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**2018**

**The Pensions Trust 2016**  
Annual Report  
and Financial  
Statements **2018**

**t|p|t**  
Retirement Solutions

Pension Scheme Registration Number 12013479

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## Trustee and Advisers

<b>Trustee</b>	Verity Trustees Limited
<b>Chair of the Trustee Board</b>	Sarah Smart - Independent Chair (Resigned 30/09/2018) Joanna Matthews (Appointed 01/10/2018)
<b>Co-opted Directors</b>	Sarah Smart - Independent Chair (Resigned 30/09/2018) Joanna Matthews – Independent Chair (Appointed 01/10/2018) Michael Ramsey David Robertson
<b>Employer-Nominated Directors</b>	Elizabeth Garner Jonathan Wheeler Paul Oldroyd
<b>Member-Nominated Directors</b>	Frank Shore Thomas Hague Andrew Newberry
<b>Scheme Administrator</b>	Michael Ramsey, TPT Retirement Solutions
<b>Scheme Actuary</b>	Steven Robinson FIA JLT Benefit Solutions Limited
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP
<b>Solicitors</b>	Linklaters LLP CMS Cameron McKenna Nabarro LLP
<b>Investment Managers</b>	Ashmore Investment Management Limited BlackRock Investment Management (UK) Limited Capital Fund Management LLP (Appointed 12/02/2018) Invesco Asset Management Limited Legal & General Investment Management Limited M&G Investment Management Limited (Appointed 31/10/2017) Mesirow Advanced Strategies Royal London Asset Management Limited Ownership Capital B.V Partners Group Ruffer LLP Sands Capital Management LLC Standard Life Investments Limited (Appointed 8/11/2017)
<b>AVC Policy Providers</b>	Clerical Medical The Equitable Life Assurance Society Scottish Widows Limited Aviva Life & Pensions UK Limited

**The Pensions Trust**  
**Year ended 30 September 2018**

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<b>Investment Consultants</b>	Mercer Investment Consulting Redington Investments Limited
<b>Custodian</b>	The Northern Trust Company
<b>Custody Consultants</b>	Thomas Murray Data Services
<b>Address for enquiries</b>	TPT Retirement Solutions Verity House 6, Canal Wharf Leeds West Yorkshire LS11 5BQ Email: <a href="mailto:enquiries@tpt.org.uk">enquiries@tpt.org.uk</a> Website: <a href="http://www.tpt.org.uk">www.tpt.org.uk</a>

## **Trustee's Report**

### **For the year ended 30 September 2018**

Verity Trustees Limited ('The Trustee') presents its Annual Report on The Pensions Trust 2016 ("the Trust"), together with the Financial Statements of the Trust for the year ended 30 September 2018. The Annual Report produced last year was the first to be prepared for the Trust, and therefore covered the 18 month period from 1 April 2016 (the date the Trust was established) to 30 September 2017. The 2017 comparative figures included here therefore cover a period of 18 months, compared to the 2018 figures which are for a period of 12 months.

### **Trust Constitution and Management**

The Trust is governed by Verity Trustees Limited, the sole corporate Trustee. As at 30 September 2018 the Trustee Board consisted of nine Directors, three of whom are nominated by the members, three by the employers and three co-opted onto the Trustee Board by the member and employer nominated Directors. Verity Trustees Limited is also the corporate Trustee of The Pensions Trust. The Pensions Trust 2016 and The Pensions Trust operate under the name TPT Retirement Solutions ("TPT"). Directors of Verity Trustees Limited, other than those who are co-opted, can be nominated by members and employers of either Trust.

The Articles of Association of the corporate Trustee and the Rules of the Trust contain provisions for the appointment and removal of Trustee Directors.

Sarah Smart was the Independent Chair of the Trustee Board for the year ended 30 September 2018 when she resigned as a Director of Verity Trustees Limited and was succeeded as Independent Chair by Joanna Matthews on 1 October 2018.

TPT operates a two tier governance structure. The supervisory Trustee Board appoints and holds to account the Management Board which holds delegated authority to make most decisions about the day-to-day running of TPT. There are five members of the Management Board: four independent non-executives and the Chief Executive. For the Trust year commencing 1 October 2017, David Robertson was the Chair of the Management Board. David is also a co-opted Director of Verity Trustees Limited. The other non-executive members of the Management Board are: Mike Balfour, Richard Coates and Wendy Mayall who are also the respective chairs of the Investment, Audit, Risk and Compliance and Funding Committees.

The Trustee has appointed professional advisors and other organisations to support them in delivering the Trust's objectives. These individuals and organisations are listed on pages 1 and 2. The Trustee has written agreements in place with each of them.

The Trust is a centralised occupational pension fund for non-associated employers ("employers"). There are three (2017: two) segregated schemes ("schemes") within the Trust.

## Financial Developments and Financial Statements

The Financial Statements included in this annual report are the accounts required by the Pensions Act 1995. The Financial Statements set out on pages 15 to 32 have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

The summary financial performance of the Trust is as follows:

	<b>Year ended 30 Sept 2018</b>	<b>18 month period ended 30 Sept 2017</b>
	<b>£'000</b>	<b>£'000</b>
Contributions Receivable	2,107.7	840.3
Transfers In and Other Income	27,838.2	51,021.9
Benefits Paid or Payable (incl. Payments to Leavers)	(2,052.5)	(333.0)
Transfers Out to Other Schemes	(7,184.9)	(65.6)
Administrative Expenses (incl. PPF levy)	(314.6)	(84.7)
<b>Net Additions from dealings with Members</b>	<b>20,393.9</b>	<b>51,378.9</b>
Investment Income	250.3	13.0
Change in Market Value of Investments	2,647.7	321.1
Investment management expenses	(323.7)	(62.4)
<b>Net Returns on Investments</b>	<b>2,574.3</b>	<b>271.7</b>
<b>Net Increase in the Fund during period</b>	<b>22,968.2</b>	<b>51,650.6</b>
Net Assets at beginning of period	51,650.6	-
<b>Net Assets at end of period</b>	<b>74,618.8</b>	<b>51,650.6</b>

Significant developments affecting the financial position of the Trust during the year include:

- Contributions receivable have increased by 150.8% when compared to the 18 month prior period, from £840.3k to £2,107.7k, due to the effects of the annual increase in deficit payments as per the Schedules of Contributions, and the addition of a new scheme (Darlington Building Society Pension Plan).
- Transfers In and Other Income include a bulk transfer value relating to Darlington Building Society Pension Plan of £27,750.2k.
- Within benefits payable, the pensions payable have increased by 516.4% from £333.0k to £2,052.5k. This reflects benefit payments made for Frank Roberts & Sons Pension Scheme and Darlington Building Society Pension Plan during 2018, where none were paid in the prior 18 month period, due to the timing of the scheme asset transfers.
- Transfers Out to Other Schemes relate mainly to individual transfers out during the year of members of Frank Roberts & Sons Pension Scheme.
- The overall net return on investments was 4.5% in 2018 (2017: 3.4% during the 18 month prior period).

## Membership and Benefits

As at the year end, there were three participating employers.

The change in membership during the period is as follows:

	<b>Active Members</b>	<b>Deferred Members</b>	<b>Pensioners</b>	<b>Beneficiaries</b>	<b>Total</b>
At the start of the year	28	475	203	23	729
New members*	-	182	108	3	293
Members retiring	-	(23)	23	-	-
Member leaving prior to retirement age	(3)	3	-	-	-
Transfers out	-	(46)	(1)	-	(47)
Full commutations	-	-	(3)	(1)	(4)
Deaths	-	-	(1)	(1)	(2)
New beneficiaries	-	-	-	5	5
Reclassifications	-	4	(2)	-	2
<b>At the end of the year</b>	<b>25</b>	<b>595</b>	<b>327</b>	<b>29</b>	<b>976</b>

\*New members include bulk transfers in and new joiners to existing schemes.

Included within the number of active members are 25 (2017:28) paid up members. Paid up members are ones who are still in employment but are not contributing to the Trust, though they still maintain a salary link.

### Pension Increases

The Trust Deed and Rules make provision for increases in pensions in payment and deferred pensions. The increases applied depend on when the benefits were accrued and under which pension scheme. Decisions on increases are made in accordance with the provisions of each scheme, taking into account the financial position of the scheme, other relevant factors and the interests of all the categories of beneficiaries. Where pensions in payment are increased annually this is normally by at least Limited Price Indexation (LPI), which means that the increase is capped at a maximum of either 2.5% or 5.0% depending upon when the benefits are accrued.

The table below summarises the most recent increases applied:

	<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>
<b>Effective date</b>			
<b>Pensions in payment</b>			
6 April 2018	2.5%	4.1%	<b>3.3%</b>
6 April 2017	0.9%	2.0%	<b>1.5%</b>

There have been no discretionary increases awarded during the reporting period.

## **Transfer Values**

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pensions Act 1993 and do not include discretionary benefits.

## **Report on Actuarial Liabilities**

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the Financial Statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme within the Trust is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to scheme members on request from the contact for enquiries on page 2.

All the Trust's schemes have completed triennial valuations, with the exception of any new schemes transferred in within the last 12 months. Details of the individual schemes' actuarial valuation certifications are contained in the Summary of Actuarial Certificates section of the annual report on pages 35 and 36. In the years in between full actuarial valuations, an actuarial update is prepared by the Scheme Actuary. The actuarial update is a roll forward of the full actuarial valuation.

The aggregate valuation of all the Trust's schemes at 30 September 2017 (the latest aggregate valuation available) is the sum total of either the full actuarial valuations at that date or the latest actuarial update.

### **Valuation date 30 September**

	<b>2017</b> <b>£'000</b>
Value of Technical Provisions	£77,590.0
Value of Assets Available to meet Technical Provisions*	£51,650.6
as a percentage of Technical Provisions	67%

\*the asset value quoted above excludes assets in respect of schemes which have not yet undergone an actuarial valuation, and therefore have no technical provisions.

The value of technical provisions is based on the Pensionable Service accrued to the valuation date and assumptions about various factors that will influence each scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the 2017 calculations are as follows:

## **Method**

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method, with a control period of one year for open schemes and of duration to Normal Pension Age for schemes closed to new entrants.

## **Significant Actuarial Assumptions**

**Discount Interest Rate:** Scheme specific set by reference to a fixed interest gilt curve at the valuation date, with an adjustment for expected outperformance from scheme assets.

**Future Retail Price Inflation:** Set by reference to a market implied inflation curve as derived from gilt prices at the valuation date.

**Future Consumer Price Inflation:** Retail Price Inflation less 0.9% pa.

**Pension Increases:** Derived from the term dependent rates for future retail or consumer price inflation, allowing for the caps and floors on pension increases according to the provisions of the schemes' rules.

**Pay Increases:** General pay increases of 1% per annum above the rates for the future retail price inflation, with some scheme specific variations.

**Mortality:** Mortality and morbidity tables produced by the CMI (Continuous Mortality Investigation) with the support of the Institute and Faculty of Actuaries are used. No allowance is made for the period pre-retirement. For the period post retirement, a scheme specific loading to the S2PxA tables is used, with future improvements based on CMI tables with a long term scaling factor of 1.5% for males and 1.25% for females.

## **Recovery Plan**

The arrangements for each scheme are formalised in Schedules of Contributions that are certified by the scheme actuary. Details of the date of certification of each schedule can be found on page 36. A copy of the example certificate can be found on page 35.

## **GMP Equalisation**

The Trustee is currently reviewing with its advisers, the impact of a High Court ruling made in October 2018, concerning Guaranteed Minimum Pension (GMP) Equalisation. Further details of this can be found in note 21.

## **Master Trust Authorisation**

The Pension Schemes Act 2017 requires all UK DC master trusts to become authorised by the Pensions Regulator ('tPR') in order to continue to operate after 30 September 2019. The Trust does not provide DC benefits and is therefore not required to seek DC Master Trust authorisation at this stage. The Trustee will continue to monitor this on an ongoing basis.

## **Brexit**

The withdrawal of the UK from the European Union, the terms of which remain unclear at this time, creates the potential for risk and uncertainty in respect of sponsoring employer covenant and investment returns. The Trustee has considered these impacts, has taken advice from its legal, investment and covenant advisors and will continue to monitor and respond to developments.

Depending on the outcome of the Brexit negotiations there could be an impact on the valuation of a number of the Scheme's assets and liabilities as a result of wider economic and market changes. The Brexit impact could also have a direct and/or indirect impact on employer covenants affecting their abilities to continue to meet current levels of regular and deficit contributions to the Scheme

## **Investment Management**

### **Investment Strategy and Principles**

The Trustee is responsible for determining the Trust's investment strategy.

In accordance with section 35 of the Pensions Act 1995, the Trustee has agreed a Statement of Investment Principles (SIP). The version in place at 30 September 2018 was approved in September 2017. The SIP was revised again in November 2018. A full copy of the SIP may be obtained from the contact for enquiries on page 2 or can be found on the TPT website.

### **Management and Custody of Investments**

The Trustee has delegated management of its investments to professional investment managers which are listed on page 1. These managers, which are regulated by the appropriate regulatory body in their country of operation, such as the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

The mandates put in place by the Trustee specify how rights attaching to the Trust's segregated investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental factors when making investment decisions. The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Trust but reviews the managers' policies and statement of compliance in respect of these matters.

The Trust is committed to being a Responsible Investor, an approach which seeks to integrate environmental, social and corporate governance considerations into investment management

## **The Pensions Trust**

### **Year ended 30 September 2018**

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processes and ownership practices. Of the environmental risks that we consider, climate change potentially presents the most material long term risk and, in line with the recommendations set out in the Financial Stability Board Taskforce's Recommendations on Climate related Financial Disclosure, we have disclosed the Trust's approach to climate risk management on our website.

The Trustee has appointed The Northern Trust Company to keep custody of the Trust's investments, other than:

- Pooled investment vehicles and qualifying investment funds, where the manager makes its own arrangements for custody of underlying investments;
- Additional Voluntary Contributions and other investments which are in the form of insurance policies, where the master policy documents are held by the Trustee.

### **Investment Performance**

The Trust achieved a net investment return of 4.5% during the year; (3.4% during the 18 month prior period). No information on 3 or 5 year returns has been provided as the Trust was established on 30 March 2016.

The Trustee has considered the nature, disposition, marketability, security and valuation of the investments and considers them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the Financial Statements.

### **Employer Related Investments**

Details of Employer Related Investments are included in note 24.

## **Statement of Trustee's responsibilities**

### **Trustee's responsibilities in respect of the financial statements**

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Trust during the Trust year and of the amount and disposition at the end of the Trust year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Trust year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Trust will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Trust in the form of an annual report.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

### **Trustee's responsibilities in respect of contributions**

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Trust by or on behalf of employers and the active members of the Trust and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Trust and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Trust in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

## **Further Information**

Requests for additional information about the Trust generally, or queries relating to members' own benefits, should be made to the contact listed on page 2.

## **Approval**

The Trustee's Report on pages 3 to 11 was approved and signed for and on behalf of the Trustee on 14 March 2019.

**Joanna Matthews**  
Independent Chair  
Verity Trustees Limited

# **Independent Auditors' report to the Trustee of The Pensions Trust 2016**

## **Report on the audit of the Financial Statements**

### **Opinion**

In our opinion, The Pensions Trust 2016's financial statements:

- show a true and fair view of the financial transactions of the Trust during the year ended 30 September 2018, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report, which comprise: the statement of net assets available for benefits as at 30 September 2018; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Trust, its operations and other organisations on which it depends and the wider economy.

### **Reporting on other information**

The other information comprises all the information in the annual report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the Trustee for the financial statements**

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Trust, or has no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**The Pensions Trust**  
**Year ended 30 September 2018**

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A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Leeds

14 March 2019

## Financial Statements

### Fund Account

For the year ended 30 September 2018

	Note	Year ended 30 Sept 2018 £'000	18 month period ended 30 Sept 2017 £'000
Employer Contributions		2,082.0	840.3
Employee Contributions		25.7	-
<b>Total Contributions</b>	4	<b>2,107.7</b>	<b>840.3</b>
Transfers from Other Schemes	5	27,837.7	51,021.9
Other Income	6	0.5	-
		<b>29,945.9</b>	<b>51,862.2</b>
Benefits Paid or Payable	7	(2,052.5)	(333.0)
Transfers to Other Schemes	8	(7,184.9)	(65.6)
Administrative Expenses	9	(314.6)	(84.7)
		<b>(9,552.0)</b>	<b>(483.3)</b>
<b>Net additions from dealings with Members</b>		<b>20,393.9</b>	<b>51,378.9</b>
<b>Net Returns on Investments</b>			
Investment Income	10	250.3	13.0
Change in Market Value of Investments	11	2,647.7	321.1
Investment Management Expenses	12	(323.7)	(62.4)
		<b>2,574.3</b>	<b>271.7</b>
<b>Net Increase in the Fund</b>		<b>22,968.2</b>	<b>51,650.6</b>
Opening Net Assets		51,650.6	-
<b>Closing Net Assets</b>		<b>74,618.8</b>	<b>51,650.6</b>

The notes on pages 17 to 32 form part of these Financial Statements.

**The Pensions Trust**  
**Year ended 30 September 2018**

**Statement of Net Assets** (available for benefits)

As at 30 September 2018

	Note	Total 2018 £'000	Total 2017 £'000
<b>Investment Assets</b>			
Equities	11	6,236.5	1,977.6
Bonds	11	1,067.0	475.8
Pooled Investment Vehicles	13	65,746.7	16,853.3
Derivatives	14	8.4	217.8
AVCs	11	85.0	-
Cash and Cash Equivalents	15	2,263.6	422.8
Other Investment Balances	15	207.2	4.4
		<b>75,614.4</b>	<b>19,951.7</b>
<b>Investment Liabilities</b>			
Derivatives	14	(0.1)	(207.5)
Other Investment Balances	15	(19.2)	-
		<b>(19.3)</b>	<b>(207.5)</b>
<b>Total Net Investments</b>		<b>75,595.1</b>	<b>19,744.2</b>
Current Assets	19	198.7	33,504.8
Current Liabilities	20	(1,175.0)	(1,598.4)
<b>Total Net Assets</b>		<b>74,618.8</b>	<b>51,650.6</b>

The Financial Statements summarise the transactions of the Trust and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Trust's financial period. The actuarial position of the defined benefit schemes, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 6 to 7 of the Annual Report. These Financial Statements should be read in conjunction with this Report.

The notes on pages 17 to 32 form part of these Financial Statements.

The financial statements on pages 15 to 32 have been approved and signed for and on behalf of the Trustee on 14 March 2019

**Joanna Matthews**

Chair

Verity Trustees Limited

## **Notes to the Financial Statements**

**For the year ended 30 September 2018**

### **1. General Information**

The Trust is a centralised occupational pension fund for non-associated employers.

The address of the Trust's principal office is 6 Canal Wharf, Leeds, West Yorkshire, LS11 5BQ. The Trust is registered in the United Kingdom.

The Trust is a defined benefit ('DB') scheme, which is closed to new members but some members maintain a salary link to their benefits upon retirement.

The Trust is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief and income and capital gains earned by the scheme receive preferential tax treatment.

### **2. Basis of Preparation**

The individual financial statements of The Pensions Trust 2016 have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised November 2014) ("the SORP").

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee does not anticipate that the adoption of the revised SORP will have a material impact on future financial statements, however it may require certain additions to, or amendments of disclosures in the financial statements.

The financial statements presented here cover the year to 30 September 2018. The financial statements produced last year were the first set to be prepared for the Trust, and therefore covered the 18 month period from 1 April 2016 (the date the Trust was established) to 30 September 2017. The 2017 comparative figures included here therefore cover a period of 18 months, compared to the 2018 figures which are for a period of 12 months.

### **3. Accounting Policies**

The principal accounting policies of the Trust, which have been applied consistently, are as follows:

#### **a. Currency**

The Trust's functional currency and presentational currency is pounds sterling (GBP).

## **The Pensions Trust**

### **Year ended 30 September 2018**

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Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the period end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

#### **b. Contributions and Other Income**

- i. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid. In the absence of a Schedule of Contributions, the contributions are paid in accordance with the recommendations of the Actuary in the Interim Schedule of Contributions.
- ii. Other income is recognised on an accruals basis.
- iii. AVCs are recognised on an accruals basis.

#### **c. Transfers from and to other Plans**

- i. Group and individual transfers in are accounted for on an accruals basis, which is normally the earlier of when member liability is accepted by the Trust or the transfer value is paid.
- ii. Individual transfers out are accounted for on an accruals basis, which is normally when the transfer value is paid and member liability is discharged.
- iii. Where members of new schemes hold externally operated AVC policies, the transfer value is accounted for when the policy is transferred into the name of the Trustee. Payments out to members are made when payments are received from the policy operator.

#### **d. Benefits and Payments to and on account of Leavers**

- i. Pensions in payment are accounted for in the period to which they relate.
- ii. Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement or the date the option is exercised.
- iii. Other benefits are accounted for on an accruals basis on the date of leaving or death as appropriate. Refunds and opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Trust.

**e. Administrative and Other Expenses**

- i. The Trustee of The Pensions Trust 2016, Verity Trustees Limited is also the Trustee of The Pensions Trust. The Pensions Trust incurs all administrative and investment management expenses relating to The Pensions Trust 2016 and recharges these on a smoothed basis.
- ii. Expenses which relate specifically to individual schemes are allocated to the appropriate scheme, on an accruals basis.
- iii. Investment management expenses and administrative expenses, other than those relating specifically to a particular scheme, are allocated on the basis of asset values and member numbers, as appropriate.

**f. Investment Income and Expenditure**

- i. Interest is accrued on a daily basis.
- ii. Investment income is reported net of attributable tax credits but gross of withholding taxes, which are accrued in line with the associated investment income.
- iii. The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time of the period, i.e. profits and losses realised on sales of investments during the period and unrealised changes in market value on amounts held at the end of the period. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested with the fund without issue of further units, change in market value also includes such income.
- iv. Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Trust such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within net returns on investment.

**g. Investments**

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price or most recent transaction price is used.

- i. The readily traded investments (equities, bonds and certain pooled investments) are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted.
- ii. Where quoted or unquoted unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the Financial Statements where used.

**The Pensions Trust**  
**Year ended 30 September 2018**

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- iii. Where the value of a pooled investment vehicle (PIV) or qualifying investment vehicle (QIF) is primarily driven by the fair value of its underlying investments, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.
- iv. Derivatives are stated at fair value.
  - Over-the-counter (OTC) derivatives are stated at fair value estimated using pricing models and relevant market data as at the year-end date. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
  - All gains and losses arising on derivative contracts are reported within 'change in market value'.
- v. Additional Voluntary Contributions (AVCs) are invested in accordance with the members' instructions.

#### 4. Contributions

	<b>Year ended 30 Sept 2018 £'000</b>	<b>18 month period ended 30 Sept 2017 £'000</b>
<b>Employer Contributions</b>		
Deficit Funding	2,082.0	840.3
<b>Employee Contributions</b>		
AVCs	25.7	-
	<b>2,107.7</b>	<b>840.3</b>

Deficit funding: An actuarial valuation of each DB scheme will be carried out every three years. Deficit funding represents payments by schemes to eliminate past service deficits in accordance with the Schedules of Contributions prepared by the Actuary.

Total future commitments as at 30 September 2018 to pay deficit contributions for the Frank Roberts & Sons Pension Scheme and the Waterloo Housing Pension Scheme are shown below:

	<b>£'000</b>
Due in 1 year	1,806.5
Due in 1 - 2 years	1,931.0
Due in 2 - 5 years	6,526.8
Due in > 5 years	14,641.9
<b>TOTAL</b>	<b>24,906.2</b>

The deficit recovery period for each scheme is 7 years.

**The Pensions Trust**  
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Darlington Building Society has not been included in the above as a full actuarial valuation has not yet been completed. The Interim Schedule of Contributions which is in place requires deficit funding contributions of £900,000 per annum.

**5. Transfers from Other Schemes**

	<b>Year ended 30 Sept 2018 £'000</b>	<b>18 month period ended 30 Sept 2017 £'000</b>
Group Transfers in:		
AVCs – Darlington Building Society Pension Plan	14.0	-
AVCs – Waterloo Housing Association Benefit Plan	51.9	-
AVCs – Frank Roberts & Sons Pension Scheme	19.1	-
PIVs – Waterloo Housing Association Benefit Plan	-	19,168.1
PIVs – Darlington Building Society Pension Plan	26,998.9	-
Debtor – Investments – Frank Roberts & Sons Pension Scheme	-	31,222.1
Debtor – Cash – Frank Roberts & Sons Pension Scheme	-	631.7
Cash – Frank Roberts & Sons Pension Scheme	2.5	-
Cash – Darlington Building Society Pension Plan	751.3	-
	<b>27,837.7</b>	<b>51,021.9</b>

**6. Other Income**

	<b>Year ended 30 Sept 2018 £'000</b>	<b>18 month period ended 30 Sept 2017 £'000</b>
Annuity policy income	0.5	-
	<b>0.5</b>	<b>-</b>

**7. Benefits Paid or Payable**

	<b>Year ended 30 Sept 2018 £'000</b>	<b>18 month period ended 30 Sept 2017 £'000</b>
Pensions	1,666.9	290.6
Commutations and Lump Sum Retirement Benefits	379.1	42.4
Lump Sum Death Benefits	6.5	-
	<b>2,052.5</b>	<b>333.0</b>

## 8. Transfers to Other Schemes

	Year ended 30 Sept 2018 £'000	18 month period ended 30 Sept 2017 £'000
Individual Transfers Out	7,184.9	65.6
	<b>7,184.9</b>	<b>65.6</b>

## 9. Administrative Expenses

	Year ended 30 Sept 2018 £'000	18 month period ended 30 Sept 2017 £'000
Monthly Management Charge	180.8	65.6
Pension Protection Fund Levy	90.0	11.8
Scheme Specific Expenses	16.8	7.3
Sundry Interest Payable	27.0	-
	<b>314.6</b>	<b>84.7</b>

The monthly management charge represents the amounts paid to The Pensions Trust in respect of the administration and management of the Trust.

## 10. Investment Income

	Year ended 30 Sept 2018 £'000	18 month period ended 30 Sept 2017 £'000
Income from PIVs	250.3	13.0
	<b>250.3</b>	<b>13.0</b>

## 11. Reconciliation of Net Investments

	Value at 01-10-17 £'000	Transfers In £'000	Purchases at cost and derivative payments £'000	Sale Proceeds and derivative receipts £'000	Change in market value £'000	Value at 30-09-18 £'000
Equities	1,977.6	-	4,292.4	(841.5)	808.0	6,236.5
Bonds	475.8	-	811.2	(189.3)	(30.7)	1,067.0
Pooled Investment Vehicles	16,853.3	58,221.0*	21,631.6	(32,834.2)	1,875.0	65,746.7
Derivatives	10.3	-	20.7	(18.1)	(4.6)	8.3
AVCs	-	85.0	-	-	-	85.0
	<b>19,317.0</b>	<b>58,306.0</b>	<b>26,755.9</b>	<b>(33,883.1)</b>	<b>2,647.7</b>	<b>73,143.5</b>
Other Investment Balances	4.4					188.0
Cash	422.8					2,263.6
<b>Total Investments</b>	<b>19,744.2</b>					<b>75,595.1</b>

## The Pensions Trust

### Year ended 30 September 2018

\* Includes a current year bulk transfer in from Darlington Building Society Pension Plan, and a receipt of assets from Frank Roberts & Sons Pension Scheme which were recognised in current assets as an outstanding bulk transfer in, for the prior year.

Indirect transaction costs are included in the cost of purchases and deducted from sale proceeds.

Direct transaction costs analysed by main asset class and type of cost are as follows:

	<b>2018</b>			
	<b>Fees</b>	<b>Commission</b>	<b>Taxes</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equities	1.7	1.8	-	3.5

  

	<b>2017</b>			
	<b>Fees</b>	<b>Commission</b>	<b>Taxes</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equities	0.7	1.8	-	2.5

## 12. Investment Management Expenses

	<b>Year ended</b>	<b>18 month</b>
	<b>30 Sept 2018</b>	<b>period ended</b>
	<b>£'000</b>	<b>30 Sept 2017</b>
	<b>£'000</b>	<b>£'000</b>
Management, Administration and Custody	323.7	62.4
	<b>323.7</b>	<b>62.4</b>

The Trust paid £323.7k in the year to The Pensions Trust in respect of the administration, management and custody of the Trust's investments.

## 13. Pooled Investment Vehicles

By type:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Equities	30,751.7	8,396.8
Bonds	18,286.3	4,477.8
Property	2,154.7	-
Hedge funds	29.7	-
Venture Capital and Partnerships	11,465.3	-
Cash	3,042.1	-
Liability Driven Investments	-	3,978.7
Commodities	16.9	-
	<b>65,746.7</b>	<b>16,853.3</b>

Included within the equity PIVs above we hold a Qualifying Investment Fund (QIF). The underlying investments of this are as follows:

**The Pensions Trust**  
**Year ended 30 September 2018**

**Qualifying Investment Funds:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Equities	1.1	1,675.2
Cash & Cash Equivalents	82.8	1.6
	<b>83.9</b>	<b>1,676.8</b>

**14. Derivatives**

Outstanding derivative financial instruments at the period end are summarised as follows:

Forward Foreign Currency Type:	Expires within	Notional Value 000's	2018		2017	
			Fair Value		Fair Value	
			Asset £'000	Liability £'000	Asset £'000	Liability £'000
Sell JPY for GBP (1 Contract)	1 Year	502.3	-	(0.1)	185.8	(176.9)
Sell EUR for GBP (1 Contract)	1 Year	69.0	8.4	-	32.0	(30.6)
		<b>571.3</b>	<b>8.4</b>	<b>(0.1)</b>	<b>217.8</b>	<b>(207.5)</b>

The notional value represents the sterling value of the foreign currency amount of the contract translated at the year-end spot rate.

**Objectives and Policies for Holding Derivatives**

The Trustee has authorised the use of derivative financial instruments by their investment managers as part of their investment strategy as follows:

- Forward Foreign Currency: The Trustee uses forward contracts primarily for the purposes of currency risk management.

**15. Cash and Other Investment Balances**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cash – Sterling	2,167.1	400.5
Cash – Foreign Currency	96.5	22.3
	<b>2,263.6</b>	<b>422.8</b>
Accrued Investment Income	165.5	4.4
Pending transactions	41.7	-
	<b>207.2</b>	<b>4.4</b>
Amounts due to Brokers	(19.2)	-
	<b>2,451.6</b>	<b>427.2</b>

## 16. Concentration of Investments

The following investments exceeded 5% of the Trust's net assets at the financial period end.

	<b>2018</b>		<b>2017</b>	
	<b>Value £'000</b>	<b>%</b>	<b>Value £'000</b>	<b>%</b>
<b>DB Investments</b>				
BlackRock Investment Management (UK) Ltd – Liability Solutions III Tailored Fund	-	-	3,024.8	5.9
Legal & General Investment Management Ltd – North American Equity Fund	6,568.8	8.8	1,567.9	3.0
Invesco Asset Management Ltd – Global Target Return Fund	4,387.0	5.9	1,915.6	3.7
Royal London Asset Management Ltd – UK Corporate Bond Fund	10,706.6	14.5	2,566.0	5.0
BlackRock Investment Management (UK) Ltd - LMF Long Nominal Profile Fund	4,745.3	6.4	-	-
BlackRock Investment Management (UK) Ltd – LMF Long Real Profile Fund	9,199.3	12.3	-	-
Standard Life Investments Ltd – Secure Credit Fund	5,638.2	7.6	-	-

## 17. Fair Value of Investments

The fair value of investments has been determined using the following hierarchy.

<b>Investment Category</b>	<b>Description</b>
Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Trust's investment assets and liabilities have been included at fair value within these categories as follows:

**The Pensions Trust**  
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<b>Category:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Total</b>
				<b>£'000</b>
<b>Investment Assets</b>				
Pooled Investment Vehicles	1,714.9	58,204.7	5,827.1	65,746.7
Bonds	-	1,067.0	-	1,067.0
Equities	6,236.5	-	-	6,236.5
Derivatives	-	-	8.4	8.4
AVCs	-	85.0	-	85.0
Cash and Cash Equivalents	2,263.6	-	-	2,263.6
Other Investment Balances	15.0	192.2	-	207.2
	<b>10,230.0</b>	<b>59,548.9</b>	<b>5,835.5</b>	<b>75,614.4</b>
<b>Investment Liabilities</b>				
Derivatives	-	-	(0.1)	(0.1)
Other Investment Balances	-	(19.2)	-	(19.2)
	-	<b>(19.2)</b>	<b>(0.1)</b>	<b>(19.3)</b>
<b>Total Investments</b>	<b>10,230.0</b>	<b>59,529.7</b>	<b>5,835.4</b>	<b>75,595.1</b>

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 30 September 2018 (2017: None).

Analysis for the prior year end is as follows:

<b>Category:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Total</b>
				<b>£'000</b>
<b>Investment Assets</b>				
Pooled Investment Vehicles	22.5	12,867.1	3,963.7	16,853.3
Bonds	-	475.8	-	475.8
Equities	1,977.6	-	-	1,977.6
Derivatives	-	-	217.8	217.8
Cash and Cash Equivalents	422.8	-	-	422.8
Other Investment Balances	4.4	-	-	4.4
	<b>2,427.3</b>	<b>13,342.9</b>	<b>4,181.5</b>	<b>19,951.7</b>
<b>Investment Liabilities</b>				
Derivatives	-	-	(207.5)	(207.5)
	-	-	<b>(207.5)</b>	<b>(207.5)</b>
<b>Total Investments</b>	<b>2,427.3</b>	<b>13,342.9</b>	<b>3,974.0</b>	<b>19,744.2</b>

## 18. Investment Risks

### Types of Risk Relating to Investments

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

**Credit Risk:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market Risk:** This comprises currency risk, interest rate risk and other price risk.

- **Currency Risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest Rate Risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other Price Risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

In the below table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/not at all.

	Credit Risk	Market Risk			2018	2017
		Currency Risk	Interest Rate	Other Price	£'000	£'000
Equities	○	◐	○	●	6,236.5	1,977.6
Bonds	●	◐	●	◐	1,067.0	475.8
Pooled Investment Vehicles					65,746.7	16,853.3
Direct exposure	●	○	○	○		
Indirect exposure	◐	◐	◐	◐		
Derivatives	◐	◐	○	◐	8.3	10.3
AVCs	◐	○	○	○	85.0	-
Cash and Other Investment Balances	●	○	●	○	2,451.6	427.2
					<b>75,595.1</b>	<b>19,744.2</b>

### **Investment Strategy**

The Trustee's objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns sufficient to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due.

The Trust is a multi-employer pension scheme that provides tailored investment solutions for a number of underlying DB sections. In order to achieve its objective the Trustee constructs pools of assets that are then used to determine scheme specific investment strategies tailored to meet their individual set of liabilities.

The Trustee has delegated the power to set investment strategy to its Investment Committee and Funding Committee. In summary, the Investment Committee sets the fund selection and performance strategy, after taking advice from the Trust's independent investment consultants, for the various pools of assets. The Funding Committee sets scheme-specific asset allocation strategies at the same time as assessing scheme-specific funding needs.

When constructing the pools of assets from which scheme specific investment strategies are drawn the Investment Committee considers a number of factors including the expected risk and return of each asset class, diversification benefits, liquidity requirements and fees. In order to support their decision making the Investment Committee takes independent advice from the Trust's investment consultants, as well as receiving input from the Trust's Chief Investment Officer.

In September 2018, the Trustee reviewed a set of 10 Investment Beliefs that the Investment Committee must use as a framework when making decisions and agreeing the investment strategy. These Investment Beliefs can be found in full on TPT's website.

The Trustee employs third party fund managers to implement the investment strategy, meaning that the Trust does not manage any money in-house. The Trust uses a combination of both passive and active investments depending on the perceived ability to add value in the relevant area. Fund managers are monitored on an on-going basis by both the Investment Committee and the in-house Investment Team, and are met with at least annually.

When considering the investment strategy, the Funding Committee takes into account a number of considerations such as the strength of the employer covenant, the long term liabilities of the scheme, the appetite for investment risk and the funding strategy agreed with the employer. These are reviewed at least every three years in-line with the scheme's valuation to ensure that the strategy remains appropriate.

### **Credit Risk**

The Trust is subject to direct credit risk because it invests in bonds, forward foreign exchange contracts, derivatives and has cash equivalents. The Trust also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the provider of the PIV and also indirectly

**The Pensions Trust**  
**Year ended 30 September 2018**

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exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table. The notes below explain how this risk is managed and mitigated for the different asset classes.

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investments exposed to Credit Risk</b>		
Bonds	1,067.0	475.8
Pooled Investment Vehicles		
Bond Funds (Direct and Indirect)	18,286.2	4,477.8
Other Funds (Direct Risk only)	47,460.4	12,375.5
Derivatives – Assets	8.4	10.3
AVCs	85.0	-
Cash and Other Investment Balances	2,451.6	422.8
	<b>69,358.6</b>	<b>17,762.2</b>

Credit risk arising on bonds held directly is mitigated by ensuring that the investment manager has a suitable framework in place for assessing the credit worthiness of the counterparty and the credit rating of the bonds match the desired risk profile of the mandate.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Indirect credit risk arises in relation to underlying investments held in a number of the pooled investment vehicles. This risk is mitigated by ensuring that appropriate due diligence is carried out on the pooled manager's investment process at appointment. Forward foreign exchange contracts are not guaranteed by any regulatory exchange and therefore schemes are subject to the risk of failure of the counterparty.

Cash on deposit is held within financial institutions that have an investment grade credit rating.

### **Currency Risk**

The Trust is subject to currency risk because some of the investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Trust therefore invests in a currency hedged share class in order to mitigate this risk.

### **Interest Rate Risk**

The Trust is subject to interest rate risk because some of the investments are held in bonds or interest rate swaps (either segregated investments or through pooled investment vehicles), and cash.

A summary of exposures to interest rate risk is given in the following table.

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**Year ended 30 September 2018**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investments exposed to Interest Rate Risk</b>		
Bonds	1,067.0	475.8
Pooled Investment Vehicles		
Bond Funds (Indirect)	18,286.2	4,477.8
Cash and Other Investment Balances	2,451.6	422.8
	<b>21,804.8</b>	<b>5,376.4</b>

**Other Price Risk**

The Trust is subject to other price risk, arising principally in relation to the growth portfolio (growth assets within the main portfolio) which includes directly held equities, equities held through pooled vehicles and a range of strategies that aim to produce absolute returns in all market environments.

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investments exposed to Other Price Risk</b>		
Equities	6,236.5	1,977.6
Bonds	1,067.0	475.8
Pooled Investment Vehicles		
Other Funds (Indirect)	47,460.4	12,375.5
Derivatives	8.3	10.3
	<b>54,772.2</b>	<b>14,839.2</b>

**19. Current Assets**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Contributions due in respect of employers	198.5	58.3
Pending bulk transfer of Frank Roberts & Sons Pension Scheme	-	31,853.8
Cash Balances	-	1,580.0
Other debtors	0.2	12.7
	<b>198.7</b>	<b>33,504.8</b>

All contributions outstanding at year ended 30 September 2018 and the period ended 30 September 2017 were subsequently received in line with the due dates set out in the certified and interim Schedules of Contributions.

**20. Current Liabilities**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Unpaid Benefits	30.0	3.0
Tax Deducted from Pensions	22.8	3.6
Other Creditors	1,056.7	1,580.0
Accrued Expenses	65.5	11.8
	<b>1,175.0</b>	<b>1,598.4</b>

At 30 September 2018, included within Other Creditors, the Trust had a creditor of £1,056.1k (2017: debtor of £12.7k) owing to The Pensions Trust. This represents cash balances held within the joint

## The Pensions Trust

### Year ended 30 September 2018

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bank account. As at 30 September 2018, the Trust did not hold any cash balances with the Custodian resulting in a debtor to The Pensions Trust (2017: debtor of £1,580k).

## 21. Contingencies and Commitments

As at the 30 September 2018 the Trust had no contingent assets or liabilities (2017: None).

### GMP Equalisation

Between 1978 and 2016, it was possible to contract out of part of the State Pension by being a member of an occupational pension scheme that met certain conditions. Where the scheme was contracted out, members and the employer paid a reduced rate of National Insurance to reflect the fact that the Scheme would provide benefits to replace some of the members' state pension rights. Between 1978 and 1997, contracted out defined benefit schemes were required to provide a Guaranteed Minimum Pension for each member. From 1997 to 2016 different rules applied.

Because it was linked to the state pension, the calculation for the GMP was gender-specific. In October 2018, the High Court determined that trustees must equalise benefits between men and women for the effect of GMPs. Following the ruling, any member of a contracted out defined benefit scheme who was in service between 17 May 1990 and 5 April 1997 may need their benefits increasing, however the adjustment may result in an average increase of just a few pounds a month. No benefits will reduce as a result of this ruling.

The Trustee is currently reviewing with its advisers the impact of the ruling on each of the previously contracted out defined benefit schemes in the Trust and will communicate with employers and members in due course about the impact on liabilities and benefits.

## 22. Subsequent Events

There were no subsequent events requiring disclosure in the Financial Statements

## 23. Scheme Balances

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Waterloo Housing Association Benefit Plan	20,943.8	19,747.4
Frank Roberts & Sons Pension Scheme	25,577.3	31,903.2
Darlington Building Society Pension Plan	28,097.7	-
	<b>74,618.8</b>	<b>51,650.6</b>

All three schemes are closed to future benefit accrual.

## 24. Related Party Transactions

### Trustee-Related

The Trustee, Verity Trustees Limited is also the Trustee of The Pensions Trust. All of the Trustee directors serve as Trustee for each Trust.

**The Pensions Trust**  
**Year ended 30 September 2018**

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**Employer-Related Investments**

There are no employer related transactions.

**The Pensions Trust**

At 30 September 2018, the Trust had a creditor of £1,056.1k (2017: debtor of £12.7k) owing to The Pensions Trust. This represents cash balances held within the joint bank account.

The Trust paid £180.8k (2017: £65.6k) to The Pensions Trust in the period in respect of the administration and management of the Trust.

The Trust paid £323.7k (2017: £62.4k) in the year to The Pensions Trust in respect of the administration, management and custody of the Trust's investments.

## Independent Auditors' statement about contributions to the Trustee of The Pensions Trust 2016

### Opinion

In our opinion:

- the contributions payable to the Trust between 1 October 2017 and 4 September 2018 as reported in The Pensions Trust 2016's summary of Contributions have been paid in accordance with the Trust rules and recommendation of the actuary.
- the contributions payable under the Schedule of Contributions between 5 September 2018 and 30 September 2018 as reported in The Pensions Trust 2016's summary of contributions have, in all material respects, been paid in accordance with the Schedule of Contributions certified by the Trust actuary on 5 September 2018.

We have examined The Pensions Trust 2016's summary of contributions for the Trust year ended 30 September 2018 which is set out on the following page.

### Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Trust under the payment schedule or, in the absence of such a schedule, the Trust rules, and the timing of those payments.

### Responsibilities for the statement about contributions

#### Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Trust's Trustee is responsible for securing that a payment schedule is prepared, maintained and from time to time revised and for monitoring whether contributions are made to the Trust by employers in accordance with relevant requirements.

#### Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

#### Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Leeds

14 March 2019

## Summary of Contributions

During the year ended 30 September 2018, the contributions payable to the Trust were as follows:

	£'000
<b>Contributions required in accordance with the schedule of contributions certified by the Scheme Actuary</b>	
Deficit funding	65.2
<b>As reported on by the Trust's Auditors</b>	<b>65.2</b>
<b>Other contributions</b>	
Deficit funding	2,016.8
AVCs	25.7
<b>Total other contributions</b>	<b>2,042.5</b>
<b>Total contributions per the Fund Account</b>	<b>2,107.7</b>

As per the above summary, no contributions have been made to the Trust under the Trust Rules and Recommendations of the Actuary. The Trustee has agreed interim Schedules of Contributions for each of the Schemes with the relevant employer as no contributions are due under the Trust Rules. These contributions are shown above in other contributions.

Approved by and signed for and on behalf of the Trustee on 14 March 2019.

**Joanna Matthews**  
Chair  
Verity Trustees Limited

## **Summary of Actuarial Certificates**

The Pensions Trust is a multi-employer pension scheme, where the Trust's actuary has signed actuarial certificates. The following two statements have been given by the actuary together with the signature and details of the actuary.

### **Statement 1**

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 30 September 201X is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the scheme and set out in the statement of funding principles dated (i.e. signed on behalf of the Trustee on) [Date].

### **Statement 2**

#### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that –  
the statutory funding objective could have been expected on 30 September 201X to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the Trustee on) [Date].

#### **Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated (i.e. signed on behalf of the Trustee on [Date]).  
The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

## The Pensions Trust

### Year ended 30 September 2018

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The dates of the last triennial actuarial valuation and the dates of the actuary's certification of that valuation for each pension scheme are listed below.

<b>Scheme</b>	<b>Year of Triennial Valuation as at 30 September</b>	<b>Date of Certification of Schedule of Contributions</b>	<b>Date of actuarial update</b>
Waterloo Housing Association Benefit Plan	2017	05/09/2018	N/A
Frank Roberts & Sons Pension Scheme	2017	12/12/2018	N/A
Darlington Building Society Pension Plan	2018*	N/A**	N/A

\*Interim Schedule of Contributions in place until the completion of the 30 September 2018 actuarial valuation due to the scheme transferring into the Trust on 1 February 2018.

\*\*Valuation to be performed as at 30 September 2018.

Copies of the above certificates are available on request from the contact details on page 2. Individual certificates will be included in the 2018 annual scheme accounts.

TPT Retirement Solutions  
Verity House  
6 Canal Wharf  
Leeds  
West Yorkshire  
LS11 5BQ  
**Email** [enquiries@tpt.org.uk](mailto:enquiries@tpt.org.uk)  
**Website** [www.tpt.org.uk](http://www.tpt.org.uk)



**Pension Scheme Registration Number 12013479**