TPT Retirement Solutions

Chair's Statement Regarding DC Governance

2019

For the year ended 30 September 2019 (the "Scheme year")

Executive Summary

Contents

The Trustee is required to prepare an annual statement which covers:

- Default investment strategy
- Administration (processing core financial transactions)
- Costs & charges
- Value for members
- Trustee knowledge & understanding
- Trustee independence
- Member feedback

Our detailed response to each of these areas is set out below.

Background

The Pensions Trust is the registered name of the occupational pension scheme governed by a trust deed and rules effective from 1 November 2014, as amended (the "Scheme"). The Scheme is a "Master Trust", meaning it is a large pension scheme which can be used by many different employers. The Trustee of the Scheme is a company called Verity Trustees Limited. The statutory directors of Verity Trustees Limited are known as Trustee Directors. As at 30 September 2019 there were 242,270 members of the Scheme.

We are delighted to confirm that The Pensions Trust attained formal Master Trust authorisation from the Pensions Regulator on 18 June 2019. Authorised Master Trusts are a select group, which have been vetted for quality and sustainability.

A number of parties support the Trustee with its functions, many of which are referred to in this statement. These include:

- Investment Committee (**IC**): responsible for ensuring the effective investment of funds on behalf of members and employers of the Scheme.
- Investment Management Team (**IMT**): responsible for developing and maintaining TPT's investment strategy, and is the main point of contact for investment managers and consultants.
- Investment Managers (**IM**): responsible for managing investments on behalf of the Trustee.
- Management Oversight Board (**MOB**): responsible for overseeing the operation of TPT and ensuring that the Trustee's delegates exercise the powers delegated to them appropriately.
- Senior Management Team (**SMT**): the executives responsible for the day-to-day running of TPT.
- Audit, Risk & Compliance Committee (**ARCC**): responsible for, amongst other things, overseeing the manner in which the TPT management ensures and monitors the adequacy and oversight of internal controls and risk management strategy.

The Trustee must operate in accordance with the rules of the Scheme and within its terms of reference (which are included in the Governance Document).

Default investment arrangement

The Trustee invests contributions into a default investment arrangement unless members self-select an alternative investment offered by the Trustee.

In the Scheme, members are provided with a default investment arrangement from a range of Target Date Funds (**TDFs**). The specific TDF is based on member's assumed normal retirement date (age 65), although members can set their own target retirement date. Similarly, a series of Ethical Target Date Funds (**ETDFs**) are available as the default option for members of The Ethical Fund (**TEF**). In the Scheme year to 30 September 2019 (the "scheme year") over 96% of the Scheme's DC members were invested in a default investment arrangement.

Each TDF is designed and managed for the member saving to retire in or around the years stated in its name (the "**target date**"). The aim is to maximise, for a typical member, his or her eventual retirement income/savings while taking account of his or her decreasing capacity to afford losses as he or she approaches and, possibly, passes the target date of retirement.

Each TDF will move progressively from riskier, growth–orientated assets, such as equities and property, into lower-risk, income protection–orientated assets, such as bonds as it approaches and passes its target date.

Statement of investment principles (SIP)

A copy of the latest SIP is attached to this statement as Appendix 1.

The SIP sets out the principles governing how decisions about investments must be made. It sets out the Trustee's policy on such things as choosing investments, risk and return and the extent, if at all, we take account of social, environmental or ethical considerations when taking investment decisions.

At the start of the Scheme year, the aims and objectives of the default investment arrangement were broadly to help ensure that the funds deliver the best possible outcome for the majority of members at retirement.

In particular:

- Our aim is for each TDF to grow more in the earlier years and move towards a less risky asset allocation as the target retirement date (default or as selected by the member) approaches. Over the life of the TDF, the manager has the objective of out-performing inflation so that the investment grows in real terms.

- The Trustee designs the strategy of each TDF so that it is suitable for a member's own target retirement date. The Trustee believes that it is in the best interests of members to provide a default strategy made up of funds which reflect the amount of time left before the member's target retirement date. The Trustee further considers that the default strategy should not require the member to make investment choices or switch funds as he or she approaches retirement.

- The investments held in the default investment arrangement are varied over the life of each TDF so that they meet the specific performance and risk objectives of the TDF. The funds have a range of underlying securities under a long-term insurance contract and include a balance of:

    - return-seeking investments including a range of equity and property funds;
    - balanced investments and diversifiers including commodities; and
    - cautious investments including cash, corporate bonds and UK government bonds.

- The Trustee is committed to responsible investment, and believes that environmental, social and governance factors can impact financial performance. These are set out in TPT's **Responsible Investment Framework**.

- The Trustee is a signatory to the Principles for Responsible Investment and the UK Stewardship Code. It also supports other industry-wide initiatives to promote responsible investment, such as the Institutional Investors Group on Climate Change (IIGCC).

- The Trustee's Climate Change Policy is a strategic part of its approach to being a responsible investor. The policy drives an understanding of exposure to climate change risks and opportunities at the portfolio level for DC investments, and it helps to ensure that new and existing investments are managed in a way that takes account of these risks.

- We make ethical options (ETDFs) available in all of our DC arrangements. ETDFs invest in equity funds, which track the FTSE4Good and MSCI Socially Responsible Investment (SRI) Indices, and have an allocation to corporate bonds (which are ethically screened) and UK government bonds. The IC keeps the investment strategy of the ETDFs under regular review and seeks to provide further diversification within these funds as alternative strategies become available at appropriate costs.

Review of the default strategy and performance of the default arrangement

The Trustee reviews the SIP annually and whenever there has been a significant change in investment policy.

The Trustee has delegated review of the SIP (and default investment strategies) to the IC and receives a report on these activities on an annual basis.

Changes to the SIP were agreed at the IC meeting held on 16 September 2019, and signed-off by the Trustee to reflect new regulations coming into force on 1 October 2019. In particular, the Trustee approved a dedicated SIP for DC, including economic, social and governance considerations as financially material. Further regulations are expected to come into force on 1 October 2020.

The Trustee also undertakes an annual review of:

- the aims and objectives of the default strategies (summarised above) and policies;
- the performance of the default investment arrangements (and the self-select funds); and
- the extent to which strategy and returns are consistent with the aims and objectives.

This annual review is over and above the minimum statutory requirement for a review every three years. We do undertake a more formal three-yearly review in addition, and the last such more formal review took place in 2018.

The annual review processes involve various layers of delegated roles and responsibilities (of which more below). The culmination of the review process took place at an IC meeting on 16th May 2019.

The IMT monitors performance on an ongoing basis and reports to the IC, which formally monitors the performance of the default investment arrangements (and the self-select funds) each quarter in the Scheme year, and reviews them annually in conjunction with the managers of the funds. This standard process was followed in full in the scheme year.

A paper is produced by the IMT that captures any material updates relating to both the default arrangements and self-select funds. In the scheme year this paper is dated 9 May 2019. A DC paper is produced by the IMT for each of the quarterly IC meetings and the formal papers for the Investment Strategy Review are prepared by Alliance Bernstein ('AB'), TPT's investment managers, for the May IC meeting dedicated to DC. In the scheme year, key papers include 'TPT Stewardship Presentation' from AB dated 16 May 2019.

The outcome of the review was that the investment objectives of the default fund remain appropriate given TPT membership and experienced retirement outcomes. A review of the self-select funds also took place which concluded that the existing range and providers of funds were appropriate, and the IC agreed to recommend to the Trustee Board that it survey members on including some additional funds. Questions regarding the addition of new funds were included in a member engagement survey undertaken during 2019. It was subsequently agreed to defer implementation of any changes until the 2020 DC Review Day has taken place. The IC updated the wording regarding financial protection for members to be posted on TPT's website.

Further to this process, the Trustee's annual review and assessment confirmed that performance is still consistent with the aims and objectives of the default arrangement SIP. No changes were considered necessary given that performance remains consistent with the aims and objectives, with all vintages outperforming their respective CPI+ benchmarks over the five years to 31 March 2019.

In addition, the IC oversaw the implementation of the recommendations made by independent investment consultants, Redington, TPT's investment consultants, in September 2018 and summarised below.

- **Recommendation one** - The IC recommended to the Trustee Board that it adopts four separate targets to reflect expectations at different stages of the glide path. These targets were agreed by the Trustee in October 2018, and have now been implemented.

- **Recommendation two**: The IC agreed to the investment manager's proposal to update the risk budget within the investment strategy to reflect an absolute risk measure, removing the income objective at retirement. This has now been fully implemented.

- **Recommendation three**: The IC agreed to incorporate environmental, social and governance (ESG) criteria within the multi-factor funds and to make an allocation to a low-carbon index. This has now been fully implemented.

- **Recommendation four**: The IC agreed to isolate transaction costs and improve metrics in the DC dashboard. This has now been fully implemented.

Administration (processing core financial transactions)

Good member outcomes in DC schemes rely, at least in part, on administration of a high standard. As part of this, the Trustee is required to have processes in place to make sure that the key aspects of administration are processed promptly and accurately.

Core financial transactions

Key elements of administration are known as "core financial transactions" and include (but are not limited to):

- investment of contributions;

- transfer of members' assets to and from the scheme;

- switching between investments within the scheme; and

- payments out of the scheme to members/beneficiaries.

Service level agreement (SLA)

The administration of the DC scheme is outsourced to JLT, a specialist third-party provider of pensions administration services. The Trustee requires the administrator to meet high standards through an SLA and Key Controls which set out the range of services to be delivered and expectations around such things as timescales and accuracy. Mercer merged with JLT Benefit Solutions Ltd (JLT) in April 2019. As such, the Mercer arm provides Scheme actuarial services and the JLT arm continues to provide administration services.

The Trustee receives reports at each meeting through the MOB to help it monitor performance in line with the SLA.

In summary, our SLA with the administrator covers the accuracy and timelines of all core financial transactions as follows:

- The processing and creation of new member records, including the set-up of the default target dated fund for investments, within 5 working days from receipt of information.

- The processing of monthly contributions and fund switches with the investment manager within 24 hours of request.

- The answering of 85% of all member calls within 20 seconds.

- The issuing of all member correspondence, including, but not limited to, general enquiries, transfer requests and retirement requests, within 5 working days from receipt of request.

- The production of annual benefit and SMPI statements within 3 months from the end of the scheme year.

- The ongoing management of all member personal and financial data.

- The ongoing management of member online access.

- The processing of leaver information within 5 working days from receipt of information.

- Daily and monthly bank, unit and fund reconciliations.

- Monthly stewardship reporting and balanced scorecards.

In the Scheme year, the Trustee used a mix of processes to monitor compliance with the SLA. In particular, the Trustee received monthly reports to help monitor that the SLA was being met and guard against issues arising. In addition, the processes adopted by the administrator to help meet the SLA included daily monitoring of bank accounts, a dedicated contribution processing team, and two individuals checking all investment and banking transactions. Further processes include

- JLT provided its own annual assurance report (AAF 01/06) on 9 April 2019, in order to confirm that standards are met to 31 December 2018.

- It is worth noting that past AAF reports were not produced with the specific requirements to reflect a Master Trust based AAF solution. This has been addressed by the provision of a 'Type 1' report. This report sets the controls at a certain point in time and the external auditor will review the controls we determine as relevant for master trust administration performed by JLT. Type 1 reports are to set the controls and do not entail any testing that the controls are operational. The date of this report was set at 31 July 2019, but produced at 30 September 2019 to align with TPT's Scheme Year End. The report was made available to TPT on 2 October 2019.

- Now this Type 1 Report has been completed, future reports will be based on a 'Type 2' report. Type 2 reports are produced following the year-end, based on actual sampling of the controls which will be undertaken by the external auditor. This is the same type of report JLT currently produces for non-Master Trust AAF.

- TPT's in-house Internal Audit function provided assurance to the Trustee, ARCC and the SMT over the management of outsourced services. In respect of JLT, a review of Cash Management (reported on 17/01/2019) included a review of cash flows between TPT and JLT (i.e. DC contributions and DC disinvestments) and supplier payments, whilst a review of PAS Quality Assurance (reported on 25/02/2019) included an assessment of QA processes and controls, including those designed to provide assurance over JLT operations.

- Core financial transactions were considered as part of the audit for Master Trust Assurance purposes – and underwent rigorous independent assessment and approval for the successful Master Trust authorisation application.

- On-going review and consideration by the ARCC at each quarterly ARCC meeting to provide oversight, challenge and support.

In order to specifically assure the Trustee that core financial transactions were processed promptly and accurately, to ensure no issues arose and that standards of administration undertaken by JLT were maintained, the following processes were undertaken in the Scheme year:

- Monitoring of JLT administration services against SLAs and the extent to which member transactions have been processed on time. The Senior DC Contracts Manager monitors the performance by reviewing the monthly administration report. Any anomalies are formally discussed each month, during scheduled meetings between TPT and JLT.

- Following on from the above, the report produced by JLT is discussed in detail at monthly meetings between TPT and JLT, outlining any anomalies and the actions taken. Any follow up actions are formally documented and tracked through to resolution.

- Reviewing capacity at JLT and the level of resources available. Although resources are covered in the monthly meetings between TPT and JLT, there are also scheduled weekly calls where both parties discuss current activities and resource planning. Ad hoc or unscheduled resource changes are highlighted to the Senior DC Contracts Manager as and when necessary.

- Annual reporting by JLT to the SMT on the completeness and accuracy of common and conditional data. The April 2019 data validation reports (certificates and summary) were provided by JLT at the start of May 2019. The output of these reports has been considered in detail with any cleanse activity being factored into the wider member engagement project. The April 2020 reports will be due in May 2020.

- Monthly reviewing of reconciliations of investment transactions and member units. JLT undertakes this activity on a daily basis but reports the findings within the monthly administration report, highlighting any discrepancies. Any discrepancies are accounted for with JLT confirming the impacted member, circumstances leading to the difference and the actions being taken to address these. All discrepancies are satisfactorily managed to resolution.

- Monthly audits by TPT's Quality Assurance team of the core financial transactions undertaken by JLT, including member investment allocations and other aspects of the DC investment cycle. Any issues raised by the annual audit will be discussed as part of the monthly meetings between TPT and JLT and escalated to the MOB as necessary.

- In addition to the above, each month a selection of cases completed by JLT administration is audited by TPT's Quality Assurance Team. The purpose of the audit is to ensure that JLT follows its agreed processes correctly for all case types and that SLAs are met. Furthermore, the audits review the quality of any output which can include, but is not limited to, data updates on oPen (Mercer's administration system) and written communication to members.

- Annual review of the AAF 01/06 Pensions Administration assurance report prepared by JLT, which is scrutinised by the Senior DC Contracts Manager as part of TPT's own DC governance process.

- All monthly contributions and member data are collected by a dedicated employer support team within TPT. The process includes verification by the employer that the contribution schedules submitted are correct, and verification by TPT that the contributions received meet the contribution schedules. Where standards are not being met, issues are escalated to the Administration Director and the SMT for rectification and then reported to the MOB via the Administration report. If necessary the ARCC may also be notified of an issue.

Due to the complexity of pensions administration, issues do arise from time to time. We are pleased to report that there have been no issues identified during the year that required reporting to The Pensions Regulator.

Ultimately, based on the monitoring processes described above and the output from those processes, the Trustee believes that core financial transactions were processed promptly and accurately during the Scheme year.

Member-borne costs & charges

In this section of the Statement, the Trustee has taken account of statutory guidance unless specifically stated.

Administration charges

In all DC pension schemes, members pay charges for a range of services associated with scheme governance and management, investment, administration and communications. Charges are deducted as a percentage of member pots known as the annual management charge (**AMC**). This AMC has been designed so that it incorporates any fixed costs including platform charges.

Default investment arrangements

In the default investment arrangements, administration charges are as follows:

- TDFs: The AMC is 0.5% a year of the annual fund value and all funds are priced daily.
- ETDFs: The AMC is 0.7% a year of the annual fund value and all funds are priced daily.

The higher charge for ETDFs reflects the additional screening required to ensure they meet the ethical standards required. Members who joined the The Ethical Fund before 1999 pay a lower AMC of 0.5% a year because they paid a fixed price on joining the fund (as required by the scheme rules at that time).

Self-select investment arrangements

The IC undertakes checks to help ensure that the charges of self-select funds are accurate and appropriate. The following AMCs apply:

Self-select Fund	AMC (pa)
Bond Fund	0.45%
Cash Fund	0.45%
Global Equity Fund	0.45%
Index-Linked Gilts Fund	0.45%
Socially Responsible Investment Fund	0.45%
Diversified Growth Fund	0.97%
Property Fund	1.00%

The higher charges associated with the Diversified Growth Fund and the Property Fund reflect the higher costs associated with actively managed funds. Other funds have a lower AMC than the default fund because AB charges do not apply for these investments.

In the interests of clarity and transparency the quoted AMC includes all fixed member charges, including the platform fee (where applicable). Any additional costs are excluded (these are described below).

Additional charges

On some funds, additional fund expenses are also payable over and above the AMC. The additional charges are payable on the TDFs, the ETDFs, the Property Fund and the cash self-select fund. These typically include custodian fees, legal fees and depository expenses. The expenses vary between each fund and from month to month. All of our member communications state when and where additional fund expenses may be payable, and state the maximum level of expenses that TPT would expect to incur over the course of a year. Fund fact sheets detail the actual fund expenses charged over the previous quarter. Data in respect of additional charges is monitored by the IC in the quarterly reporting.

TPT has set an upper expectation on the costs that the investment managers can deduct from these funds as follows:

- TDF = 0.03%
- ETDF = 0.05%
- ETDF (pre-99) = 0.075%
- TPT Cash Fund = 0.01%
- Property Fund = 0.02%

These charges are taken from members' funds in addition to the AMC.

Transaction costs

In all DC pension schemes, a further layer of costs is incurred when contributions are invested. This is because investments involve transactions such as buying, selling, lending and borrowing of investments- and all of these transactions incur costs. Transaction costs are payable by members in addition to the AMC and the additional fund expenses described above. Again, in this section of the Statement, the Trustee has taken account of statutory guidance unless specifically stated.

Default arrangement

The default arrangement is a Target Date Fund. Members are enrolled to a target date fund which matches their expected retirement date. For example a member retiring in 2045 will be invested in the AB Retirement Fund 2044-2046 Fund.

The underlying assets of the fund are moved between different investment funds as members approach their retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to retirement and in which fund they are invested.

For the period covered by this statement, annual charges and transaction costs are set out in the tables below.

Default arrangement charges and transaction costs

TDF Vintage	*Admin Costs*	*Transaction Costs*	*Total Costs*
AB Retirement Fund 2008-2010	*0.507%*	*0.179%*	*0.686%*
AB Retirement Fund 2011-2013	*0.507%*	*0.179%*	*0.686%*
AB Retirement Fund 2014-2016	*0.507%*	*0.179%*	*0.686%*
AB Retirement Fund 2017-2019	*0.508%*	*0.178%*	*0.686%*
AB Retirement Fund 2020-2022	*0.512%*	*0.173%*	*0.685%*
AB Retirement Fund 2023-2025	*0.520%*	*0.159%*	*0.679%*
AB Retirement Fund 2026-2028	*0.525%*	*0.149%*	*0.674%*
AB Retirement Fund 2029-2031	*0.528%*	*0.143%*	*0.671%*
AB Retirement Fund 2032-2034	*0.530%*	*0.139%*	*0.669%*
AB Retirement Fund 2035-2037	*0.534%*	*0.148%*	*0.682%*
AB Retirement Fund 2038-2040	*0.535%*	*0.151%*	*0.687%*
AB Retirement Fund 2041-2043	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2044-2046	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2047-2049	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2050-2052	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2053-2055	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2056-2058	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2059-2061	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2062-2064	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2065-2067	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2068-2070	*0.535%*	*0.151%*	*0.686%*
AB Retirement Fund 2071-2073	*0.535%*	*0.151%*	*0.686%*

Ethical TDF Vintage	*Admin Costs*	*Transaction Costs*	*Total Costs*
AB Ethical Retirement Fund Pre 1999 (2008-2010)	*0.520%*	*0.098%*	*0.618%*
AB Ethical Retirement Fund Post 1999 (2008-2010)	*0.720%*	*0.098%*	*0.818%*
AB Ethical Retirement Fund Pre 1999 (2011-2013)	*0.523%*	*0.101%*	*0.624%*
AB Ethical Retirement Fund Post 1999 (2011-2013)	*0.723%*	*0.101%*	*0.824%*
AB Ethical Retirement Fund Pre 1999 (2014-2016)	*0.525%*	*0.105%*	*0.630%*

AB Ethical Retirement Fund Post 1999 (2014-2016)	*0.725%*	*0.105%*	*0.830%*
AB Ethical Retirement Fund Pre 1999 (2017-2019)	*0.526%*	*0.111%*	*0.637%*
AB Ethical Retirement Fund Post 1999 (2017-2019)	*0.726%*	*0.111%*	*0.837%*
AB Ethical Retirement Fund Pre 1999 (2020-2022)	*0.529%*	*0.123%*	*0.652%*
AB Ethical Retirement Fund Post 1999 (2020-2022)	*0.729%*	*0.123%*	*0.852%*
AB Ethical Retirement Fund Pre 1999 (2023-2025)	*0.522%*	*0.142%*	*0.664%*
AB Ethical Retirement Fund Post 1999 (2023-2025)	*0.722%*	*0.142%*	*0.864%*
AB Ethical Retirement Fund Pre 1999 (2026-2028)	*0.525%*	*0.156%*	*0.681%*
AB Ethical Retirement Fund Post 1999 (2026-2028)	*0.725%*	*0.156%*	*0.881%*
AB Ethical Retirement Fund Pre 1999 (2029-2031)	*0.515%*	*0.176%*	*0.691%*
AB Ethical Retirement Fund Post 1999 (2029-2031)	*0.715%*	*0.176%*	*0.891%*
AB Ethical Retirement Fund Pre 1999 (2032-2034)	*0.516%*	*0.193%*	*0.709%*
AB Ethical Retirement Fund Post 1999 (2032-2034)	*0.716%*	*0.193%*	*0.909%*
AB Ethical Retirement Fund Pre 1999 (2035-2037)	*0.506%*	*0.212%*	*0.718%*
AB Ethical Retirement Fund Post 1999 (2035-2037)	*0.706%*	*0.212%*	*0.918%*
AB Ethical Retirement Fund Pre 1999 (2038-2040)	*0.498%*	*0.232%*	*0.730%*
AB Ethical Retirement Fund Post 1999 (2038-2040)	*0.698%*	*0.232%*	*0.930%*
AB Ethical Retirement Fund Pre 1999 (2041-2043)	*0.497%*	*0.252%*	*0.749%*
AB Ethical Retirement Fund Post 1999 (2041-2043	*0.697%*	*0.252%*	*0.949%*
AB Ethical Retirement Fund Post 1999 (2044-2046)	*0.696%*	*0.259%*	*0.955%*
AB Ethical Retirement Fund Post 1999 (2047-2049)	*0.697%*	*0.259%*	*0.956%*
AB Ethical Retirement Fund Post 1999 (2050-2052)	*0.697%*	*0.259%*	*0.956%*

AB Ethical Retirement Fund Post 1999 (2053-2055)	*0.697%*	*0.259%*	*0.956%*
AB Ethical Retirement Fund Post 1999 (2056-2058)	*0.697%*	*0.259%*	*0.956%*
AB Ethical Retirement Fund Post 1999 (2059-2061)	*0.697%*	*0.259%*	*0.956%*
AB Ethical Retirement Fund Post 1999 (2062-2064)	*0.697%*	*0.259%*	*0.956%*
AB Ethical Retirement Fund Post 1999 (2065-2067)	*0.696%*	*0.259%*	*0.955%*

Self-select investment arrangements

For the period covered by this statement, annual charges and transaction costs for the self- select investment options are set out in the table below.

Fund	***Admin Costs***	***Transaction Costs***	***Total Costs***
Global Equity	*0.450%*	*0.103%*	*0.553%*
Cash	*0.463%*	*-0.022%*	*0.441%*
Bond	*0.450%*	*0.026%*	*0.476%*
Index Linked Gilts	*0.450%*	*0.069%*	*0.519%*
Property	*1.020%*	*0.056%*	*1.076%*
SRI	*0.450%*	*0.119%*	*0.569%*
Diversified Growth	*0.970%*	*0.529%*	*1.499%*

The transaction cost figures contain an element of explicit costs which can be negative as a result of a difference in price at the time of trading, as demonstrated in the cash fund above.

Further information

Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments. These costs mainly arise as a result of delivering a funds target investment return. As an example, a fund may need to buy or sell assets when customers pay money into or take money out of the fund. These actions incur costs.

Transaction costs arise as a result of participating in a financial market and so are separate from any product level administration charges and any AMC. The transaction cost for buying or selling an investment include all costs incurred from the point an order to transact is received, to the point at which the transaction completes. These costs include all charges, commissions, taxes and other associated payments incurred directly or indirectly.

Transactions costs must be disclosed at the overall level which will include explicit and implicit transaction costs.

Explicit transaction costs include taxes, explicit fees and charges, and costs in connection with securities lending and borrowing.

Implicit transaction costs relate to the difference in the price of an asset for which it might be bought if sold or other costs which may require judgement to assess.

Transaction costs for workplace pensions must be calculated according to the FCA's 'slippage cost' methodology. The FCA approach calculates a difference between the value of an asset at the price paid and includes both explicit and implicit costs.

To capture the implicit costs of buying and selling, slippage compares the price at execution (execution price) against a fair value price when the order to transact entered the market (arrival price) after allowance is made for the explicit costs which are incurred.

In the scheme year we are satisfied that we were able to obtain the relevant transaction costs information. The process used to obtain this information will be used going forwards with any due alteration of the detail.

Cumulative Illustrations

Trustees are required to present the costs and charges typically paid by a member as a "pounds and pence figure". The DWP has prepared a sample table for this purpose which is set out below, duly adapted and populated in accordance with the DWP guidance using Scheme specific information.

The information in these tables is only intended to be illustrative and members should exercise caution before relying on this information for the purposes of making decisions about savings, investment and retirement choices. In particular, the values shown are estimates based on a number of assumptions and are not guaranteed. Members should refer to the Scheme booklet for more context about the characteristics (as opposed only to cost) of investment options and take independent financial advice as appropriate when making decisions.

Default arrangement illustrations

See appendix 2.

Self-select arrangement illustrations

See appendix 3.

Value for members

The Trustee believes that, in the Scheme year, the charges and transaction costs incurred by its members represent good value for members.

Report

The Trustee carried out a value for money assessment in December 2019, covering the year ended 30 September 2019 and a formal report was approved by the Trustee on 5 March 2020.

The purpose of this report was to assess the value for members of the DC arrangements within TPT in relation to the costs they pay in return for the benefits and services they receive. In addition, data and information has been collated from mostly publicly available sources on TPT's main 'comparator' Master Trusts.

The report can be accessed via the TPT website.

Charges & Transaction Costs

The Trustee believes that the charges members pay for these services are very reasonable compared with its 'comparators'.

The vast majority of TPT members (who use the default TDFs) pay a member charge of 0.50%. This compares favourably with those comparators that have a 'standard' charge (including those that have 'combination' charges, with an AMC and some form of contribution or flat rate charge). It is not possible to make a comparison against those schemes that price each employer individually.

Considerations

The table below sets out an explanation of how we have assessed value (i.e. our criteria) and exactly why we form this belief based on the following areas considered in the formal report.

Criteria	Notes / Conclusions
Scheme Governance & Management	The Trustee believes that TPT provides: • a good range of services both directly to members, and in the day-to-day running and governance of the Scheme; and • a robust and independent governance structure which focuses on improving member outcomes. Evidence to support this conclusion includes: **External assessment** TPT successfully retained its PQM Ready Quality Mark in 2017 and Master Trust Assurance Framework Accreditation in 2018. This means that the DC Scheme has been independently assessed as having high quality standards of governance, low charges and clear member communications. TPT continued to be included in the Pensions Regulator's approved list of Master Trusts. The Trustee is pleased that its application for Master Trust Authorisation from the Pensions Regulator was successful – further demonstrating the quality of governance (amongst other things). **Trustee assessment** The Trustee undertakes an annual appraisal process, feedback and training to ensure that all the Trustee Directors are performing well in their role. **Member Complaints / Disputes** Over the 12-month period to September 2019, from its DC membership of circa 250,000 TPT received 12 formal complaints under the internal dispute resolution procedure about service in the DC Scheme, 3 of which were referred to the Appeals and Discretions Committee. There were no complaints referred to the Pensions Ombudsman in respect of DC schemes over the reporting period.

Scheme Administration

The Trustee believes that the performance of these services is appropriately monitored, and the actual performance has been very good.

Evidence to support this conclusion includes:

- The Scheme exceeding its SLAs in administration and performance objectives for investments.
- Over the 12-month period to September 2019, JLT's average performance against its SLA was over 98%.
- Common Data remains below the standards expected by the Pension Regulator (91% against a benchmark of 100%), mainly due to deferred members not advising JLT of changes in their addresses. Progress has been made during the scheme year in relation to improving Common Data, mainly through a member address tracing exercise which commenced after the 2019 common data assessment was undertaken in April 2019.

Investment (fund management)

Default

The Trustee believes that:

- the default investment arrangement is suitable for the majority of its members and incorporates a well-designed investment glide path to retirement.
- TDFs provide significantly more investment flexibility and future-proofing than a Lifestyle approach.

Evidence to support this conclusion includes:

- TDFs for 'younger' members have a performance expectation of CPI + 4% over the life of the fund. This performance expectation reduces as members approach retirement age, to CPI + 0%. Since inception all TDF's have beaten their respective benchmarks.
- Since the TDF funds started in February 2013 both equities and bonds have shown strong performance while inflation has been relatively subdued. As a result, all TDFs have exceeded their relevant CPI+X% performance expectations by large margins.

Self-select

For those members who do wish to make their own investment decisions, self-select investment funds are available. The Trustee offers a range of self-select funds with diversification of asset class and risk to reflect the full range of membership.

The Trustee does not consider that this range of self-select funds detracts from value for members simply because the range is less extensive than that offered by a number of comparator schemes.

In other Master Trusts, the extent of member take-up of these additional wider options is unlikely to be high, and many of the 'additional' funds offered are likely to have been available to satisfy particular transfers-in of schemes being consolidated into the Master Trust.

Member Communication & Engagement

The Trustee believes that it:

- provides engaging member communications;
- continually assesses and reviews the DC offering to members;
- is committed to improving member communications in the future; and
- is committed to understanding member needs.

Evidence to support this conclusion includes:

- From August 2018, TPT has operated a dedicated ring-fenced customer service centre for all DC members to call and speak to a TPT scheme expert.
- Online access to individual records provided via Benpal.
- A website is used for each DC arrangement, which provides the information that members need to know about their scheme, as well as more general information and educational material.
- Helplines – TPT and JLT operate helplines for members during office hours (8.30am-5.00pm).
- Enquiries email – Members can contact the TPT team at JLT via a dedicated mailbox.
- TPT has partnered with JLT to provide members with an 'at retirement' service in respect of annuities and income drawdown options. Members are offered a two-tier service with a pricing structure to reflect the level of advice given. Members can use JLT's service or their own independent financial advisor. Members who choose not to use any such service are still given details of the choices available to them and are offered the use of an online facility, the Pensions Calculator (without charge), to assist them to make appropriate retirement choices.
- TPT undertakes ongoing customer satisfaction surveys with its members. These surveys allow TPT to monitor the perceived quality and service that members are receiving and to identify areas for improvement.
- Feedback from members is reviewed on a monthly basis to identify any recurring themes or new issues that may have arisen.
- The annual Value for Members report.

Value for members is an evolving assessment. Each year the Trustee wants to ensure good value relative to other forms of saving and investment (especially DC pension saving). We will continue to work towards improvements in value over time.

Trustee knowledge and understanding

The Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. The Trustee recognises the importance of having the right mix of skills, competencies and personalities on the Trustee Board to ensure that the Scheme is well governed and properly managed.

All Trustee Directors are required to complete the Pensions Regulator’s Trustee toolkit prior to appointment and provide evidence of completion. New Trustee Directors must also demonstrate that they meet the Fit and Proper requirements for the purposes of Master Trust Authorisation before appointment.

In particular, the Trustee Directors are required to demonstrate:

- a working knowledge of the trust deed and rules;
- a working knowledge of the current SIP;
- a working knowledge of all documents setting out the Trustee’s current policies;
- that they have sufficient knowledge and understanding of the law relating to pensions and trusts;
- that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes; and
- that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

How we have met requirements

In each Scheme year, the Trustee is required to demonstrate its knowledge and understanding in these areas as follows:

- All Trustee Directors are required to read and understand the Scheme Governance Document which includes details of all of the Scheme’s governance arrangements, including conflicts of interest policy. The Scheme Governance Document is reviewed annually in October.
- All Trustee Directors are required to devote sufficient time to training in addition to training provided at Trustee and committee meetings – and are responsible for their own training programme and for completing the Pensions Regulator’s Trustee Toolkit.

In the Scheme year, this is how the Trustee met the requirements.

The Trustee has access to the services of a range of professional advisers. All Trustee decisions are supported by professional advice where required, and this includes attendance of professional advisers at Trustee meetings. The Trustee’s legal adviser attends each Trustee meeting (supporting a working knowledge of the trust deed and rules and the law relating to pensions and trusts) and the investment adviser attends all IC meetings (supporting a working knowledge of the statement of investment principles and the relevant principles of funding and investment of occupational pension schemes).

TPT maintains a log of all training undertaken by the Trustee (collectively and individually) and organises training sessions as and when necessary. In the Scheme year, all Trustee Directors met or exceeded their specified training requirement to complete the Trustee Toolkit (new directors) and undertake a minimum of 25 hours' Trustee training within the Scheme year.

The Trustee has received confirmation from each Trustee Director that they have completed the required amount of training during the year. Each Trustee Director has also provided evidence that they have successfully completed the Trustee Toolkit. This confirmation and evidence is recorded with each Trustee Director's appointment letter.

Review of the SIP (described earlier in this statement) was undertaken with professional advisers which supports a working knowledge of that current document.

Induction for new trustees

A comprehensive induction process is in place for all new Trustee Directors. All new Trustee Directors are required to meet the Trustee Knowledge and Understanding standards required of a trustee of a large Master Trust plus any requirements specific to their individual role on the Trustee Board, as described in the Trustee terms of reference (which are included in the Governance Document). The Trustee has received confirmation from the Board members that this was the case in the Scheme year.

In the Scheme year, I was appointed as a new Trustee Director and Chair of the Trustee Board and I completed my induction prior to my appointment on 1 October 2018. Two new Trustee Directors were appointed on 1 October 2019 (i.e. in the 19/20 year). Their induction will therefore be reported on in the next Chair's Statement since it falls outside of the relevant scheme year.

Training

The Trustee follows an annual training programme to ensure all Trustee Directors have appropriate knowledge and understanding. In the Scheme year, the Trustee undertook training on, amongst other things:

- Member engagement;
- The Pensions Regulator's Codes of Practice and how they apply to TPT's DC arrangements; and
- Master Trust Authorisation (TPT's application for Master Trust Authorisation was approved by the Pensions Regulator during this Scheme year).

This covers some of the major developments in the law of pensions and trusts and feeds into a working knowledge of relevant current policies.

The training programme is reviewed regularly by the Trustee Board to ensure it is up to date, and that knowledge gaps are identified. To achieve this each Trustee Director carries out a self-evaluation during the Scheme year. In addition, the Chair is asked to indicate if they have identified knowledge gaps or believe that a Trustee Director needs any specific training. Any gaps identified are recorded on the relevant Trustee Director's appraisal form.

Such is the breadth and complexity of pension trusteeship, we have not managed to address all knowledge gaps identified during the Scheme year. Instead, the Trustee has put in place a rolling programme to ensure gaps are filled promptly. In the year ahead, the Trustee will be receiving training on amongst other things:-

- Legacy benefit issues;
- Supervision of authorised Master Trusts.

Any further knowledge gaps are identified by rolling assessment.

Assessment

The combined knowledge and understanding of the Trustee and its advisers enabled the Trustee to properly run the Scheme, in the Scheme year, as follows:

- Trustee Directors are able to challenge and question advisers, committees and other delegates effectively.
- Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties.
- Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements.

To ensure that Trustee Directors are effective in their assessment of whether they have demonstrated their knowledge and understanding, at the end of the Scheme year, each director's performance was reviewed as part of a formal appraisal process which identifies training gaps and influences the individual and group training programme for the forthcoming year.

In the Scheme year, the outcome of this appraisal process (designed with reference to the Scheme business plan) was, in summary:

All Trustee Directors completed a self-assessment questionnaire to evaluate their performance during the year and training needs. Trustee Directors also gave their view on the performance of the Trustee Board as a whole. A similar assessment on the Trustee Board's collective performance was completed by members of the Senior Management Team.

All Trustee Directors attended an appraisal meeting with either the Chair of the Trustee Board or the Senior Nominated Director at which the responses to the questionnaires were discussed. The meeting included a discussion on areas of strength, areas for improvement and agreement on the actions to be taken to strengthen performance.

The appraisal process did not identify any material skills or experience gaps. There were, however, a number of training needs identified both on an individual and collective basis. Training will take place during 2020 to address these needs. Progress against actions required will be reviewed as part of the 2020 appraisal process.

Considering actions taken individually as Trustee Directors and collectively as a Trustee, and the professional advice available, I am confident that the combined knowledge and understanding of the Trustee enables us to properly exercise its functions as Trustee.

Trustee Independence

In the circumstances of the Scheme, the legislation requires that a majority of the Trustee Directors (including the Chair) must be "non-affiliated". In broad terms, "non-affiliated" means independent of the service providers and other commercial parties involved in the Scheme.

Majority Independent

There are nine Trustee Directors of Verity Trustees Limited. Three were nominated by the members, three were nominated by the employers and three, including the Independent Chair, were co-opted onto the Trustee Board by the member and employer-nominated directors.

In determining whether a Trustee Director is non-affiliated we have taken account of the detailed legal requirements (in summary):

- employment or similar relationships with service providers (or connected businesses) in recent times; and
- any payments made or received and any more general conflicts of interest.

We monitor non-affiliated status by way of governance processes which include such things as maintaining records of the length of the appointment, any developments in the roles and responsibilities of Trustee Directors and declarations of conflict as they arise and at trustee meetings.

On the basis of the non-affiliation test (summarised above), the terms of appointment and our ongoing monitoring, we are comfortable that all of the Trustee Directors (including the Chair) were "non-affiliated" in the Scheme year.

Appointment process

The recruitment of non-affiliated trustees must be undertaken in an open and transparent manner. In the Scheme year, I was appointed as Chair of the Trustee Board and a non-affiliated Trustee Director. The following appointment process was followed:

- As per relevant legislation, an external recruitment agency was engaged to prepare a long list of candidates;
- Also as per relevant legislation, an advertisement was placed in Professional Pensions, being an appropriate national publication for a vacancy of this nature;
- A selection panel comprising members of the Trustee Board agreed a shortlist of candidates; and
- Shortlisted candidates completed a psychometric profile, were interviewed by the selection panel and required to act as Chair of a mock board meeting.
- Based upon the outcome of these exercises the selection panel recommended the preferred candidate to the Trustee Board. The Trustee Board approved the recommendation on 23 July 2019.

A selection process for Member Nominated Directors (MNDs) and Employer Nominated Directors (ENDs) is held every two years. No MNDs or ENDs were appointed during the Scheme year. However, a selection process did take place for 2 MND and 1 END vacancies with the successful candidates taking office from 1 October 2019. The open and transparent recruitment process used involved:

- A mailing or email for those that have opted for electronic communications being issued to all members and employers inviting them to nominate candidates.
- A nominee is entitled to stand as a MND candidate if he or she is a member of The Pensions Trust or The Pensions Trust 2016. Self-nomination is permitted. An employer can only nominate one person as an END candidate. A nominee does not have to be a member or work for an employer to stand as a candidate in the END selection. There cannot be more than one employee of a participating employer on the Trustee Board at any one time. Retiring ENDs and MNDs are eligible to stand for re-selection subject to the maximum period of service of 10 years.
- All candidates were required to complete an application form.
- Application forms were considered by the Trustee's Remuneration and Appointments Committee (RAC), which assessed the application against the job specification and required competencies agreed by the Trustee.
- The RAC agreed the candidates to be interviewed by the selection panels.
- There were two selection panels, one for MNDs and one for ENDs. Each selection panel comprised three people as follows:
    - the Company Secretary
    - one existing MND/END as appropriate to the panel in question; and
    - one representative chosen from amongst the members/from amongst representatives put forward by employers, as appropriate to the panel in question.
- The output from the first stage interviews was reviewed by the RAC and cross-referenced against any identified skills gaps. The RAC then shortlisted candidates for second interview. The second interviews were conducted by the Chair and the Chief Executive. The Chair and the Chief Executive recommended the preferred candidates for appointment to the RAC, who subsequently make a recommendation to the Trustee Board.

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

This differs from examples of open and transparent processes set out in legislation because of the circumstances of the Scheme. In particular:

- the Trustee Directors are responsible for defined benefits as well as DC (and the open & transparent process only applies to DC schemes), so we need to consider all elements of the Scheme in the appointment process; and

- the Trust Deed and Rules require that there must always be an equal number of MNDs and ENDS. Furthermore, MNDS must be members of TPT, which limits the potential candidates for these vacancies.

We recognise that an open and transparent process can also include advertisement of the vacancy for a Trustee Director in at least one appropriate national publication, engagement of the services of a recruitment agency to assist in the selection of candidates or a nomination and selection procedure of some or all of the members. These methods are adopted for the recruitment of co-opted directors, including the Chair of the Trustee Board, as described above.

Member Feedback

The Trustee is always pleased to hear the views of the members and encourages them (or their representatives) to make their views about the Scheme known.

Arrangements in place in the Scheme year to provide feedback include actively gathering feedback on a monthly basis through surveys undertaken by an independent provider (the results of which are fed back to the management team to enable TPT to identify problems and make service improvements). At the beginning of each year, TPT defines the outcomes that it wants for its members and uses the member feedback gathered each month to continually measure, modify and improve services.

The Trustee Board is provided with a summary of the member feedback at each meeting.

In addition, members can:

- raise concerns or queries, using the contact details provided about the operational processes of the Scheme (contact details being provided in an annual newsletter and annual benefit statement); and

- use an "Ask the Trustees" function on TPT's website, whereby members can submit a question to the Trustee and receive an individual response.

The fact that we use different means of communication shows that we have designed the process with the size, nature and demographic of their scheme membership in mind.

There are circa 242,270 scheme members, making this a very large Scheme in relative terms. With that in mind, we consider the most effective means of member feedback to be by way of e-mail. The dedicated e-mail address for members to make their views known is **tptenquiries@jltgroup.com** and this is provided to members in routine communications.

This DC Governance Statement was approved and signed for and on behalf of the Trustee on 5 March 2020.

Joanna Matthews
Independent Chair
Verity Trustees Limited

Appendix 1

Trustee Statement of Investment Principles Defined Contribution Elements

Reviewed by the Investment Committee:	16 September 2019
Approved by the Trustee Board:	26 September 2019

1. Introduction

1.1. TPT Retirement Solutions consists of two occupational pension schemes, The Pensions Trust (TPT) and The Pensions Trust 2016 (TPT 2016). TPT is an occupational pension scheme providing Defined Contribution (DC) pension benefits. This Statement of Investment Principles (SIP) governs decisions about investments in respect of the defined contribution elements of TPT, including the "default arrangement" (DC SIP). The default arrangement is, broadly, the fund into which members' accounts are invested if they do not exercise a choice of investments.

1.2. In considering the appropriate investments and preparing this DC SIP, the Corporate Trustee, Verity Trustees Limited (the Trustee), has obtained and considered the written advice of their Investment Consultant, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has consulted the participating employers about this DC SIP.

2. Appointments and Delegation

2.1. The Trustee has delegated investment decisions and compliance stewardship to a formal Investment Committee (IC) and a Chief Investment Officer (CIO) that report back to the Trustee.

2.2. The IC has delegated day-to-day investment management to authorised managers and has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Trustee's investments. These appointments are regularly reviewed. The details of individual managers are published each year in the investment report within the Trustee's Annual Report.

3. Investment Beliefs

3.1. The Trustee has agreed a set of Investment Beliefs that the IC and CIO use as a framework when making decisions and agreeing investment strategy. The Investment Beliefs are reviewed annually and published each year and are available on TPT Retirement Solutions' website. The Trustee regularly reviews the asset allocation of its DC investments in line with its Responsible Investment Framework (RI Framework), available on TPT Retirement Solutions' website, to ensure the security, liquidity, quality and profitability of the DC portfolio as a whole and to ensure DC investments are appropriately diversified.

4. Investment Strategies

4.1. The Trustee recognises that individual members have differing investment needs, that these may change during the course of members' working lives and that members have differing attitudes to risk. The Trustee has established a suite of funds based on the 'target date fund' concept, i.e. funds that do not require members to make their own investment decisions and are designed to be suitable for members' own individual expected retirement.

4.2. The Trustee invests TPT's DC assets via a unit-linked insurance policy with Phoenix Life (the "provider"), who provides the DC investment platform and manages the default arrangement and self-select funds. By investing in this way, the Trustee has no direct ownership of the underlying funds, which has implications for stewardship and aspects of other policies referred to in this SIP. The Trustee has appointed a third party manager, Alliance Bernstein (the "investment manager"), to appoint underlying investment managers, monitor investment performance and vary the asset allocation of the underlying funds with a view to enhance investment returns.

4.3. For those members who do wish to make their own investment decisions, self-select investment funds are available. The Trustee offers a range of self-select funds with diversification of asset class and risk to reflect the full range of membership. A suite of ethical target date funds is available within the default option for members who wish to invest in accordance with ethical considerations and the Trustee's Ethical Investment Framework. The Framework is reviewed annually and published each year and is available on TPT Retirement Solutions' website.

4.4. All funds are made available after the provision to the Trustee of appropriate written advice. In doing this the Trustee has taken into account the risk that the investments might not, over a member's working life, produce adequate returns and that during the period preceding retirement a change in investment market conditions might lead to a reduction in anticipated benefits.

4.5. The performance of the default arrangement and the self-select funds is monitored on a quarterly basis by the IC and reviewed annually in conjunction with the managers of the funds.

4.6. The on-going suitability and objectives of the default arrangement and the range of self-select funds are also reviewed annually by the IC in conjunction with its Investment Consultant, taking into account member feedback and benchmarking material provided by the Investment Consultant.

4.7. The aims and objectives of the default arrangement and default investment strategy are to provide an investment return in excess of inflation (measured by CPI). The investment manager seeks to dampen the impact of short-term market moves by adjusting the asset allocation tactically. Over the life of the funds, the strategic asset allocation shifts so that as a member approaches retirement the exposure to growth assets (such as equities) is reduced in favour of more defensive, less volatile assets (such as bonds). This default strategy and the aims and objectives of the default arrangement are intended to ensure that assets are invested in the best interests of members and their beneficiaries. The self-select funds are chosen by members who bear the risks associated with their chosen fund(s).

4.8. The range of default funds consists of unitised products which are dealt on a daily basis and so are readily realisable. The relevant number of units are purchased with the underlying funds on a bulk basis and allocated to each individual member. Reconciliations of investments take place through the daily investment cycle, with money sent for investment reconciled against unit information returned to the scheme's administrator at a member level.

5. Investment Return

5.1. The IC and CIO determine the targets for the default arrangement and self-select funds. The long–term performance of the target date funds comprising the default depends on the asset allocation strategy and the IC and CIO have appointed the investment manager to oversee the asset allocation of the passive funds comprising the default arrangement to ensure appropriate risk-adjusted returns. The passive self-select funds are designed to match the performance of the underlying index tracking funds (before allowing for fees).

6. Management and Risk

6.1. The default funds and the self-select options invest in a range of (mainly) index tracking funds which are provided by leading investment houses. Regular meetings are held with the provider and the investment manager to assess protection for members and contingency plans. All funds are accessible on a daily basis.

6.2. The following risks, which are not exhaustive, are assessed and monitored regularly.

Risk	Description	Mitigation
Counterparty	Exposure to credit risk of insurance provider	Maintain regular reporting from provider and regular meetings to assess credit worthiness
Costs and charges	The charging structure of the self- select funds (and transaction costs) are disproportionately high compared to the type of investment	Regular review of the charging structure; benchmarking process against charging structures of similar funds and providers in the market; and annual value for money assessment
Diversification	A high proportion of the assets are invested in securities of the same, or related, issuer or in the same or similar industry sector	Regularly review and monitor the composition of the default arrangement and self-select funds to ensure diversity of asset class and risk profile
ESG & Climate Change	Downside risk that result from environmental, social and governance (ESG) related factors including climate change	RI Framework sets out ESG risk management strategy as an integral part of investment decision making process, with specific reference to climate change and the Trustee's approach to engaging with and monitoring its investment managers in relation to ESG
Illiquidity	Inability of assets to be sold quickly or sold at fair market value	Set a prudent limit for the proportion of illiquid assets to be held in the portfolio and monitor the exposure on a regular basis
Managers / Product provider	Investment managers / product provider persistently underperform their performance objectives	Maintain a robust manager selection and monitoring process, manager diversification, tracking error limits and performance targets. This is delegated to the investment manager for the default arrangement
Operational	Loss arising from insufficient internal processes, people or systems and external events. This includes risk arising from the custody or transfer of assets, either internally or from new schemes entering TPT	Ensure processes and procedures are robust, documented and operated by trained personnel. Appropriately test systems and put in place appropriate business continuity plans
Strategic	The selected long-term investment strategy fails to deliver the level of expected return or risk characteristics necessary to meet members' objectives	Set risk measures and limits, to be monitored regularly. Consider valuation metrics for investments, review strategic allocations on a regular basis

7. Decumilation phase

7.1. Whilst the Trustee does not currently offer a drawdown facility within TPT, members are able to take multiple lump sums at retirement and they have access to a drawdown service provided by JLT for a fee.

8. Responsible Investment (including ESG factors) and non-financial matters

8.1. Introduction

8.1.1. The Investment Regulations require that trustees disclose their policies in relation to:

a) financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments;

b) the exercise of the rights (including voting rights) attaching to the investments;

c) undertaking engagement activities in respect of investments (including methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters); and

d) the extent (if at all) to which non-financial matters (the views of members and beneficiaries including their ethical views) are taken into account in the selection, retention and realisation of investments.

8.2. Financially material considerations

8.2.1. Financially material considerations are defined in the Investment Regulations as environmental, social and governance (ESG) considerations, including but not limited to climate change.

8.2.2. The Trustee is committed to being a responsible investor in line with its legal duties under the Investment Regulations. Responsible Investment is an approach which seeks to integrate ESG considerations into investment management and ownership practices.

8.2.3. The Trustee believes that certain ESG factors can have an impact on financial performance and that it is part of its fiduciary and its legal duties to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the appropriate time horizon for an individual scheme in a way which reflects the demographics of members and beneficiaries. This view is expressed formally as a statement (number 10) in the Trustee's Investment Beliefs.

8.2.4. In order to formalise the activities that the Trustee undertakes to demonstrate its commitment to being a responsible investor, it has put in place a RI Framework. The RI Framework covers the key activities undertaken by the Trustee in managing the assets of the scheme and ultimately allows it to communicate its approach to both key suppliers and members.

8.2.5. Responsible Investment forms an integral part of the governance and risk management framework used to protect the long-term value of the assets we manage on behalf of our members and beneficiaries.

8.2.6. The Trustee Board delegates responsibility for implementation of the RI Framework to the IC. In order to ensure the ongoing suitability of the Trustee's approach to Responsible Investment the RI Framework is reviewed annually by both the IC and the Trustee Board.

Fund Manager Selection and Monitoring

8.2.7. The Trustee's RI Framework applies to all of its investments although it tailors its expectations according to the different asset classes and the investment styles of its managers (e.g. active or passive strategies).

8.2.8. The Trustee incorporates its expectations on ESG and climate change in the manager selection process to ensure that it understands the extent to which ESG is integrated into the investment philosophy and process. It also incorporates specific requirements for ESG capabilities and reporting into its operational due diligence and into the Investment Management Agreements put in place which are tailored according to the particular mandate.

8.2.9. The Investment Management Team (IMT) discusses the approach of the Trustee's incumbent managers to stewardship, climate change and ESG risks as part of the manager monitoring process and requires the managers to report back on their Responsible Investment activities on a regular basis.

8.2.10. Each manager's approach is assessed using the Trustee's rating system, with four key areas considered: Values, Stewardship, ESG Integration and Transparency. Each investment manager is then assigned a Responsible Investment rating.

8.2.11. The Trustee reports Responsible Investment manager ratings on a quarterly basis to the IC as an integrated part of its manager monitoring dashboard.

Environmental, Social and Governance Factors

8.2.12. As part of its approach to Responsible Investment, the Trustee considers a range of ESG risks, including corporate governance, human rights, bribery and corruption as well as labour and environmental standards. Of the environmental and social issues that we consider, we believe that climate change presents a material financial risk to the assets held in our portfolios.

8.2.13. The Trustee therefore supports the goals of the Paris Agreement and has signed the Global Investor Statements to Governments on Climate Change.

8.2.14. The Trustee has developed an approach to ensure that climate change risk, including physical, regulatory and transition risks are more explicitly considered through the investment process, from portfolio construction through to asset allocation. It is a strategic part of our approach of being a responsible investor and has three pillars:

a) Understanding the exposure of our investments to climate change. The Trustee will review the carbon risk at both the over-arching portfolio and underlying fund level on a regular basis to understand where risks might arise. This review may include carbon foot-printing, scenario analysis and the use of other metrics. Where appropriate, this analysis will be used to inform our long-term investment strategy and also to meet the disclosure requirements that the Trustee has committed to by signing the Montreal Pledge. The Trustee is also committed to working towards compliance with the recommendations made by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and will use the guidance it sets out for asset owners as the framework for reporting on climate change.

b) Making sure that new and existing investments are managed in a way that takes account of climate change risks and opportunities. The Trustee incorporates climate change expectations and reporting requirements into new mandates where appropriate and makes sure this is part of on-going manager monitoring and reporting. The Trustee will actively encourage its managers to consider reporting in line with the FSB TCFD recommendations.

c) Actively engage with the wider investment community and policy makers on climate change. The Trustee is an active member of the Institutional Investors Group on Climate Change (IIGCC) and is leading efforts in the Investor Practices programme that aim to share best practice on climate change risk analysis amongst asset managers and asset owners.

8.2.15. The IMT provides regular updates to the IC on its activities related to climate change considerations and it is committed to reporting on its progress as part of its annual update on Responsible Investment.

Social Factors

8.2.16. The Trustee considers that companies it invests in have a responsibility to support and uphold the observance of basic human and labour rights in accordance with the United Nations Global Compact. The Trustee does not condone any activity which constitutes modern slavery or human trafficking under the Modern Slavery Act 2015.

8.2.17. The Trustee expects investment managers to choose an investment that has a positive social impact when compared to a similar investment with the same expected return and risk.

8.2.18. The Trustee recognises that the Defence sector poses particular risks to the value of the assets held within its portfolio, specifically with regard to the status of certain weapons, and that investments in the sector have to be informed by the restrictions set out in international conventions. As a result, the Trustee does not invest in companies involved in certain controversial weapons.

8.2.19. The Trustee defines corporate involvement in controversial weapons as development, production, stockpiling, maintenance and offering for sale of controversial weapons and their key components.

8.2.20. In order to identify companies involved in controversial weapons the Trustee uses external data to compile an Exclusions List. Total avoidance of companies identified on the Exclusions List may not however always be practicable from an implementation perspective, partly because of the range of asset classes and investment strategies in which the Trustee invests and in particular the use of derivatives in the portfolio.

8.2.21. The exclusion of companies involved in controversial weapons as defined above therefore applies to investments in physical equities and corporate bonds where the Trustee also has the ability to direct which assets are held within the fund structure.

8.2.22. The Trustee does not restrict investments in sovereign bonds based on states' commitment or adherence to the above international legal instruments.

8.2.23. The Trustee carries out regular reviews of its portfolio to ensure adherence with is approach to restricting investments in controversial weapons.

Governance Factors

8.2.24. The Trustee will assess companies in its portfolio of assets for breaches of generally recognised responsibilities and norms under the United Nations Global Compact and UN treaties and for other behaviours which are deemed unsustainable, considering the risks specific to the relevant sector(s) in which the company operates. The Trustee may use one or more external screening agent(s) to assist in this review.

8.2.25. Where a company's activities are found clearly to conflict with relevant English law or guidance from the UK government, or with international treaties ratified by the British parliament, this may result in one of two outcomes:

a) A decision to engage with the company with a view to having the company desist from that activity. Such engagement should be held at an appropriate level and be subject to ongoing review as to its progress. If after a reasonable time engagement has been unsuccessful then divestment might be the response.

b) In exceptional circumstances where conduct is overtly unacceptable and/or there seems no reasonable prospect of engagement success, an immediate decision by the Trustee to divest from the company.

8.3. Voting

8.3.1. The Trustee aims to vote its shares in all markets where practicable. In the normal course of events it delegates this activity to its investment managers. That said, the Trustee retains the right (where possible) to direct its investment managers to vote in a particular way which it believes is in the best interest of its members. The Trustee expects its managers to use their best endeavours to facilitate the implementation of client voting decisions. This right is most noteworthy in situations where the voting decision taken on a resolution would enable the Trustee to better implement the commitments set out in its RI Framework. The Trustee Board delegates judgement on these matters to the IMT. Where the Trustee exercises its right in this way, it will inform the IC of its decision, together with the reasons for it.

8.3.2. The Trustee expects its investment managers to exercise its voting rights, on behalf of the Trustee, in line with this DC SIP and/or consistent with the Corporate Governance Policy and Voting Guidelines issued by the Pension and Lifetime Savings Association (PLSA). Although the PLSA guidelines focus solely on voting at UK companies, they reference support for the G20/OECD Corporate Governance Principles and the ICGN Global Governance Principles. The Trustee expects its investment managers to use these guidelines when voting in markets outside the UK. In some cases where the Trustee deems the investment manager to have Voting policies that better reflect the Trustee's approach to Responsible Investment than those set out by the PLSA, the IMT may choose to instruct the investment manager to vote in line with the investment manager's own policy.

8.3.3. Where an investment manager intends to vote at variance with this policy, the manager is asked to inform the Trustee as far in advance as possible to afford the best possible chance for the IMT to review the appropriateness of that manager's voting intentions on behalf of the Trustee.

8.3.4. The Trustee has an active securities lending programme which can sometimes prevent it from voting all of its shares. Where there is a contentious vote or a vote relating to the Trustee's engagement activities, the Trustee may choose to recall or restrict the amount of stock lent. This decision will be considered on a case by case basis with counsel from the relevant investment manager(s).

8.4. Engagement

8.4.1. The Trustee's approach to engagement applies to equity and corporate bond holdings and consists of four elements:

a) Engagement by investment managers: The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes that investment managers are best placed to engage with invested companies on ESG matters, given their knowledge of the company and the level of access they have to company management. This is a pragmatic approach because of the number of stocks owned by the Trustee, and the amount of time corporate entities have available for single investors. The Trustee expects its managers to engage on ESG matters where they are considered material and relevant to the investment case. It also expects its managers to respond to specific requests the Trustee might have.

b) Joint engagements with investment managers: There may be occasions when engagement topics identified by the Trustee overlap with engagement efforts of its investment managers. In these situations, the Trustee will seek to undertake joint engagement activities with investment managers.

c) Collaborative engagements: The Trustee recognises that as a responsible asset owner, it should, wherever practicable given time and resources, support initiatives which aim to improve the regulatory and operational environment for all investors. As part of this, the Trustee will participate in collaborative engagements with other asset owners which it sees as furthering the aims and objectives of its investment beliefs and its RI Framework. As part of its efforts in this area the Trustee is committed to joining collaborative engagements through its association with organisations such as the PRI, the PLSA and the Institutional Investors Group on Climate Change (IIGCC). This list is not considered to be exhaustive.

d) Direct engagements: On occasions, an issue may arise where the Trustee believes it is necessary to directly engage with companies on particular ESG related issues.

8.4.2. The Trustee's engagement activities will include written, oral and electronic communication and personal meetings with a company's senior policy makers.

Codes and industry initiatives

8.4.3. The Trustee supports industry wide initiatives to promote Responsible Investment and Stewardship and is a signatory to the Principles for Responsible Investment (PRI), the Financial Reporting Council's (FRC) UK Stewardship Code and the Montreal Pledge.

8.4.4. The Trustee does not insist that current and potential future investment managers are themselves PRI signatories, but it will discuss with its investment managers how they are implementing the spirit of these principles whether or not they are signatories. The Trustee does not insist the investment managers publicly support the UK Stewardship Code but it will seek detail from its investment managers on how they demonstrate their support for the code (for asset classes where it is appropriate).

8.4.5. The Trustee also aims to engage on relevant policy issues alongside other like-minded, responsible investors. To support the Trustee's work in this regard it is a member of the IIGCC and the UK Sustainable Investment and Finance Association (UKSIF).

Communicating and reporting

8.4.6. The Trustee shares information on its Responsible Investment activities via regular member and employer reporting channels.

8.4.7. As a substantial investor in both UK and non-UK listed companies, the Trustee accepts its responsibilities as a shareholder and owner, whether that ownership is directly or indirectly held. This responsibility includes ensuring, where possible, that the companies in which it invests are run by executive officers and directors in the best long-term interests of shareholders.

8.5. Non-financial matters

8.5.1. Non-financial matters are taken into account in the selection, retention and realisation of investments. Non-financial matters for the purposes of the Occupational Pension Schemes (Investment) Regulations 2005 means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of TPT and TPT2016.

8.5.2. The Trustee recognises that by delegating selection, retention and realisation of its DC investments to its investment managers, there are limitations to the extent to which it can take into account non-financial matters in its DC investments. However, the Trustee has adopted a practical and holistic approach to non-financial matters in relation to DC investment as set out in its Ethical Investment Framework. Further, the IC requires its relevant investment managers to report regularly on the application of the Ethical Investment Framework in the selection, retention and realisation of ethical investments across all asset classes and how they seek to exclude companies with business interests and activities that conflict with members' moral and ethical preferences (e.g. tobacco).

8.5.3. The Trustee will review its policy on non-financial matters on an annual basis.

9. Compliance

9.1. The IC requires all investment managers to confirm, through their reporting, that the investments are diversified and suitable, and that they have complied with the principles set out in this DC SIP. The Trustee will review this DC SIP annually and without delay after any significant change in investment policy and in addition, the default strategy and funds after any significant change in the demographic profile of members invested in these funds.

9.2. Consultation with participating employers will be undertaken if these investment principles change.

9.3. A common investment policy is offered to all employers, with the target date funds being offered as the default and members able to choose from a range of self- select options. Fact sheets on all the funds are available to members on TPT's website.

Appendix 2

Default arrangement illustrations

This Appendix contains illustrations of the cumulative effect of costs and charges over time on a member's benefits in the default arrangements, being the TDF and the Ethical TDF. It follows the statutory guidance prepared by the DWP unless stated otherwise.

Notes to the default arrangement cumulative illustrations

1. Projected pension pot values are shown in today's terms (as at 30 September 2019) and do not need to be reduced further for the effect of future inflation.

2. The starting pot size is assumed to be £1,500 at age 22 for a member retiring at age 68. The statutory guidance uses, by way of example, a starting pot size of £10,000 but this is not representative of the membership for the scheme (or indeed many other DC schemes).

3. Inflation is assumed to be 2.5% each year.

4. Contributions are assumed to be paid at the beginning of each month from age 22 to 68 and increase in line with assumed earnings inflation of CPI plus 1.0% each year on the anniversary of the first contribution. The statutory guidance uses, by way of an example, assumed earnings inflation of 2.5% or 4% each year but we do not consider this to be appropriate for our demographics of members.

5. Initial contribution level is assumed to be £185 per month.

6. Values shown are estimates and not guaranteed.

7. The projected future growth rate is 3.22% above inflation.

TDF

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	4,066	4,051
3	9,296	9,206
5	15,230	14,995
10	33,721	32,706
15	58,767	56,101
20	92,480	86,819
25	137,644	126,963
30	197,925	179,230
35	278,155	247,080
40	384,696	334,954
46	559,256	474,958

Ethical TDF

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	4,066	4,046
3	9,296	9,179
5	15,230	14,925
10	33,721	32,409
15	58,767	55,332
20	92,480	85,206
25	137,644	123,958
30	197,925	174,042
35	278,155	238,578
40	384,696	321,538
46	559,256	452,618

Appendix 3

Self-select arrangement illustrations

This Appendix contains illustrations of the cumulative effect of costs and charges over time on a member's benefits in the self-select arrangements. It follows the statutory guidance prepared by the DWP unless stated otherwise.

Notes to the default and self-select cumulative illustrations

1. Projected pension pot values are shown in today's terms (as at 30 September 2019) and do not need to be reduced further for the effect of future inflation.

2. The starting pot size is assumed to be £1,500 at age 22 for a member retiring at age 68. The statutory guidance uses, by way of example, a starting pot size of £10,000 but this is not representative of the membership for the scheme (or indeed many other DC schemes).

3. Inflation is assumed to be 2.5% each year.

4. Contributions are assumed to be paid at the beginning of each month from age 22 to 68 and increase in line with assumed earnings inflation of CPI plus 1.0% each year on the anniversary of the first contribution. The statutory guidance uses, by way of an example, assumed earnings inflation of 2.5% or 4% each year but we do not consider this to be appropriate for our demographics of members.

5. Initial contribution level is assumed to be £185 per month.

6. Values shown are estimates and not guaranteed.

7. The projected future growth rates for the self-select options are as set out below:

    7.1 Global Equity Fund: 3.90% above inflation

    7.2 Bond Fund: 0.68% above inflation

    7.3 Cash Fund:-1.46% below inflation

    7.4 Diversified Growth Fund (DGF): 2.93% above inflation

    7.5 Index-Linked Gilts Fund: 0.00%

    7.6 Property Fund: 2.44% above inflation

    7.7 Socially Responsible Investment (SRI) Fund: 3.95% above inflation.

Global Equity fund

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	4,086	4,072
3	9,407	9,330
5	15,520	15,317
10	34,999	34,102
15	62,198	59,780
20	99,930	94,661
25	152,026	141,818
30	223,695	205,335
35	322,024	290,651
40	456,651	404,995
46	684,895	594,280

Bond fund

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	3,995	3,982
3	8,894	8,822
5	14,197	14,016
10	29,408	28,691
15	47,801	46,071
20	69,939	66,571
25	96,480	90,661
30	128,192	118,883
35	165,973	151,855
40	210,872	190,282
46	275,886	244,741

Cash fund

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	3,934	3,921
3	8,564	8,494
5	13,376	13,205
10	26,240	25,606
15	40,366	38,943
20	55,848	53,270
25	72,788	68,646
30	91,293	85,133
35	111,478	102,796
40	133,464	121,704
46	162,411	146,138

DGF

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	4,058	4,030
3	9,249	9,088
5	15,107	14,690
10	33,189	31,418
15	57,363	52,794
20	89,484	79,955
25	131,964	114,311
30	187,936	157,608
35	261,468	212,009
40	357,851	280,193
46	513,483	384,931

Index-linked gilts fund

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	3,976	3,963
3	8,788	8,717
5	13,931	13,755
10	28,355	27,671
15	45,271	43,659
20	65,030	61,963
25	88,032	82,858
30	114,728	106,644
35	145,629	133,658
40	181,313	164,273
46	231,376	206,346

Property fund

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	4,045	4,015
3	9,171	9,003
5	14,905	14,474
10	32,323	30,527
15	55,108	50,554
20	84,739	75,409
25	123,093	106,121
30	172,554	143,937
35	236,150	190,358
40	317,722	247,199
46	446,297	332,279

SRI fund

Projected Pension Pot in Today's Money (as at 30 September 2019)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	4,086	4,072
3	9,407	9,330
5	15,520	15,317
10	34,999	34,102
15	62,198	59,780
20	99,930	94,661
25	152,026	141,818
30	223,695	205,335
35	322,024	290,651
40	456,651	404,995
46	684,895	594,280