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The Independent Governance Committee's
annual report for the year ending 31 March 2017
for EasyBuild Stakeholder Pension Scheme

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We are here solely for you

Dear EasyBuild member

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

As mentioned in our previous report, 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 for you and to ensure appropriate independent oversight to protect your interests as a member of the EasyBuild Stakeholder Pension Scheme (the Scheme). The IGC's members are listed on page 10 and we have had no changes to the Committee during the year.

We are independent of B&CE with aims to act in your 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 for you.

We believe that pension schemes should 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 initial value for money evaluation exercise. I am pleased to update you with the progress and actions being taken to address the value for money that you are receiving from your EasyBuild pension.

We have been focusing on and evaluating many elements of EasyBuild's operation including:

- whether the default investment strategy is designed and implemented 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 processes 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 incurred as a result of managing and investing the pension savings of EasyBuild members including transaction costs.

Background

B&CE is the largest supplier of financial services and employee benefits to the UK's construction industry. It operates on a not-for-profit basis for the benefit of its members and their dependants. Established in 1942, B&CE has been providing workplace pensions to employers with transient, low to moderate earning workforces, both large and small.

The Scheme 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. In order to provide meaningful benefits, B&CE Holdings Limited (previously Building and Civil Engineering Holidays Scheme Management Limited) used over £20m of its reserves to enhance the employers' weekly contributions for the first 15 months of the Scheme. To encourage employers and employees to make contributions, no charges were levied for the period from April 2001 until April 2006 for those working for employers operating B&CE schemes.

As at 31st March 2017, EasyBuild had 480,431 members with £1,048 million of funds under management.

So, what have we done this year?

When looking at value for money, we considered:

- the feasibility of transferring the EasyBuild membership to The People's Pension
- the review of the default investment strategy
- engagement with members
- analysis of the core scheme transactions
- the operation of B&CE's administrative systems.

IGC meetings took place on the following dates:

8 February 2016

1 March 2016

26 May 2016

5 August 2016

8 August 2016

29 September 2016

21 November 2016

27 February 2017

(The list above includes special sub-committee meetings)

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Transfer of EasyBuild membership to The People's Pension

In 2011 B&CE launched The People's Pension, a multi-employer pension 'master trust' with a separate corporate trustee (The People's Pension Trustee Limited). This corporate trustee is made up of a board of experienced, professional independent corporate trustee directors. The Scheme is available to both construction and non-construction employers with the intention being that members could benefit from economies of scale through a lower annual management charge. B&CE's track record as a large, not-for-profit provider, and having run Easybuild for many years, meant that B&CE was well positioned to develop and launch a cost effective, automatic enrolment solution.

The People's Pension is now the largest private sector automatic enrolment pension scheme in the UK, with over 2.5 million members and assets of nearly £1.7 billion. The People's Pension has won a range of awards for automatic enrolment, product knowledge and customer service. It was the first master trust to obtain independent assurance standards on its governance and administration and is on The Pensions Regulator's master trust list. The master trust list contains only schemes that have achieved master trust assurance.

B&CE's Board has decided that the Group can offer better value to its members through The People's Pension than it can with EasyBuild. B&CE is subject to a duty to treat customers fairly and believes that the planned migration of members is in their best interests, primarily because of the lower charges offered within The People's Pension and the fact that the scheme has additional features not offered in EasyBuild.

Consultation with the IGC

At the commencement of the IGC's second year, the management of B&CE consulted with the IGC to consider the transfer of the membership of EasyBuild to The People's Pension. The IGC received detailed presentations from B&CE on the outline proposals and discussed the technical and operational aspects of the transfer taking place. The management and directors of B&CE were clear in their views that a transfer to The People's Pension is the right action to take for the future interests of EasyBuild members. The IGC tested this, including the feasibility of EasyBuild being restructured to replicate the financial and service advantages of The People's Pension. During these discussions, it became clear to the IGC that B&CE was not able to commercially operate two parallel offerings (ie EasyBuild and The People's Pension) in this way given the financial inefficiencies of operating two pension schemes. The IGC was therefore supportive in principle to progressing the transfer. It should be noted that three of the IGC members (Steve Delo, Andrew Cheeseman and Alan Pickering) are Trustee Directors of the Trustee of The People's Pension. This potential conflict of interest has been noted at IGC meetings and borne in mind in all discussions where the interests of B&CE and Easybuild members might conflict with those of The People's Pension. The IGC believes there are practical advantages

to three of the IGC members being Trustee Directors of The People's Pension. They have first-hand insight into the technical operation, cost structure and governance of The People's Pension and are therefore in a good position to evaluate the merits of B&CE's proposal to transfer the Easybuild membership to that Scheme. All three individuals are independent trusteeship professionals who have considerable experience of identifying and managing conflicts of interest.

The Trustee Board of The People's Pension and B&CE each obtained legal advice from their respective legal advisers. Furthermore, an independent actuarial review was carried out by the B&CE Board to ensure that the proposed transfer is in the best interests of EasyBuild's individual policyholders.

The IGC discussed various approaches outlined by B&CE's legal advisers for transferring EasyBuild members to The People's Pension. B&CE is currently working on the final details of the move to The People's Pension and will implement the transfer at the earliest possible opportunity. The IGC has requested that B&CE organises a clear communication programme to ensure that members have access to straightforward explanations of the process and its implications for them.

Clearly, the transfer is a major project requiring direct engagement with all EasyBuild members. The IGC is satisfied with progress to date and has confidence in the project team, which is being led by the Director of Risk and Regulatory Compliance within B&CE, who has extensive experience of all aspects of B&CE operation. He has the seniority to ensure an adequate corporate focus and the necessary resources are being applied to the project.

The IGC considered a wide range of issues related to the planned transition – a number of which are discussed in the remainder of this section.

Charges

The People's Pension currently 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

The People's Pension, unlike EasyBuild, is not a stakeholder pension scheme. This means that the legal requirements that apply to stakeholder pensions (including the stakeholder charge cap of 1% each year) don't apply to The People's Pension. The charges under The People's Pension at 0.5% a year are, however, lower than the stakeholder charging cap. In addition, 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 therefore well within that requirement. This requirement does not apply to Easybuild as it is not an automatic enrolment scheme.

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Administration

The People's Pension has the same administrator as EasyBuild (B&CE Financial Services Limited) which will ensure that there will be no change to the team administering your pension savings after they are transferred.

Investments

Currently all the investment fund choices available in EasyBuild are also available in The People's Pension. There are also some additional investment choices in The People's Pension (the B&CE Ethical Fund and the B&CE Shariah Fund). The majority of members transition from the default Equity Fund into the Pre-Retirement Fund over 15 years leading up to their retirement age. These members will be transitioned to an equivalent glidepath within The People's Pension. For the majority of members it is anticipated that there will be no difference in underlying investments for the members.

Although the funds available in EasyBuild are all available within The People's Pension, there are some members whose investment strategy will need to change in order to facilitate the move.

This latter group includes approximately 60,000 members who are in a glidepath which transitions members from the default Equity Fund into the Cash Fund over the five years leading up to their selected retirement age. This glidepath is not available within The People's Pension as it is not viewed as a solution required in the future. These members will therefore be moved to a different glidepath within Easybuild prior to transfer to The People's Pension. B&CE Insurance Limited has decided that any members who are more than three years from their selected retirement age are to be moved into the 15-year glidepath while anyone less than three years from selected retirement age will move entirely into the Cash Fund. It should be noted that members will be given the option to move into an alternative investment strategy ahead of the transition if they want to.

The intention is that the EasyBuild investment strategy will be updated to match The People's Pension ahead of the transition. It should be noted that the transaction costs incurred through buying and selling assets as a result of the change in strategy are estimated to be 0.14% of the fund value, which equates to £2.50 per member based on the average fund value in the pension scheme of £1,800. However, given that members will pay in the region of £8.00 per annum less in The People's Pension due to the lower annual management charges, this will quickly offset the transaction costs incurred. The IGC therefore believes it is reasonable for members to bear these modest costs to secure the preferential ongoing terms.

The IGC is comfortable with B&CE's approach and has read the company's legal advice on this matter and also taken comfort from the fact that the company has undertaken an independent actuarial review.

Regulatory regime and member protection

There are currently differences in the regulatory and investor protection structure of a contract based stakeholder (such as EasyBuild) and a master trust (such as The People's Pension). During the year considerable government and regulatory attention was applied to master trusts, leading to the forthcoming Pension Schemes Bill (currently before Parliament). This legislation will significantly reinforce the security features of master trusts.

The IGC noted that The People's Pension already complies with the existing master trust assurance framework, and indeed was one of the first master trusts to achieve this accreditation. B&CE and the Trustee have given assurances to the IGC that The People's Pension will continue to maintain high standards of member protection, and ensure the Scheme is compliant with the provisions of the Pension Schemes Bill.

The Trustee of The People's Pension will be required to exercise its discretion in accepting the transfer, based on legal advice to ensure that in agreeing to do so, members are properly protected.

IGC conclusion and timetable for transfer

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. Members' savings will remain invested throughout the transfer process and there will be no change to their investment strategies following the transition. The IGC has also noted that although The People's Pension operates under a different regulatory regime, members are subject to strong and increasing levels of protection.

B&CE has a stated objective of transferring members of EasyBuild into The People's Pension at the earliest opportunity. This is a major project and time scales are likely to be revised as the project progresses – however, B&CE is targeting the commencement of transfer communications in the first two quarters of 2017, with the actual transfers being phased over quarters 3 and 4.

The IGC believes it is reasonable to assume that the transfer will be largely completed before the end of the IGC's third reporting year (2017/18), which it believes to be an acceptable time scale. B&CE have been working with the B&CE Board and its legal advisers on the detail of this proposal over recent months and the IGC is pleased with the progress to date.

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On the basis that the transfer will be completed to this expected time line, the IGC believes it is reasonable for B&CE to focus its resources and energies on completing the project, as opposed to making short term temporary changes to EasyBuild (for example on charging structure). If, however, a situation emerges that would require a much longer time frame – for example extending into the IGC's fourth reporting year (2018/19) – the IGC will reopen discussions with B&CE regarding short term adjustments to EasyBuild necessary to bring the service offering closer to the financial terms and service features of The People's Pension.

B&CE is also working on the challenges faced in progressing the transfer including the need for high quality data and for the investment propositions to be aligned.

Other areas of focus

As well as consulting with B&CE Insurance Limited about the planned 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. B&CE currently uses a number of State Street Global Advisors (SSGA) passive investment funds for the scheme's 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 the company. To help carry out our assessment, the IGC reviewed the decisions of the B&CE Investment Committee and has also been given access to the minutes of the B&CE Investment Committee meetings which showed the extent of the B&CE Investment Committee's actions.

Background

Until February 2011, EasyBuild had two funds – the B&CE Global Investments (up to 85% shares) Fund and the B&CE Cash Fund. Until this date a glidepath applied where 20% of members' funds was transferred from the B&CE Global Investments (up to 85% shares) Fund to the B&CE Cash Fund for each of either four or five years preceding their selected retirement age (SRA) depending upon when their policy was set up. Members could deselect or vary the facility by writing to B&CE.

Following enhancements made to EasyBuild in February 2011, members with a 4 or 5-year glidepath who had over 15 years to their SRA, were switched to the 15-year glidepath (unless they advised B&CE otherwise). Members with a 4 or 5-year glidepath, who had less than 15 years to their SRA, remained in the 4 or 5-year glidepath (unless they advised B&CE otherwise). The new glidepath arrangement featured an improved de-risking process which aimed to further reduce the exposure to fluctuation in markets through the conversion of units between the member's selected fund, the B&CE Pre-Retirement Fund and the B&CE Cash Fund. At the SRA, 75% of a member's savings would be in the B&CE Pre-Retirement Fund and 25% in the B&CE Cash Fund.

Freedom and choice

Prior to April 2015, members had generally been required to purchase an annuity, and the default investment strategy therefore reflected this requirement by switching members in the 15 years leading up to retirement to the B&CE Pre-Retirement Fund, a fund specifically designed to broadly track annuities. Up to April 2015, the above strategy remained appropriate but, following the government's introduction of pension flexibilities in April 2015, the options available to members accessing their pension savings from age 55 were extended. This consequently meant that the original default investment strategy was not ideal to meet all the options available.

It has been clear to the IGC during our analysis of member behaviour that, since April 2015, very few EasyBuild members have purchased annuities. This is consistent with general trends that we have seen in the wider defined contribution market, especially for arrangements where the individual values of members' pension pots tend to be comparatively low (eg average pot size of EasyBuild is £2,121). This behavioural shift has illustrated a key need to refine the default 'at retirement' investment strategy to better reflect expected behaviour of the majority of members. The IGC had ongoing dialogue with B&CE on this issue.

B&CE carried out a review in response to these behavioural changes, which in turn led to an updated objective and asset allocation of the B&CE Pre-Retirement Fund. The fund now targets a return of CPI + 1% pa (gross of fees) rather than targeting any specific retirement outcome. B&CE's stated rationale for this approach is that members are unlikely to engage with B&CE about how and when they will access their pension pots, so a 'one-size-fits-all' approach is necessary. This important change was implemented in September 2016.

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The asset allocation of the Pre-Retirement Fund was changed as follows in September 2016:

Asset class	Before	After
Cash	0%	20%
Bonds (long dated)	100%	60%
Shares	0%	20%

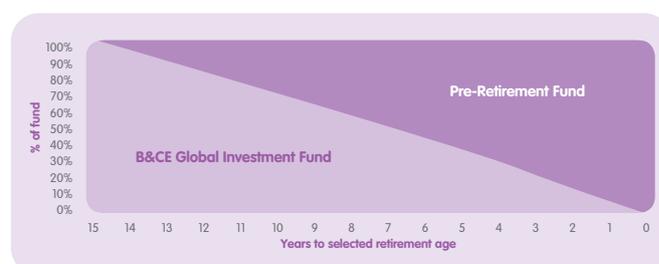
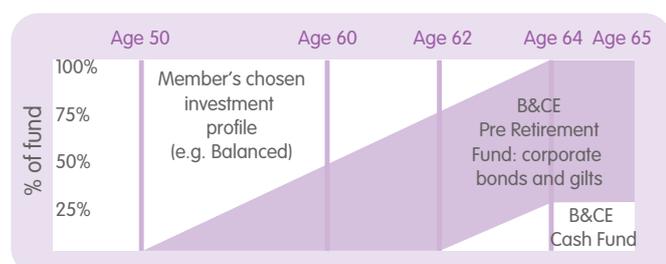
The glidepath was also updated to remove the allocation to the Cash Fund in the final three years before a member's selected retirement age as described below.

Prior to September 2016

Years from SRA	B&CE Global Investments	Pre-Retirement Fund	Cash
-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%	75.00%	8.33%
-2	8.34%	75.00%	16.66%
-1	0.00%	75.00%	25.00%
0	0.00%	75.00%	25.00%

After 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%



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The table below shows that 99% of members are in the default investment strategies.

Glidepath	Members	%
Balanced investment profile		
15 year balanced	405,975	84.50%
5 year balanced	20,476	4.26%
4 year balanced	49,620	10.33%
Total	476,071	99.09%
Other investment profiles		
15 year cautious	625	0.13%
15 year adventurous	800	0.17%
Self-select	2,935	0.61%
Total	4,360	0.91%

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. B&CE completed a review in November 2016 resulting in agreement to change the fund's asset allocation following advice received from the EasyBuild scheme's investment adviser. The new asset allocation will remove bias towards UK shares and will generally improve diversification. Whilst this change has been agreed in principle, B&CE has proposed to implement it in the near future.

Although the vast 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 to ensure they are managed in members' interests and are regularly reviewed. We are disappointed that the change to the B&CE Global Investment (up to 85% Shares) Fund has not yet been implemented but we are satisfied that this is being dealt with as part of the project to transfer members across to The People's Pension.

2. Do the default investment strategies have clear aims and objectives?

The aims and objectives of all of the investment funds are found on the EasyBuild fund fact sheets 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.

On implementation of investment changes, B&CE also updated and improved investments web content for EasyBuild members. The investment fund page now includes new tables showing fund composition, new links to fund factsheets, unit prices and Statement of Investment Principles and improved descriptions of the funds. The investment profiles page now includes the 15-year glidepath diagram (plus 4 and 5-year glidepath), a new table to display fund movement in the 15-year glidepath and improved descriptions of the three investment profiles.

IGC is satisfied that the new default strategies are more suitable given the new pension freedoms.

Given the relatively small pot sizes, a low level of member engagement and 99% of members in the default strategies, no changes were made to non-default investment strategies. The IGC agrees this is reasonable given the number of members in the non-default investment strategies and the proposal to transition members 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 an active review of all relevant options by the appropriate individuals 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 between 8% and 12.7% pa over a three year period to 31 December 2016 (net of fees) with the exception of the B&CE Cash Fund. The Committee is satisfied that the net performance of investment strategies has been regularly and adequately monitored. The Committee does not believe that the performance of the Cash Fund is unacceptable given it has achieved its stated aim of reducing volatility for members in the lead up to the retirement.

The Statement of Investment Principles was reviewed by B&CE Investment Committee in November 2016 with updates made to reflect the changes to the investment manager from Legal and General Investment Management to State Street Global Advisors in January 2016, and changes to the funds and investment profiles in September 2016 (as outlined in page 5).

Overall, we have concluded 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. We don't believe further analysis of this area is required, unless the transfer to The People's Pension is significantly delayed (see 'Timetable for Transfer' on page 3).

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Engagement with members

Last year, the IGC arranged for an online survey to be sent out to a representative group of 2,990 EasyBuild members (this was representative in terms of age, gender and fund size). The purpose of the survey was to:

- determine what level of interaction members perceive they have had with B&CE as part of their journey to date (eg annual statement, access to Online Account etc)
- what format that interaction has taken (phone call, website, email, letter)
- levels of satisfaction with the interaction (communication in general, customer service where used, their Online Account etc)
- overall levels of satisfaction with the service and likelihood to recommend B&CE to others.

A total of 208 responses were received, a response rate of 7% which, whilst disappointing, is in line if not above the industry average for an online survey. A higher response rate was received among the older age groups ie those aged 50 or older (12%) than the younger age groups (4%). However, results have been analysed by age to determine how views differ by age group.

A significant proportion of members were unable to provide a response to many questions because of a lack of historic interaction with B&CE. This filtered through to the net promoter score (net promoter score measures how likely people are to recommend a service). When asked to suggest areas for improvement, over half were unable to recommend any improvements. However, for others the main recommendation was for more information to be provided. Where members have had contact with B&CE, satisfaction rates with member services are high, with more than eight in ten rating positively each of the different elements of the service they received.

B&CE's response:

The senior management team at B&CE were not surprised by the findings of the EasyBuild customer satisfaction research. Although the findings indicate that members who have contacted B&CE is very satisfied with the service they are given, there are many members who have a low level of engagement with their savings generally, not just their pension savings. However, some members had a requirement for more information.

Given that the plan is to transfer EasyBuild members to The People's Pension, the IGC has accepted B&CE's view that significant immediate investment should not be made on EasyBuild communications.

The IGC has pressed for some additional communication/information to be provided within EasyBuild if the transfer process to The People's Pension is prolonged beyond current expectations. B&CE believes there are a number of cost effective engagement activities that could be undertaken with EasyBuild

members, for example, an email newsletter. However, B&CE is conscious of the importance of clarity of communication on the transfer process and does not want to issue further EasyBuild communications during this process that could prove to be confusing for members. The IGC is supportive of this need to ensure clear messaging around the transfer.

In the meantime, B&CE is currently in the process of setting up a customer satisfaction programme across all its service 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 of the core scheme transactions

To meet our commitment in the last year's annual report on further analysis of core financial transactions, the IGC reviewed the processing of core scheme transactions which arise during administration.

The primary role of the IGC is to assess the ongoing value for money of EasyBuild, with a particular focus on the default investment fund and member borne charges. However, the IGC also 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 and the IGC is pleased to report that it has risk management and control standards designed to ensure that (a) administration core scheme transactions are processed promptly and accurately (b) that administration systems are able to cope with scale and (c) are underpinned by adequate business continuity and disaster recovery arrangements.

The internal auditor of the scheme 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, who confirmed that nothing had come to their attention that was inconsistent with B&CE's processes.

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

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Around 72% of contributions to the scheme are collected via the employers. These contributions are a combination of employer and member contributions deducted from pay. Around 28% of contributions are received directly from members or transferred in from other schemes.

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 such that where there has been a delay at B&CE, allocation of units is adjusted appropriately to ensure that the member is put in the position they would have been in had there not been any processing delays. In such circumstances, the member will be notified accordingly. Any errors or complaints relating to financial transactions are logged and dealt with in agreed timescales through a well-governed 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, how easy it is to get in touch with them and how they treat you if things go wrong. Customer service is a key part of our review and we have worked with B&CE on this from the beginning. We have focused on B&CE's administration, service standards, communication materials and complaint handling including our visits to the administration teams.

Andrew Cheeseman, one of the independent members of the IGC, has carried out front line analysis of admin work in B&CE's offices, including visiting back office departments and listening to customer call handling. His feedback during the year has been positive and he has commented on the professionalism of the customer facing teams.

Charges and transaction costs

Last year, we assessed the level of charges deducted from members' funds over time. Charges are used to cover the costs of administering the EasyBuild scheme and paying investment managers to invest the funds on your behalf. We based our judgement on the value for money taking into account several factors including the initial loyalty bonus given by B&CE to boost employers' contributions into the scheme as well as similar offerings in the market.

Fund value	Annual management charge
Over £ of 25,000	0.6% of total fund value
£5,000 to £25,000	0.8% of total fund value
Under £5,000	0.95% of total fund value

The IGC has been aware of the lower charging structure that applies under The People's Pension compared to EasyBuild. It has therefore challenged B&CE to reduce the EasyBuild charging to a level closer to – or equal with – that of The People's Pension. This dialogue, however, was put on hold given the proposal to transfer EasyBuild members to The People's Pension, which would immediately and fully remedy this issue. We are pleased with the steps taken by B&CE over the last 12 months on their plans to transfer members to The People's Pension and therefore deliver these meaningful charging economies.

We have also been tasked with monitoring the level of transaction costs for different funds as part of our assessment of the value for money that you receive. In common with much of the pension industry's work in this area, this remains work in progress, and B&CE is currently working with the investment manager SSGA to identify and report the transaction costs within the funds. As the Financial Conduct Authority's (FCA) proposed methodology is still in the consultation phase, B&CE is looking to implement this in a phased approach firstly identifying and reporting the explicit costs for funds at the headline level. They will follow-up this initial disclosure as and when the implicit cost methodology has been agreed.

Once the explicit transaction costs have been identified they will be shared with the IGC. B&CE believes that the explicit costs should be available by mid-2017. The IGC will continue to monitor the result of the FCA consultation and other industry working groups to establish the most appropriate method for disclosing implicit costs. The IGC's expectation is that, due to the use of passive investment funds, it is likely that the impact of transaction costs on members' pension savings will be of low significance.

SSGA also advised that they share the beliefs of the IGC members about cost transparency and that it is possible to communicate with members in a format which allows them to understand both costs and charges. B&CE has said that it believes cost transparency and treating customers fairly are key to the scheme and is taking steps to identify all costs and reduce them where possible.

SSGA and B&CE are also currently investigating whether there are more efficient ways of buying and selling units that could potentially reduce costs.

The Independent Governance Committee's annual report for the year ending 31 March 2017 for EasyBuild Stakeholder Pension Scheme (continued)

About the EasyBuild IGC

IGC Expertise

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

The IGC has considerable collective expertise, experience and independence to act in members' interests, and this is evident by their significant contribution to the pensions industry. The independent members of the IGC sit on many pension scheme trustee boards and are renowned pension industry professionals with excellent visibility of good practice and operational standards across the UK. They have extensive experience of working with government and professional bodies and have won several professional awards.

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 Insurance Limited Board.

Looking ahead / Conclusion

The IGC is of the view that the proposed transfer to The People's Pension represents the right next step for EasyBuild members to resolve those residual issues within the scheme applying to investment structure, additional member service elements and charges. As at the time of finalising this report, the transfer was progressing in line with B&CE's plan and therefore it is anticipated that the membership will have largely transferred into The People's Pension by 31 March 2018. The work of the IGC in the next reporting year will therefore be focused on monitoring the transfer process, as opposed to engaging with B&CE over service enhancements to EasyBuild itself.

The transfer is a major project and B&CE is devoting considerable resources and senior management time to its successful implementation. The IGC therefore believes it would be unreasonable and counterproductive to press B&CE on EasyBuild service issues and/or member engagement projects that do not support this project or which could confuse members. Member understanding of the transfer is, we believe, critical to its success and will also build renewed connections with EasyBuild members that should enable much higher engagement levels once the membership is within The People's Pension trust.

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.



Steve Delo
Independent Chairman

The Independent Governance Committee's annual report for the year ending 31 March 2017 for EasyBuild Stakeholder Pension Scheme (continued)

IGC member profile



Steve Delo
Independent Chairman

Steve Delo is Managing Director of PAN Governance LLP and a former President of the Pensions Management Institute. His experience includes senior roles in consulting and asset management. He is

independent trustee to a 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 is a popular conference speaker and writes extensively on pensions matters, including the influential trustee opinion column in *Engaged Investor*, which is now in its 10th year. During his career, Steve has won several individual professional awards – Business Presenter of the Year, Pensions Personality of the Year and Independent Trustee of the Year.



Andrew Cheeseman
Independent IGC Member

Andrew Cheeseman is founder and Chairman of the PAN Group and has been described in the press as 'a hugely effective, no nonsense independent trustee'. A prominent industry figure, he founded PAN in

1993, having previously held senior management and consulting roles in various major pensions businesses. PAN Group were named Independent Trustee of the Year at the 2013, 2015 and 2016 Professional Pensions UK Pensions Awards.

Andrew is also one of the few trustees in the UK who is regulated for the conduct of investment business by the Financial Conduct Authority.



Alan Pickering CBE
Independent IGC Member

Alan Pickering has over 40 years' experience across a wide variety of pension industry areas. He has sat on the board of a number of important industry bodies, including serving as Chair of the National Association of

Pension Funds (NAPF) and European Federation for Retirement Provision and a board member of The Pensions Regulator.

In 2002, Alan was appointed by the pensions secretary Alastair Darling, to lead a review into simplifying the rules surrounding private pensions. The recommendations of his report, 'A Simpler Way to Better Pensions', formed an integral part of the government's 2002 Green Paper on pension reform.



Sam Stedman
IGC Member

Sam Stedman is the Director of Finance for 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 and 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.

