

TPT Retirement Solutions

Value for members

The Pensions Trust
Defined contribution

V10 - 18 December 2017

Agreed by Verity Trustees Limited – Trustee of The Pensions Trust

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Value for members

Background

This report has been prepared for the Trustee Board in context of their ongoing monitoring and oversight of the defined contribution (DC) arrangements at The Pensions Trust. The Pensions Trust is the registered name of the occupational pension scheme, governed by a trust deed and rules effective 1 November 2014, as amended. The Pensions Trust, together with The Pensions Trust 2016, operates under the brand name 'TPT Retirement Solutions'. For the purpose of this document all references to 'TPT' refer to The Pensions Trust and TPT Retirement Solutions as one and the same entity. This document does not cover any pension arrangement in The Pension Trust 2016 scheme. The Trustee is Verity Trustees Limited (the Trustee).

The purpose of this report is to assess the value for members of the DC arrangements within TPT in relation to the costs and charges they pay in return for the benefits and services they receive.

TPT is an occupational trust based pension scheme (the Scheme) and a Master Trust arrangement, established in 1946. The Trustee is a corporate trustee, Verity Trustees Limited. TPT is a not-for-profit organisation, run for the benefit of its members. TPT's mission statement is 'making membership worthwhile'. TPT believes that its values make it different from other providers, and enables it to focus on employers and members, rather than shareholders. TPT's core values are;

- Customer focused;
- Cost effective;
- Committed;
- Integrity;
- Innovative;
- Inclusive.

The Scheme has 41 individual segregated sections. Within these 41 Schemes there are two standalone defined contribution Schemes, namely;

- Flexible Retirement Plan (FRP)
- The Ethical Fund (TEF)

There are also six hybrid arrangements which provide DC benefits as well as defined benefit (DB) benefits:

- The CARE Scheme – DC Section (CARE DC) - closed to future contributions with effect from 1 April 2016
- The Growth Plan - Series 4 provides exclusively DC benefits (GP4)
- The Genesis Pension Scheme – DC section (Genesis DC)
- Scottish Housing Associations' Pension Scheme – DC section (SHAPS DC)
- Social Housing Pension Scheme – DC scheme (SHPS DC)
- The Independent Schools' Pension Scheme – DC section (ISPS DC)

Throughout this document we collectively refer to all of the DC arrangements under the Scheme as the DC Scheme.

Poor value for members is a key risk that trustee boards have to manage. The law requires the Trustee Board to "calculate at least annually, the charges, and in so far as they are able to, transaction

costs to which member funds are subject and to assess the extent to which they represent good value for members.”

In preparation of this report TPT has followed the illustrative approach provided in The Pension Regulator’s (TPR) guide to Value for Members which has been produced to support the DC Code of Practice No. 13 “Governance and administration of occupational trust based schemes providing money purchase benefits”.

1. Information on what the DC Scheme provides for members and at what cost

1a. Services members pay for

This section looks at the services members pay for across the following four areas:

- DC Scheme governance and management
- Investment
- Administration
- Communication

Area	Commentary
<p>DC Scheme governance and management</p>	<p>A full corporate trustee service is provided with full scheme secretarial support. The Trustee is responsible for all aspects of running an occupational pension scheme such as administration, investment and governance, giving comfort to members and employers that the Scheme is being well managed. Three Directors are nominated by members, three Directors are nominated by employers and a further three Directors are co-opted by the Member and Employer-Nominated Directors.</p> <p>The Trustee is directly supported by the Senior Management Team (SMT). The CEO is appointed by the Trustee. All other executive positions are appointed by the CEO.</p> <p>TPT employs over 170 people to run the Scheme effectively and efficiently. 46 administrators hold or are studying either the Diploma or Certificate in Pensions Administration. 14 employees are APMI or FPMI qualified and another 25 are part PMI qualified. TPT employs four qualified actuaries, one in-house lawyer (who specialises in pension law) and 23 staff with alternative professional qualifications, including Chartered Financial Analyst (CFA), Chartered Institute of Public Relations (CIPR) and Chartered Institute of Management Accountants (CIMA).</p> <p>The Trustee is supported/advised by:</p> <ul style="list-style-type: none"> • a team of legal advisers from Linklaters specialising in pension scheme advice; • the Scheme Actuary, Steve Robinson of JLT Benefit Solutions Ltd (JLT); • the Scheme Auditor, PwC; • its investment adviser, Mercer (up until October 2017 before being replaced by Redington following a service review) . <p>All Trustee advisers are formally reviewed at least every six years.</p> <p>Complaints by members and employers regarding DC services are dealt with in the first instance by JLT. If a member invokes the Internal Dispute Resolution Procedure (IDRP), the complaint is passed over to the Trustee Services Team which investigates the complaint and responds to the complainant, in accordance with the IDRP. If a complainant is unhappy with the decision reached in the first stage of the IDRP, the complainant has the right to appeal to the Audit and Discretions Committee.</p>

<p>Investment</p>	<p>Investment objectives – design and management of the investment strategy</p> <p>The investment objective for the default strategy is set by the Trustee and is reviewed annually.</p> <p>AllianceBernstein’s (AB) Target Date Funds (TDFs) are the default strategy for DC members. Since 1 October 2016 these funds have been customised by AB to better meet the profile of TPT’s DC membership. The Trustee considers TDFs to be the most suitable strategy for the highest proportion of members because of the gradual approach of de-risking throughout each employee’s career. TPT also provides a range of self-select funds.</p> <p>TPT’s TDFs offer significant opportunities for growth in the early accumulation stage, via investment in growth assets, and increasing stability for members approaching retirement via a sophisticated asset allocation process, implemented by the investment manager, into a higher proportion of low risk assets.</p> <p>The ongoing suitability of the default TDFs and the range of self-select funds are reviewed annually by the Investment Committee.</p> <p>Investment options</p> <ul style="list-style-type: none"> • TDFs – Numerous depending on vintage • Ethical TDFs (eTDFs) – Numerous depending on vintage • Seven self-select funds – Bond Fund, Cash Fund, Diversified Growth Fund, SRI Fund, Global Equity Fund, Property Fund and Index-linked Gilts Fund. <p>Investment returns</p> <p>TPT’s internal Investment Management Team monitors investment performance on an ongoing basis and presents quarterly reports to the Investment Committee (IC). The Trustee Board receives an annual report on DC investment performance. Further information is provided in Section 2.</p> <p>Flexibility to switch</p> <p>Members may use their online account to switch fund choices. Alternatively, they can download a form from the DC website. Members are not charged for switching their fund choices although transaction charges may be incurred.</p> <p>Risk profile</p> <p>TDFs are tailored so that in the years preceding retirement a proportion of assets will be moved from growth assets into less risky investment options. The expected investment return is lower but the member benefits from greater fund value stability.</p> <p>As a result of the introduction of pension freedoms, changes were made to the TDFs in 2016 to reflect the experience that more members are taking cash sums on retirement. TPT has moved to having 35% of the pot available for potential</p>
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	<p>cash withdrawal and 65% for income generation at target retirement date (TRD). This allocation is kept under review.</p> <p>The main risk is that the investment returns over the life of the funds fail to meet their fund-specific performance objective. For the TDFs, this is expressed as an investment return in excess of inflation (measured by consumer price index (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 fund, the strategic asset allocation shifts so that as a member approaches retirement the exposure to more risky growth assets is limited in favour of more defensive, less volatile assets.</p> <p>The self-select funds are chosen by members who bear the risks associated with their chosen fund(s).</p> <p>Investment changes in 2016/17 - The Ethical Fund</p> <p>The Ethical TDFs are a self-select option but also a default for a number of ethically-minded employers (i.e. they use The Ethical Fund as their auto-enrolment scheme). Any default DC arrangement is subject to the regulatory charge cap of 75bps (0.75%).</p> <p>In 2015, the IC agreed to make some changes to the Ethical TDFs to include AB's Global Responsible Factor Fund. As well as gaining exposure to multi-factor investing, the fund also invests in emerging markets which had not previously been included in the Ethical TDFs. It was also agreed to include Royal London Ethical Bond Fund, enabling the funds to invest in corporate bonds. The IC believes that these changes will enhance overall investment returns, thus improving outcomes for members. TPT carried out due diligence on the Global Responsible Factor Fund, as there was a conflict of interest in AB using one of its own funds.</p>
<p>Administration</p>	<p>DC administration is outsourced to JLT Benefit Solutions Ltd (JLT). JLT is responsible for the administration and member events of TPT's DC products via a dedicated administration team. TPT monitors the administration performance on a monthly basis, including all day-to-day member administration services (new members, transfers in and out, benefit statements, queries, quotations and at retirement services) against the service level agreements (SLAs).</p> <p>An Internal Dispute Resolution Procedure is in place. JLT manages the day-to-day complaints. Any formal complaints are managed at TPT by the Technical Manager.</p> <p>TPT receives an annual report on the quality of DC member data from JLT. An action plan to improve any data items is created and discussed.</p> <p>TPT currently collects the contributions and data from employers and validates the data provided alongside the contribution schedules to ensure accurate data is uploaded as part of the administration service. Data and contributions are then passed onto JLT for investment allocation and instruction to Phoenix.</p> <p>Straight through processing is in place, linking JLT with the investment platform at Phoenix Corporate Investment Services (Phoenix CIS), (formerly AXA Wealth,</p>

	<p>prior to the sale of business in 2017) for the investment and disinvestment of contributions. Contributions are usually invested within 3-5 working days of receipt from employers.</p> <p>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.</p> <p>Where an employer has signed up to BenPal (JLT’s online access tool), its DC members are able to view their current fund value. They can also view and amend their investment decisions and contribution rates, change contact details and nomination details and request retirement quotations. Members also have access to JLT’s pension modeller which has an additional advantage of being based on personalised data (actual fund values, contribution rates and salary information). 1,946 eligible employers have signed up to the online access tool (BenPal) which covers over 97% of the DC population.</p> <p>TPT prepares reports for regulatory purposes which include but are not limited to the following:</p> <ul style="list-style-type: none"> • TPR Annual Scheme Return • Accounting for Tax • Event reporting • Notifiable events • Annual DC Chair’s statement • Financial Statements including the Annual Report and Accounts.
<p>Communication</p>	<p>The Trustee considers member communication to be a vital element of delivering value for members. All DC member communication templates are drafted in accordance with a procedure which stipulates they should be drafted by a subject matter expert, technically reviewed (if appropriate) and reviewed for clarity, to ensure that the member communication is clear, understandable, drafted in accordance with TPT standards and delivered with appropriate TPT branding.</p> <p>Member communications can be divided into two categories - those which members receive whilst they are building up their retirement fund (the accumulation phase) and those which members receive as they are approaching retirement or receiving retirement benefits (the decumulation phase). Communications received by members in each of these phases are summarised below.</p> <p>Accumulation phase</p> <ul style="list-style-type: none"> • Online access to individual record via BenPal - as stated above; • An annual benefit statement and SMPI; • Website – TPT has a website for each DC arrangement, which provides all the information that members need to know about their scheme (as stipulated in the disclosure requirements), as well as more general information and educational material; • Helplines – TPT and JLT operate helplines for members during office hours (8.30am-5.30pm);

- Enquiries email – members can contact the TPT team at JLT via a dedicated mailbox;
- Member guides – PDF versions are available on the website with hard copies issued on request;
- Fund factsheets – online and updated quarterly. A Guide to fund factsheets is also available online;
- Newsletters – issued to members via email;
- Members receive a summarised version of the Annual Report and Accounts via email.

Decumulation phase

- TPT contacts members 12 months before their normal retirement age or target retirement date. Details of the current fund value are provided and members are reminded of the availability of the online Pensions Calculator so they are able to estimate their likely pension.
- A 'wake up pack' is sent four months prior to the date that TPT expects a member to retire, or the date they tell us they want to retire if they decide to take their benefits early. This includes generic risk warnings and signposts members to Pension Wise.
- 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.

1b. Costs and charges

<p>Costs</p>	<p>A bundled fee outlined in the Annual Management Charge (AMC) below is charged for the following services:</p> <ul style="list-style-type: none"> • Administration. Any additional costs as a result of tailoring the service JLT provides are borne by TPT or by the employer (if the bespoke service is required or requested by the employer); • Auditor, actuary, legal and investment advisers; • Trustee governance; • Investment Platform – Phoenix CIS (formerly AXA Wealth); • Investment Manager – AllianceBernstein. <p>Members can access JLT’s “simplified” or “full” advice service at retirement for a fee which is the lower of a flat fee or percentage of their fund value.</p> <p>Employers are charged a setup fee only.</p> <p>It is not possible to fully break down the member costs into the component parts, as some charges are calculated on a basis points arrangement and other charges are calculated as a flat fee. Also much of TPT’s expenditure (such as staff) covers both DC and DB arrangements.</p>
<p>AMC</p>	<p>Default Funds:</p> <ul style="list-style-type: none"> • Target Date Funds (TDFs) – 0.5% each year is deducted from members’ pots via an adjustment in the unit price attributable to the funds. • Post 99 Ethical Target Date Funds (ETDFs) – 0.7% each year as above. <p>Self-Select Funds:</p> <ul style="list-style-type: none"> • Socially Responsible Investment (SRI) Fund, Global Equity Fund, Bond Fund, Cash Fund, Index-Linked Gilts Fund, – 0.45% • Property Fund – 1.00% • Diversified Growth Fund – 0.97% • Post ‘99 ETDF - 0.7%. The additional 0.20% charge is deducted in order to pay for the additional screening required in respect of Ethical funds. ETDFs are the only arrangement available for members in The Ethical Fund. • Pre ‘99 ETDF – 0.5% (closed to new entrants). Pre ‘99 members pay a lower charge than Post ‘99 Members because they paid an initial fee on joining the scheme. <p>Note that prior to July 2017, TPT excluded the platform fee from the AMC as detailed in member and employer communications. However, in the interests of clarity and transparency, the Senior Management Team agreed that from July 2017 all fixed charges, including the platform fee, should be included in the AMC and any variable costs should be excluded. Variable costs are detailed below.</p>

<p>Variable costs</p>	<p>Depending on the funds that they are invested in, some members pay some additional fund expenses. Fund expenses are expenses charged to the fund which are not being paid out of the management fee. These typically include custodian fees, legal fees and depository expenses. These vary from month to month. Therefore TPT has set an upper expectation on the costs that the investment managers can deduct from these funds. These fund expenses vary from member to member but the maximum costs to members are;</p> <ul style="list-style-type: none"> • TDF = 0.04% • ETDF = 0.05% • ETDF (pre 99) = 0.075% • TPT Cash Fund = 0.02% <p>TPT monitors fund expenses each quarter, and from Q2 2017 will be publishing the details of fund expenses charged in the previous quarter on the TPT DC websites (initially on a table posted alongside the fund fact sheets).</p>
<p>Transaction costs</p>	<p>The TDFs (and ETDFs) implement their investment strategies by investing predominantly in passively managed funds. These funds are priced daily and either have a single swinging price or a bid and offer price. Transaction costs are also payable by members in addition to the AMC and the charges described above.</p> <p>Transaction costs are incurred by members through the operation of the pricing mechanism when units in the funds are bought or sold. These reflect the transaction costs when underlying securities are bought or sold in response to money entering or leaving the fund.</p> <p>TPT does not currently disclose portfolio transaction costs, typical or otherwise, to members. The TPT Investment Team is working with its investment managers to obtain more information on transaction costs which can be presented to members in a straightforward way. AB has indicated that it will be able to provide information on costs at the underlying funds level, but is waiting for industry standards in respect of transaction costs reporting to be agreed.</p> <p>Three Master Trusts have declared their current estimated transaction costs as part of their commitment to fee transparency in line with the PLSA Joint Code of Practice.</p> <ul style="list-style-type: none"> • The People’s Pension estimates that its transactions costs (default funds) are: <p>Average costs of commission - Less than 0.01% of fund Average stamp duty and/or taxes - Less than 0.05% of fund Estimated average dealing spread - 0.08% of transaction value</p> <ul style="list-style-type: none"> • NOW Pensions estimates that its transaction costs (default fund) are: <p>Average costs of commission - Nil Average stamp duty and/or transfer taxes - N/A New Fund Estimated average dealing spread - N/A New Fund</p>

	<ul style="list-style-type: none"> • NEST estimates that its transaction costs (default fund - 3 year average) are: <p>Average costs of commission - 0.081% of fund Average stamp duty and/or transfer taxes - Negligible Estimated average dealing spread - 1.01% of transaction value</p> <p>It is clear that there are wide variances in transaction costs and a wide range of charges being applied to funds. This highlights the need for regulation in this area and a clear definition of transaction costs. TPT is committed to full disclosure of transaction costs once guidance is in place, to ensure that the investment managers know what is to be disclosed and it is comparable between funds.</p>
<p>How we deduct costs and charges and how we communicate to members</p>	<p>All costs and charges are deducted via an adjustment to the unit price attributed to the member's fund value. Therefore, members do not explicitly see a deduction on the pension benefit statement (or online account).</p> <p>Information about charges is included on DC websites, within member guides, on fund fact sheets, within BenPal and on all pension benefit statements.</p>
<p>Comparable costs</p>	<ul style="list-style-type: none"> • 0.75% pa – The cap on charges which applies from April 2015 to all member-borne charges and deductions excluding transaction costs for all default funds in qualifying DC pension schemes. • 0.46% pa – The average AMC for qualifying Master Trusts - DWP paper; "Pension Charges Survey 2015: Charges in DC pension schemes". Note – published AMC does not usually include Fund Charges or Platform charges. • 0.75% – Pension and Lifetime Savings Association's Pensions Quality Mark (PQM) Ready Standard charge – all employers must be offered a default fund where charges are no more than 0.75%. • 0.50% - Cass Business School (Jan 2014) - Recommended total expense ratio for the accumulation period • Comparable DC schemes - TPT has carried out a high level review of costs, and services and compared them to other competitor Master Trusts. TPT has based the criteria on essential services, services that members expect (such as member helpline and online access) and services that TPT's main competitors offer.
<p>Fee negotiations</p>	<p>The TPT Investment Team is currently discussing fee levels with AB to ensure that the costs and charges that TPT's members pay remain competitive.</p>

1c. One-off costs in 2016-17

None to report

2. Assess the scope and quality of DC Scheme services to members

When assessing the scope and quality of the services provided, the following factors were considered:

- member need; and
- performance.

2a. Member needs

Over 96% of TPT's DC members invest in a default fund. TPT's DC offering is still immature and although there are some substantial fund values, the average pot size is less than £10,000 (£7,812 as at 30 May 2017) and the average length of service is just over five years. The largest pots tend to belong to deferred members who have substantially longer periods of membership. The largest DC pot in the DC Scheme is just over £540,000 (as at 30 May 2017) for an active member and £1,073,709 for a deferred member (at the same date). Although some TPT members are high earners, the average salary is around £21,000 with the average contribution rate being 7.06%, across all members. (Members below 30 years of age have an average contribution rate of 4.75% and members over 65 years have an average contribution rate of 11.5 %). It is worth noting that average contribution rates have increased slightly in the past 12 months, particularly for older members.

As a Master Trust, employers are able to set their own contribution rates, subject to meeting auto-enrolment minimum requirements. TPT provides a modeller for members, which shows the effect that increasing contributions will have on their fund at retirement.

In April 2016, TPT surveyed active and deferred DC members over 55 years. This research remains relevant in the 2016/17 scheme year as little has changed in the market over this period and our membership profile has not changed significantly. The aims of this survey were to provide insight into member product requirements and the appropriateness or otherwise of the current investment approach, particularly in the lead up to retirement. The key findings backed up a need for flexibility in the management of accumulation stage DC Scheme investments as members generally do not know when they are going to retire, or what they will do with their funds. This supports the current TDF accumulation approach. The results also suggested some members had an interest in staying with TPT if a drawdown solution was offered. Following the survey, TPT entered into an agreement with JLT to include income drawdown options.

Originally it was agreed that a decision on introducing a new post-retirement solution should be deferred until there was a greater understanding of member needs and demand. However, in 2016 after analysing the available options and undertaking a cost benefit assessment, a decision was taken to begin to offer members an income drawdown service, on an advised and on a non-advised basis through our partner JLT.

TPT is continuing to monitor the market and keep apprised of industry surveys on member decisions and outcomes, and may undertake further surveys of its own membership again in the future.

TPT believes that its members need strong trusteeship, engaging member communications and an effective administration service, as well as a default investment strategy that meets the needs of the

majority of members. To that end, the Trustee monitors performance in all these areas including the performance of the Trustee Board through the annual appraisal process.

2b. Performance

The following table provides evidence about how services have performed effectively over the past year and the improvements in place to assist with this performance.

<p>Administration performance 2016-17</p>	<ul style="list-style-type: none"> • Service Level Agreements (SLAs) are monitored on a monthly basis by TPT. • SLA target is 95%. Over the 12 month period to May 2017, JLT’s average SLA was over 99%. • JLT confirm each month that they are fulfilling their statutory obligations in respect of administration. • Complaints – Over a 12 month period to May 2017 TPT received 16 formal complaints about service in the DC Scheme. TPT has approximately 180,000 DC members. • In April 2016 Common Data was below the standards expected by tPR. A rectification plan was put in place to improve the data score, including rerouting the contribution submission and payment process for employers with improved validation on the data employers submit with their monthly contribution schedule. This change provides a more robust process and has improved the data that TPT holds. Whilst Common Data remains below the standards expected by tPR (94% against a benchmark of 95%), improvements have been made in several areas following an exercise in 2017 to cleanse existing data and improve verification of new data. • TPT successfully retained its PQM Ready Quality Mark. This means that the DC Scheme has been independently assessed as having good standards of governance, low charges and clear member communications. • TPT has achieved Master Trust Accreditation by the Pensions Regulator as a result of demonstrating high quality governance and administration standards. • BenPal provides members with easy to use functionality for online access to retirement benefit accounts.
<p>Investment performance</p>	<p>Performance</p> <p>The Investment Management Team monitors investment performance on an ongoing basis and presents quarterly reports to the Investment Committee (IC). Both parties have, to date, been satisfied with the fund performance. Each fund has an outperformance expectation over a Consumer Price Index (CPI) benchmark. For ‘young’ funds the outperformance expectation is CPI + 4% over the life of the fund. This outperformance expectation reduces for shorter dated funds, to CPI + 1% for funds close to retirement date. Since inception all of the TDF’s are beating their respective benchmark outperformance expectations, primarily because of strong performance in growth</p>

Figures for the year to March 2017 include a volatility score. Volatility is a measure of risk – it is a statistical calculation of the variation of returns over time from their mean.

Performance to 31 Mar 2017 since inception (1 Mar 2013) - annualised	Target Date Funds	Ethical TDFs Post 1999	Ethical TDFs Pre 1999	Benchmark [#]	Volatility TDFs	Volatility Ethical TDFs Post 1999
2017-2019	7.56%	7.27%	7.49%	2.67%	6.16%	5.75%
2029-2031	10.33%	10.90%	11.12%	4.19%	7.73%	7.60%
2038-2040	11.01%	10.87%	11.09%	5.20%	6.59%	8.49%
2047-2049	10.97%	10.86%	n/a	5.20%	6.55%	8.58%

All performance is presented net of AMC and additional fund expenses
[#]CPI plus the outperformance expectation set at inception

Since the funds began investing in February 2013, both equities and bonds have shown strong performance while inflation (until very recently) has been subdued. As a result, all vintages of funds have exceeded their relevant CPI+X% performance expectations by large margins. This is especially the case for mid- and longer-life vintages which have a greater exposure to equities. In the event the funds experience turbulence in markets and/or inflation picks up, the excess performance to date provides a buffer against underperformance versus the long term objective.

Investment return

The IC determines the targets for each TDF and monitors their performance using quarterly reports from the Investment Manager. In the case of DC investment arrangements, all funds use underlying index tracking and/or factor funds (with the exception of the Property fund and DGF). In the long-term, the performance of the TDFs depends on the asset allocation strategy of the Investment Manager; the self-select funds are designed to match the performance of the underlying index tracking funds (after allowing for fees).

Complaints

Member complaints

There have been no complaints referred to the Pensions Ombudsman in respect of DC products and services over the reporting period.

Trusteeship

Annual Trustee appraisal

The Trustee Board undertakes an annual appraisal process to ensure that each of the Directors is performing in their role. Feedback received through the appraisal process feeds into the training programme for the following year.

3. Evaluate the scope and quality against the costs

From the information gathered, the Trustee believes TPT has a strong governance framework in place that protects the interests of DC members and ensures that money spent on DC products and services is carefully monitored, appropriate and gives benefit to members.

Overall, the comparison of TPT's DC products to other DC products available from Master Trusts and within the industry gives a favourable picture of the offerings. In terms of costs and charges, TPT provides a competitive DC model which stands up in the market place.

The services TPT receives from its administration provider and advisers have allowed TPT to comply with its legal duties and meet the DC Code Standards. In 2015, TPT received independent assurance that it had met the requirements of the Master Trust Assurance Framework and in 2016 was added to the Regulator's approved list of Master Trust providers, providing further evidence that TPT meets the governance and administration standards required of a Master Trust arrangement. In 2016, TPT completed its first type two assurance report and remains on the Regulator's list of approved Master Trusts.

TPT is currently preparing for the authorisation regime being introduced following the Pension Schemes Act 2017, and is committed to meeting the requirements for DC Master Trusts.

The DC investments in TDFs have performed well over the last 12 months and the IC remains satisfied with the performance of the manager of the TDFs.

The performance of TPT's administration service has been in line with the Trustee's expectations over the 12 month period.

4. Report on the outcomes and actions taken to address any issues or poor value (if applicable)

4a. Preparation and process of this assessment

In order to assess value for money for members, TPT followed a process as described below, in line with The Pension Regulator's guidance.

- Reviewed the service and investment offerings and compared with industry guidelines and comparable schemes;
- Reviewed the performance against SLAs and investment objectives;
- Reviewed the improvements listed in last year's VFM report and the effect and outcome;
- Looked at the work carried out in 2016-17 to further improve member and employer experience and assist with cost effectiveness;
- Identified future improvements.

The findings of this process are contained in this report and are summarised below under the heading 'outcomes'.

4b. Looking forward

The primary purpose of this assessment is to review the value that members have got from the DC Scheme over the reporting period. However, it is important that the findings of the assessment are used to improve outcomes for members in the future, wherever possible. Therefore, we have identified the following areas for action or improvement in the immediate future.

Administration

- TPT will continue to monitor the administration service offered by JLT to ensure it continues to offer good service to members. There is a focus on improving member communications and continuing to improve data quality in 2018.
- In the second half of 2017, TPT will review its overall DC strategy to ensure it remains fit for purpose. This includes consideration of the retirement offerings available to members at retirement.

Governance

- The Trustee agreed to implement a two-tier governance structure from 1 October 2016, with a supervisory Trustee Board (the Trustee), which appoints and holds to account the Management Board which holds delegated authorities. The SMT also has delegated authority to make most decisions about the day-to-day running of TPT Retirement Solutions. This means that decisions can be made more quickly and creates a clear distinction between Trustee responsibilities and business decisions. The Trustee comprises of nine directors, three Employer-Nominated Directors, three Member-Nominated Directors and three co-opted directors, one of whom is the Independent Chair. There are five members of the Management Board, four non-executives and the Chief Executive

Investments

- The Investment Team will continue to investigate transaction costs with the investment managers.

Communications

- Tools exist for members to understand the options and benefits available but further work is required to highlight the benefits of these to members and to encourage use of these services. Members have received activation details for online access but an exercise to increase member engagement is ongoing.
- Improvements have been made to the letters that all new members receive when they join the DC Scheme, and a programme of DC member communications reviews is being undertaken in 2017 to ensure that they are up-to-date and fit for purpose.
- Improvements have been made to the way TPT presents and communicates information on costs and charges. TPT will continue to review member communications with a view to identifying and making further improvements.
- TPT is in the process of implementing a DC-specific communication policy to ensure that all DC communications are of good quality, consistent and are distributed appropriately and timely.
- TPT is committed to gathering email addresses so that it can provide members with secure online accounts to access correspondence and therefore reduce costs by contacting members via this method in the future.

4c. Outcome and reasoning

The Trustee and the SMT believe that TPT's DC products offer members and employers good value for money because:

- TPT's member charges are broadly in line with its competitors and below the 'charge cap', and at the level recommended by Cass Business School 'in the region of 0.5%'.
- TPT operates a default fund which the Trustee believes is suitable for the majority of its members and which incorporates a well-designed investment glide path to retirement. Over 97% of members contribute to the default arrangement.
- TPT has a robust independent governance structure in place which focuses on improving member outcomes. TPT obtained Master Trust Assurance Framework accreditation from the Pensions Regulator in March 2016 and retained this in 2017. TPT has also retained PQM Ready status since 2013.
- TPT is exceeding its SLAs in administration and performance objectives for investments.
- TPT provides engaging member communications and is committed to improving member communications in the future.
- TPT is continually assessing and reviewing its DC offerings to members and remains committed to understanding member needs. This is evidenced by the surveys and review of the 'at retirement' options and the ongoing DC strategy review to ensure that TPT's products and services remain appropriate.
- The DC arrangements (outlined in the Background Section) are grouped together and effectively run as a single pension scheme for the purpose of administration, investment and governance. This allows the Trustee to achieve better value for money by utilising scale in a way which could not be achieved if each individual DC arrangement used separate independent investment platforms, administration systems and governance frameworks.