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The Independent Governance Committee's
annual report for the year ending 31 March 2018
for the EasyBuild Stakeholder Pension Scheme

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We are here for you

Dear EasyBuild Member

As Chair of your Independent Governance Committee (IGC), I am delighted to share with you our third annual report explaining what we have been doing on your behalf.

The IGC was established by B&CE Insurance Limited (B&CE) in March 2015 as part of regulatory changes introduced by the Financial Conduct Authority (FCA) to provide greater protection to you and to ensure appropriate independent oversight to protect your interests as a member of the B&CE EasyBuild Stakeholder Pension Scheme (EasyBuild). The IGC's members are listed on pages 7 and 8.

Andrew Cheeseman left the IGC in December 2017. I would like to thank Andrew for his considerable contribution to the work of the IGC since its commencement. A new IGC member will be appointed in the early part of the 2018/19 IGC year.

The IGC is independent of B&CE and aims to act in your best interests. Our role is to review the value for money that you are receiving from your pension savings, and raise with B&CE any concerns we might have on any aspect of what they are delivering to you.

Pension schemes offer value for money where the costs and charges deducted from members are appropriate and justifiable in relation to the benefits and services members receive.

We identified certain areas in last year's annual report when we undertook our value for money evaluation exercise. I am pleased to update you on the progress and actions being taken to address the value for money that you are receiving from your EasyBuild pension. The main action has been the transfer of the majority of EasyBuild members and assets to The People's Pension, which is explained in this report.

During the year – and leading up to the transfer – we have been evaluating many elements of EasyBuild's operation including:

- whether the default investment strategy is designed and constructed in the interests of relevant EasyBuild members and has clear statements of aims and objectives
- whether the characteristics and net performance of investment strategies are satisfactorily reviewed by B&CE – and on a frequent enough basis – to ensure they align with members' interests

- B&CE's reaction and approach to issues identified by the review process and willingness to make any necessary changes
- whether core EasyBuild scheme transactions are processed promptly and accurately
- the levels of charges borne by EasyBuild scheme members
- the direct, indirect and other connected costs levied as a result of managing and investing the pension savings of EasyBuild members, including transaction costs.

Background

B&CE EasyBuild Stakeholder Pension Scheme (EasyBuild) was established on 6 April 2001 by B&CE Insurance Limited, which is authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA and the PRA.

As at 31 March 2017, EasyBuild had £1.05 billion of funds under management. Immediately prior to the transfer in February 2018 the assets stood at £1.03 billion and directly after the transfer had taken place, at £9.4 million. This transfer has substantially changed the scale and ongoing issues of EasyBuild, as it has reduced from over £1 billion to under £10 million.

So, what have we done this year?

When looking at value for money, we considered:

- the project planning and successful transfer of 99% of the EasyBuild membership to The People's Pension in February 2018
- a review of default investment strategy
- engagement with members
- analysis on the core scheme transactions
- review of B&CE's administrative systems.

IGC meetings took place on the following dates:

- 26 May 2017
- 29 August 2017
- 4 December 2017
- 26 February 2018.

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Transfer of EasyBuild membership to The People's Pension

In 2011 B&CE launched The People's Pension, an award-winning multi-employer master trust with a separate corporate trustee (The People's Pension Trustee Limited). The People's Pension is now the largest private sector automatic enrolment pension scheme in the UK, with over 3.8 million members and assets of £3.95 billion. The People's Pension has won a range of awards for automatic enrolment, product knowledge and customer service.

B&CE's Board has decided that the B&CE Group can offer better value to its members through The People's Pension than it can with EasyBuild. The IGC supported this conclusion. B&CE believed that the planned migration of members was in their best interests, primarily because of the lower charges offered within The People's Pension and the fact that it is a market-leading pension scheme with additional features that are not offered in EasyBuild.

The 2017 IGC report set out the rationale for the transfer to EasyBuild and can be found [here](#). To recap, the key advantages to members of the transfer were as follows:

Charges

The People's Pension has a flat rate annual management charge of 0.5% a year in relation to all its investment funds. This compares with the following charges in EasyBuild:

- 0.95% for savings totalling under £5,000
- 0.8% for savings totalling from £5,000-£25,000
- 0.6% for savings totalling over £25,000.

As an automatic enrolment vehicle, the default strategy under The People's Pension is subject to a statutory cap of 0.75% per annum – and at 0.5% per annum is well within that requirement. This requirement does not apply to EasyBuild as it is not an automatic enrolment scheme.

Administration

The People's Pension has the same administrator as EasyBuild (B&CE Financial Services Limited) and therefore there is no change to the team administering members' pension savings after transfer.

Investments

The investment fund choices available in EasyBuild are also available in The People's Pension. There are some additional investment choices in The People's Pension –

the B&CE Ethical Fund and the B&CE Shariah Fund. For the majority of members transferred there is no difference in their underlying investments.

Although the funds available in EasyBuild are all available within The People's Pension, there are some members whose investment strategy needed adjustment prior to the move. There were approximately 60,000 members who were in a glidepath which transitions members from the default equity fund into the B&CE Cash Fund over the five years leading up to their selected retirement age. This glidepath is not operated within The People's Pension as it is not considered as an appropriate solution given the relatively new pension freedoms. These members were therefore moved to a different glidepath within EasyBuild prior to the transfer to The People's Pension. B&CE decided that any members who were more than three years from their selected retirement age should be moved into the 15-year glidepath, while members with less than three years from their selected retirement age were moved entirely into the B&CE Cash Fund.

The IGC was fully updated on all project plans and kept briefed on developments throughout the transition process. Immediately before the transfer, a "blackout" period was put in place while the administration of the affected pots under EasyBuild were transferred across to The People's Pension. There was no out of market risk as the underlying funds of both schemes were the same.

For the comparatively small number of members who stayed under EasyBuild, their pots remained in place in the relevant investments, but no activity could take place on EasyBuild accounts between 31 January 2018 and 14 February 2018. This is normal practice and members should not have suffered any out of market loss as no change to funds invested was required.

Regulatory regime and member protection

A potential area of concern for the IGC regarding the transfer was the difference in regulatory and investor protection structure of a contract based stakeholder (EasyBuild) and a master trust (The People's Pension) and potential lower standards under the master trust regime. During the year, however, considerable government and regulatory attention was applied to master trusts, leading to the Pension Schemes Act 2017 which will significantly reinforce the security features of master trusts. This legislation will meaningfully narrow any gap in coverage between the two approaches and so mitigates these concerns.

The IGC believes that transferring EasyBuild pension savings to The People's Pension should lead to better value for money for members due to lower annual management charges in The People's Pension. Their savings are invested in the same way following the transfer as they were invested in EasyBuild, with the same fund values and no out of market risk.

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Membership and assets post transfer

The EasyBuild membership and asset size are now significantly reduced. The current position as at 28 February 2018 of the membership, broken down by categories is as follows:

Fund size	Deferred members			Deceased members – unclaimed benefits			Combined
	Under age 35	From 35-50	Over age 50	Under age 35	From 35-50	Over age 50	
Under £5,000	213	174	828	45	169	386	1,815
From £5,000- £25,000	14	32	156	1	5	11	219
Over £25,000	1	6	42	0	1	1	51

The membership immediately after the transfer stood at 2,085. This includes 619 members where notification of death has been received, but the benefits currently remain unclaimed as we have been unable to trace any appropriate beneficiaries. Ongoing efforts are being made to trace potential beneficiaries. This leaves us with 1,466 deferred members who requested not to transfer. Around 700 of this group have submitted a request for the payment of their benefits as they are over age 55 or have indicated a wish to transfer their pot to another approved pension arrangement. All members continuing with pots in EasyBuild have the option to transfer their pot to either The People's Pension, or another approved pension arrangement.

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Other areas of focus

As well as consulting with B&CE about the transition of EasyBuild members into The People's Pension, we have also carried out reviews of the investment strategy, member engagement, charges and administration.

Review of default investment strategy

1. Is the EasyBuild default investment strategy designed and executed in members' interests?

Governance

We are required to assess whether the investment strategies are designed and implemented in your interests. EasyBuild currently uses a number of State Street Global Advisors (SSGA) passive investment funds for its investment strategy. The default strategy is currently based around two phases – a growth phase followed by a de-risking phase.

The investment strategy of EasyBuild is overseen by the B&CE Investment Committee which meets at least quarterly. The B&CE Investment Committee is responsible for considering the investment strategy of EasyBuild and recommending strategy changes to the Board of B&CE. The investment strategy underwent a formal review in 2016 and in April 2017 changes were made to the asset allocation of the default funds to remove the UK equity bias and generally improve diversification. These changes also aligned the asset allocations of the funds with those of The People's Pension. This allowed the transfer of assets between the schemes to take place without any further transaction costs being incurred.

The table below shows a breakdown of the EasyBuild members in each B&CE fund. It is important to note that each member may have money invested in more than one fund:

Individual funds	EasyBuild members	
	Number of members invested in each fund	% of Holdings
B&CE Global Investments (up to 85% shares)	1,098	44.2%
B&CE Cash	1,055	42.5%
B&CE Pre Retirement	317	12.8%
B&CE Global Investments (up to 60% shares)	9	0.4%
B&CE Global Investments (up to 100% shares)	5	0.2%
Grand Total	2,484	100.0%

The table below shows a breakdown of the EasyBuild members in each B&CE fund. It is important to note that each member may have money invested in more than one fund:

	Pre-transfer		After the transfer on 16/3/2018	
Glidepath	Members	%	Members	%
Balanced investment profile				
15 year balanced	401,479	84.23%	706	35.46%
5 year balanced	20,371	4.27%	169	8.49%
4 year balanced	50,635	10.62%	525	26.37%
Total	472,485	99.12%	1,400	70.32%

Other investment profiles				
15 year cautious	620	0.13%	8	0.40%
15 year adventurous	612	0.13%	5	0.25%
Self-select	2,904	0.61%	578	29.03%
Total	4,136	0.87%	591	29.68%

The other fund used in the default glidepath is the B&CE Global Investment (up to 85% shares) Fund. The fund is mainly invested in shares and aims to achieve significant levels of growth in excess of inflation. Following advice received from the EasyBuild scheme's investment adviser, in November 2016, B&CE completed a review resulting in agreement to change the fund's asset allocation. The new asset allocation, which removed bias towards UK shares and generally improved diversification, was completed on 1 April 2017.

Although the majority of EasyBuild policyholders are invested in the default option, other investment options are available. 'Adventurous' and 'cautious' investment profile glidepaths are available for those with different risk appetites, and there are also self-select funds available for those with more specific requirements.

We are satisfied with B&CE's recent review of the default investment strategy – we are comfortable that B&CE have ensured it is managed in members' interests and that it is regularly reviewed.

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2. Does the default investment strategy have clear aims and objectives?

The aims and objectives of all of the investment funds are found on the EasyBuild fund factsheets which are [available online](#). When the recent changes were made to the B&CE Pre-Retirement Fund, B&CE wrote to all policyholders who were invested in the fund, or due to enter the fund within the following 12 months. The letter included an explanation of the new objective of the fund.

The IGC is satisfied that the default strategy is suitable given the comparatively new pension freedoms.

Given the relatively small pot sizes and 99% of members being in the default strategies, no changes were made to non-default investment strategies. The IGC agreed this is reasonable given the number of members in the non-default investment strategies and the transition to The People's Pension.

3. Are the characteristics and net performance of investment strategies regularly reviewed to ensure alignment with the interests of policyholders – and is action taken to make any necessary changes?

We analysed the work of the B&CE Investment Committee to assess whether B&CE regularly reviews the characteristics and investment performance of all relevant funds to ensure they are aligned with members' interests.

We are satisfied that there is a review of all relevant options by the appropriate individuals in B&CE, with adequate external investment advice and with appropriate action being taken when necessary.

B&CE is satisfied with the long-term performance of the funds which have all delivered returns for 3 years to 28 February 2018 ranging from -1.0% (Cash Fund) to 29.1% (Global Investments up to 100% Shares Fund). The IGC is satisfied that the net performance of investment strategies has been regularly and adequately monitored by B&CE's Investment Committee. The IGC believes that the performance of the Cash Fund is acceptable given it has achieved its stated aim of reducing volatility for members in the lead up to retirement.

The Statement of Investment Principles was reviewed by B&CE's Investment Committee in November 2016 with updates made to reflect the changes to the investment manager and the funds over the past 12 months.

Overall, we are satisfied that B&CE regularly reviews all of its investment strategies (both default and non-default) to ensure that the characteristics and net performance are aligned with members' interests.

Engagement with Members

Before the transfer to The People's Pension took place, comprehensive communications were issued to all members that explained the details of the transfer and the process involved. This included information about the lower charges that apply, more investment options being available and the differences in protections offered by the two schemes.

B&CE is currently in the process of setting up a customer satisfaction programme across all its services offerings (including EasyBuild and The People's Pension) with the aim of tracking levels of satisfaction, and being able to compare results across different audiences.

Analysis on the core scheme transactions

The IGC has a duty to assess the ongoing value for money for members of EasyBuild by assessing whether core scheme financial transactions are processed promptly and accurately.

B&CE has a large and experienced pension administration team. The IGC is pleased to report that B&CE has appropriate risk management and control standards. These ensure core scheme transactions are processed promptly and accurately, and that administration systems are able to cope with scale. Systems are underpinned by adequate business and disaster recovery arrangements.

The independent auditor of EasyBuild carries out analysis across all core areas. Notably, processes relating to claims, transfers, investment of contributions, daily movement checks – receipts and payments, accounting reconciliations and bank reconciliation were sample tested. It was useful to note that B&CE has clear business lines and distinct business control and transaction processing functions that focus on the timely processing and recording of all transactions. The core scheme transactions are defined as the investment of contributions, transfers in/out, investment switching and benefit payments.

Evidence tabled for the IGC in November 2016 included the auditor's independent analysis – they concluded that nothing had come to their attention that was inconsistent with B&CE's specified processes.

In addition, the quarterly administration reports for the IGC provided detailed information on the membership, contributions to the EasyBuild scheme, reconciliation of contributions received to contributions invested, investment profile switches, administration volumes and administration performance levels. It also identified administration errors and breaches.

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Based on the information that has been made available by B&CE, the IGC is satisfied that core scheme financial transactions have been processed promptly and accurately. B&CE have confirmed to the IGC that providing all necessary documentation has been received, transactions are processed in accordance with the contractual terms. Any errors or complaints relating to financial transactions are logged and dealt with in agreed timescales through a clear process, including the establishment of root causes to help prevent recurrence.

Review of B&CE's administrative systems

Value for money is also about what you experience, and that includes the quality of the service you receive from B&CE. For example, quality assessment includes how easy it is to get in touch with them and how they treat you if things go wrong. Customer service is therefore a key part of our review. We have focused on B&CE's administration, service standards, communication materials and complaint handling, including the IGC members making visits to the administration teams.

During the year, the IGC has carried out front line analysis of administration work in B&CE's offices, including visiting back office departments and listening to customer call handling. Feedback from the process during the year was positive.

Charges and transaction costs

Currently, the charges that apply are as follows:

- 0.95% for savings totalling under £5,000
- 0.8% for savings totalling from £5,000-£25,000
- 0.6% for savings totalling over £25,000.

The IGC is currently discussing the level of these charges with B&CE and has requested a reduction. We expect the outcome of their review later in 2018. Whilst the IGC is hopeful of some reduction to charging, we understand that B&CE is not in a position to reduce charges to the level under The People's Pension.

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About the EasyBuild IGC

IGC Expertise

The IGC has five members (including one vacancy), the majority of whom (including the Chair) are independent of B&CE.

Members of the IGC have wide ranging pensions expertise outlined below:



Steve Delo
Independent Chairman

Steve Delo is Managing Director of PAN Governance LLP, an award winning independent trustee firm, and is a former President of the Pensions Management Institute. Steve has twice been named Independent Trustee of

the Year by Engaged Investor and been listed as one of the Top 50 people in pensions by Pensions Insight.

His experience includes senior roles in scheme management, consulting and asset management. He now specialises in the governance of large scale pension arrangements. He is a leading Independent Trustee who has been sitting on major pension scheme trustee boards for the last decade. He currently works with a wide range of occupational defined benefit and defined contribution schemes, in most cases acting as Chair of Trustees, with total assets in excess of £15 billion. He sits on three master trust boards – two defined contribution, one defined benefit.

He has spoken at many pensions and investment conferences during his career, spanning a wide range of subjects, and writes extensively on pensions matters. He is regularly quoted in the pensions press particularly on trusteeship, best practice and governance matters and is a judge on pension industry awards.

Under PAN Governance LLP, he is subject to a rigorous ongoing programme of continuing professional development, which is externally verified. He also has an unbroken completed CPD record with the Pensions Management Institute dating back to commencement of its CPD programme in the early 1990s. He is a Fellow of the Pensions Management Institute.



Alan Pickering CBE
Independent IGC Member

Alan Pickering has spent his working life at the interface of employee relations, pension schemes and the wider financial services sector.

After University, Alan worked for 20 years with a leading moderate trade union. During that time, he was responsible for the pension scheme with which the union provided its staff and, building on this experience, he became one of the union movement's leading pension practitioners. He worked closely with employers and trade unions during the 1970's and 1980's when pension schemes and sponsoring employers were dealing with the impact of contracting out and the evolution of single status employment which saw many manual workers gaining access to the type of pension scheme which had once been the preserve of white collar workers.

In parallel, he established an affinity package of services and benefits which the union provided its members. These included benevolent schemes, legal aid and financial services.

In 1992 he transferred to Willis Towers Watson where he became a Partner and had overall responsibility for trustee training and many other client facing educational events. He deployed his industrial relations experience to the benefit of the firm's clients – sponsoring employers and trustees alike – gaining a reputation for explaining complex issues in a simple fashion.

Since 2008, he has been Chairman of BESTrustees. In addition, he has a wide range of trustee appointments covering defined benefits, defined contribution and hybrid arrangements. He has a unique experience of multi-employer schemes having been a trustee of one since 1981 and Chairman of the same scheme since 2002, and he is a trustee of two master trusts.

Alan is a regular speaker at conferences and contributor to trade papers. He has chaired the NAPF in Britain and the European Federation for Retirement Provision on the continent. He was Vice Chairman of the Occupational Pensions Board and Non-Executive Director of the Pensions Regulator for 7 years. This was a particular honour since his government sponsored report 'A simpler way to better pensions' published in 2002 recommended the establishment of a new kind of regulator, which was risk based and proportionate, in contrast to its predecessor that had been much more focused on process.

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Sam Stedman
IGC Member

Sam Stedman is the Director of Finance at B&CE and is a Member of the Association of Chartered Certified Accountants. He is responsible for managing the Group's financial and regulatory reporting, corporate management information and financial/corporate modelling, as well as helping to shape and drive financial strategy for the business.

Sam joined B&CE in 2004 and has undertaken a range of roles within the company including audit, financial analysis and financial control. Prior to joining B&CE, he studied Mathematics at the University of Bath.



Michael Mann
IGC Member

Michael Mann is the Director of Digital Transformation at B&CE. He is responsible for maintaining the high standard of service B&CE provides to its employers and members. His focus is on delivering excellence and efficiency in workplace pensions through a successful change management programme while working closely with strategic delivery.

In 2003 Michael attained an MBA. He joined B&CE in September 2014, carrying on a long career of working in the operational delivery of pensions, change management and business transformation.

IGC Member Vacancy

An additional IGC member will be appointed later in April 2018 once a suitable candidate has been identified. The IGC has been granted access to any data it has requested, and has had no barrier to engagement with senior management and the B&CE Board.

Looking ahead

The IGC is very pleased with the considerable progress made this year with the transfer to The People's Pension. This has been a major project, executed efficiently and communicated well by B&CE. EasyBuild is now a legacy arrangement with a small membership and asset base that is set to reduce still further over the next 12 months. The IGC will remain focused on ensuring value for money for remaining members, and its work in 2018-19 will include progressing agreement of a programme to take EasyBuild to a position where it can be wound up in an orderly fashion in the interests of members. It is expected that the membership will naturally and substantially further reduce over the year given the following actions:

- the option to transfer to The People's Pension will remain open for those members that elected not to transfer previously. It is expected that some of these members will change their minds, given the lower charging in The People's Pension
- the B&CE operational teams continue efforts to trace any potential beneficiaries for the deceased members' funds which currently remain within EasyBuild. Recently, there were 721 deceased members with EasyBuild funds. All documentation had been sent initially to the informant or next of kin upon death notification, with follow up letters sent after 8 weeks of no response. All cases continue to be followed up bi-monthly for up to two years from notification of death (including a letter to the last known address in attempt to trace any relatives).

This leaves 1,367 members who have chosen to remain within EasyBuild. Of these, claims for circa 700 of these are yet to be finalised. B&CE is currently considering its communication plan for the remaining members, including offering the opportunity to transfer to The People's Pension, or claim their benefits over age 55.

We'd like to hear from you

We represent your interests, so we are keen to hear from you on what value for money means to you, or about any concerns you may have with your EasyBuild pension savings. Please get in touch with us at igc@bandce.co.uk.

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Appendix 1

The default investment strategy glidepath is currently as follows (applied from September 2016):

Years from SRA	B&CE Global Investments	Pre-Retirement Fund
-15	93.75%	6.25%
-14	87.50%	12.50%
-13	81.25%	18.75%
-12	75.00%	25.00%
-11	68.75%	31.25%
-10	62.50%	37.50%
-9	56.25%	43.75%
-8	50.00%	50.00%
-7	43.75%	56.25%
-6	37.50%	62.50%
-5	31.25%	68.75%
-4	25.00%	75.00%
-3	16.67%	83.33%
-2	8.34%	91.66%
-1	0.00%	100.00%
0	0.00%	100.00%

