investment strategy.

Employers can choose to use our ethical TDFs as their default, and even our standard TDFs include a comprehensive ESG overlay, which is continually strengthened and refined, with specialist allocations to climate-related investment opportunities. In 2022 we added a new sustainable opportunities 'impact' allocation, which invests in new initiatives that have a positive impact on communities or the environment, such as social housing and solar power.

Both TPT and AB are affiliated with a range of ESG-related industry groups and bodies, including Climate Action 100+ and the Institutional Investors Group on Climate Change.

Value for members conclusion:

- ✓ TPT has a responsible investment policy which is fully integrated into the default investment strategy
- ✓ TPT has a climate action plan which includes various commitments to be met by 2030 and 2050
- ✓ the climate action plans in place for TPT and AB mean that climate considerations are integrated across the default investment strategy
- ✓ both TPT and AB are affiliated with a range of industry groups and demonstrate a commitment to investing in line with ESG factors
- ✓ the new 'impact' allocation recently received an award for investment innovation
- ✓ the self-select fund range also includes a socially responsible investment fund
- ✓ the member website includes a dedicated area covering our approach to responsible investment and our net zero commitment



Scheme administration

Accurate, efficient administration is an essential foundation for a high-quality DC scheme that provides value for members. Day-to-day administration of the scheme is outsourced to a specialist third-party administrator (TPA), Mercer. The TPA employs a full-time team of 50 pension professionals dedicated to servicing the scheme.

Service level agreements (SLAs) are in place for all key administration activities. We monitor administration performance on an ongoing basis and receive monthly reports summarising performance against SLAs and statutory obligations.

In the scheme year ending 30 September 2022, average performance against SLAs was 98% (versus a target of 95%).

TPT collects contributions and data from employers and validates the data for accuracy. Data and contributions are then passed to the TPA for investment allocation and updating member records.

To reduce the risk of manual error, 'straight through processing' is in place, linking the TPA with the investment platform for the investment and disinvestment of contributions. The reconciliation process is usually completed and contributions invested within three working days of receipt.

We receive annual reports from the TPA on the quality of its scheme data. For the year ended 30 September 2022, these reports showed scores of 96% for 'common data' and 96.8% for 'conditional data'. The Pensions Regulator's target score for common data is 95% for pre-June 2010 records and 100% thereafter. An action plan for improving data quality has been created and agreed.

From our DC membership of approximately 312,000 members, we received a total of 18 formal complaints in the year to 30 September 2022. All complaints are treated seriously, appropriate lessons are learned and changes made where appropriate. The relatively low number of complaints suggests that, overall, administration processes are working effectively.

Value for members conclusion:

- ✓ administration activities are carried out appropriately and performance during the year has been good
- ✓ day-to-day administration is carried out by a dedicated service team of more than 50 full-time staff employed by a specialist third-party administrator (TPA)
- ✓ performance against SLAs is regularly monitored and, at 98%, exceeds the contractual requirement of 95%
- ✓ data quality is reviewed annually and is rated at 96%, with plans in place to improve this further
- ✓ in line with best practice, straight through processing is used for a number of tasks, reducing the risk of manual error

Future developments

Scheme governance and management

TPT ran a process to recruit new Trustee Directors during 2022, with three new directors being appointed to the Trustee Board on 1 October 2022. This is a process that TPT undertakes every two years.

The introduction of new directors in a structured manner increases the range of experience on the Trustee Board, and allows for greater diversity and new thinking, which will ultimately benefit all scheme members.

Costs and charges

We have plans in place to improve the scheme's costs and charging structure, with the aim of providing even greater value for members and employers.

Member engagement

We are currently undertaking a significant project to review the digitalisation of our services and create a roadmap for further improvements. Over the next few years, we anticipate that members will be given greater ability to access communications digitally, which it is hoped will increase member engagement.

Retirement journey

The Trustee is focused on continuing to improve members' retirement journeys and has plans in place to further improve the range of options available to members for drawing their benefits at retirement.

Investment

We're confident that the range of investment funds currently available is appropriate and will continue to keep the performance of existing funds under close review.

In addition, it is expected that further self-select funds will be made available to members in the future.

ESG factors

Over the last decade, TPT has been a market leader in the pensions industry in embracing the increasing focus on ESG factors. This will continue over the next year. TPT employs specialist staff who have a dedicated focus on ensuring that ESG factors are fully integrated into all investment strategies. Further engagement is planned with investment managers in this area.

Scheme administration

TPT continues to monitor the administration services offered by its TPA to ensure it continues to offer good service to members. A comprehensive review of our administration services is one of the key strategic priorities for the Trustee in the coming year.