

The Independent Governance Committee's
annual report for the year ending 31 March 2020
for EasyBuild Stakeholder Pension Scheme

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Dear EasyBuild Member

As Chair of the EasyBuild Independent Governance Committee (IGC), I am pleased to share with you our fifth 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 to provide greater protection to you and to ensure appropriate independent oversight of the arrangement in the interests of members of the EasyBuild Stakeholder Pension Scheme (the Scheme).

The IGC is independent of B&CE and aims to act in your best interests and to make sure that you get good value from the Scheme. The IGC also raises any concerns it might have on any aspect of the Scheme or any proposed changes with B&CE, and if required to the Financial Conduct Authority

This will be our final report as the Scheme closed on 31 March 2020. Your savings will have either been:

- transferred to The People's Pension
- transferred to another approved pension arrangement chosen by you
- withdrawn as a benefit claim.

The case for change

Now that the Scheme has closed I thought it would be useful to give you some background on how we reached this conclusion.

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

The objective of the IGC and B&CE has always been that the Scheme should provide you with good value.

The Scheme is what is known as a stakeholder pension scheme. When it was established, it was envisaged it would be a simple standardised pension scheme. By the time new regulations were introduced in 2012 and auto-enrolment in pension schemes became the norm, arrangements like EasyBuild could look expensive and inflexible for members.

In the meantime, B&CE had set up The People's Pension in line with the new auto-enrolment requirements, with low charges, strong governance standards and was operated within an Independent Trust authorised by The Pensions Regulator. The People's Pension is a Master Trust Scheme – a trust based occupational pension scheme (as per section 1(1) of the 'Pension Schemes Act 2017'.

Since 2016, the IGC has been working with B&CE to consider the way ahead. As has been covered in previous years' reports, the IGC and B&CE concluded that The People's Pension represented better and more sustainable value for money than the Scheme. Members would also benefit from a range of additional service features and flexibilities that do not exist (and which would not be practical to introduce) in the Scheme. In addition, B&CE had been unable to identify any other viable option that would deliver improved value for members.

Both the IGC and B&CE looked to ensure the following:

- Members pay a lower charge on their pension savings. Under the Scheme, the charge applied on their savings ranged from 0.6% to 0.95% each year. With The People's Pension there is a lower management charge of 0.5% each year. To help members save more for retirement, The People's Pension may also effectively reduce the amount members are charged as their pension savings grow. They do this by way of a rebate on the management charge, based on how much is in a member's pension pot.
- Members that choose not to transfer out or claim a benefit, move to a more modern arrangement with high standards of governance. Importantly, The People's Pension has an independent trustee board to make sure the governance standards set by The Pensions Regulator are met.
- Members' savings are in an arrangement that has a long-term, sustainable future.

In 2019, The People's Pension achieved authorisation from The Pensions Regulator under the new master trust authorisation regime. This is an important new government initiative, which has resulted in greatly enhanced protections for members of master trusts. The IGC believe that this additional level of protection has created another strong argument that scheme members would be better served as members of The People's Pension.

The IGC's and B&CE's decisions have been driven by the aim of making sure you get value for money from your pension savings. Once these decisions had been reached we had a clear direction for the future of the Scheme and B&CE then made sure all members affected received detailed communications explaining our rationale.

Transferring pension savings from one pension scheme to another is always complex for regulatory reasons. In the case of the EasyBuild scheme there was the added challenge of the vast number of members involved – nearly 470,000.

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What has happened in the lead up to closure?

The legal mechanism for transferring from EasyBuild (a stakeholder scheme) to The People's Pension (an authorised master trust) required careful analysis and planning.

Legal advice was taken to check that it would be possible to transfer members' benefits and subsequently close the Scheme.

Specialist advice was also taken from an independent actuary to confirm that a transfer to The People's Pension was likely to offer a better outcome for members at retirement. This was not a statutory requirement but B&CE and the IGC thought it was important to go above and beyond the statutory requirements.

A key part of implementing the closure was to make sure that if you transferred to The People's Pension, you would not suffer loss or changes that would be detrimental to your savings. For example, there were no transfer costs for those members moving to The People's Pension.

The legal advice received confirmed that as long as B&CE had taken appropriate steps to communicate the benefits of the move, such as why it was in members' best interests and the implications of the transfer, then savings could be transferred to The People's Pension whether you were able to respond or not. This is called deemed consent.

When B&CE wrote to all members affected by the proposed transfer to The People's Pension the alternative options were highlighted.

The transfer to The People's Pension took place in two stages:

Stage 1

- In October 2017, B&CE wrote to all members and confirmed they had 3 months to decide (notice period) whether or not they wished to transfer their savings out of the Scheme. B&CE explained why they believed this was in members' best interests, and B&CE also suggested that anyone who was unsure should seek independent financial advice. There was also detailed information about the transfer on the Scheme's webpages. In February 2018, 463,000 members with collective pensions savings worth nearly £1 billion were transferred to The People's Pension.
- This meant by October 2019 just 991 members remained in the Scheme and assets had reduced from £1,107 billion to less than £4.3 million; a reduction in assets of more than 99%, with the management charges received by B&CE from the remaining membership for running the Scheme significantly less than the costs of running the Scheme.

The outcome of this stage was that 99% of members' savings had been transferred to The People's Pension.

Stage 2

- In November 2019, B&CE with the support of the IGC wrote to all remaining members to explain the position and its plans for the Scheme. Again, members were given the 3 choices outlined earlier in this report.
- On 23 March 2020 all remaining members' savings worth just under £3 million were transferred to The People's Pension.
- On 31 March 2020, the Scheme was formally closed and wound up.

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Scheme compliance 2019/2020

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

For members remaining in the Scheme during 2019/2020, the administration of core transactions has continued in line with agreed service levels, with the IGC reviewing administration reports quarterly to evidence this. The number of transactions has diminished significantly given the vastly reduced membership.

The quarterly administration reports for the IGC provided detailed information on the membership, investment profile switches, administration volumes and administration performance levels. The report also identified any administration errors or breaches.

The independent auditor of the Scheme carried out analysis across core areas, including:

- processes relating to claims
- transfers daily movement checks – receipts and payments
- accounting reconciliations
- bank reconciliations.

B&CE has clear business lines and 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 (no new contributions were paid into the Scheme during the year), transfers in/out, investment switching and benefit payments.

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.

Investment performance

The Committee reviewed the investment performance of each of the funds against the relevant ABI sector and underlying benchmarks at each meeting. The performance for each of the 0.8% charged funds is shown in the table below.

	1yr %	Sector %	Ann. 3yr %	Sector %	Ann. 5yr %	Sector %
EasyBuild Annuity 0.8%	15.1	9.05	5.21	3.65	N/A	N/A
EasyBuild Cash 0.8%	0.04	0.63	-0.18	0.29	-0.23	0.31
EasyBuild Global Investments (up to 100% shares) 0.8%	18.9	21.24	7.55	8.94	9.01	10.41
EasyBuild Global Investments (up to 60% shares) 0.8%	14.43	11.93	5.77	4.45	7.28	5.23
EasyBuild Global Investments (up to 85% shares) 0.8%	17.1	15.13	6.9	5.94	8.12	6.79
EasyBuild Pre-Retirement 0.8%	8.58	7.2	3.41	2.94	5.87	4.64

Charges and transactions costs in 2019/2020

Charges that applied during the year, for all investment choice, were 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

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The default fund for the Scheme invested in the Global Investment (85% Shares) fund and the Retirement fund. The transaction costs for and the performance of these funds are shown in this report.

Transaction costs

The IGC has also reviewed the transaction costs associated with the investment funds used by the Scheme. Transaction costs are an important component of the overall costs faced by members, as they can have the effect of reducing the net investment returns of the funds.

Transaction costs are incurred by pension schemes in 2 ways. Firstly, a fund manager will trade in markets to invest money flowing into or out of a fund (when scheme members contribute to or leave a fund). Secondly, they will implement investment decisions in the course of the day-to-day management to achieve the fund's objectives.

Transaction costs can be broadly broken down into explicit and implicit costs. Explicit costs are observable and, where the costs are incurred, an invoice could be generated. Examples include brokerage fees, stamp duty and custodian fees, and foreign exchange levies.

Implicit costs cannot be directly observed and cannot be invoiced. These include bid ask/offer spreads, implementation shortfall (the difference between the decision price and the execution price of a trade) and market impact (the change in the price of a security caused by the trade). Implicit costs can be positive or negative depending on market movements.

The transaction costs are a combination of the implicit and explicit costs incurred by the funds. The annual transaction costs to 30 September 2019 for each member option are in the table below:

Fund	Transaction cost 2019 full year to 30 September 2019 (bps)
B&CE Global Investments (up to 85% shares) Fund	0.3
B&CE Global Investments (up to 60% shares) Fund	1.4
B&CE Global Investments (up to 100% shares) Fund	-0.8
B&CE Pre-Retirement Fund	2.6
B&CE Cash Fund	0.0
B&CE Annuity Fund	-1.7

As noted earlier on, a consequence of the calculation is that it can produce negative transaction costs if the implicit cost is negative and is greater than the effect of the explicit transaction costs. As the table on the left illustrates, 4 of the 6 funds had a negative cost over the reporting period.

While negative transaction costs should not be taken to mean that trading in the market carries no cost, by reviewing underlying data and associated disclosure, the IGC is comfortable that the level of transaction costs incurred by the funds are reasonable, in line with other providers and represent a small proportion of the overall cost.

The IGC was of the view that EasyBuild represented overall value for money, but clearly that improved value for money could be obtained through the transfer to The People's Pension.

The end of the journey

We believe that over the five-year duration of the IGC, we have ensured that member interests have been prioritised by B&CE, leading to the decision to migrate members to a low cost, high quality, master trust. The Financial Conduct Authority, The Pensions Regulator and HMRC have been briefed and kept up to date on developments throughout the process.

Given the winding up of the Scheme on 31 March 2020, the function of the IGC is now complete and this will therefore be the closing report of the IGC. I would like to take this opportunity to thank the members of the IGC who have served along with me on the committee since inception – Alan Pickering, Sue Lewis, Andrew Cheeseman, Sam Stedman, Michael Mann and Mark Plant – for their hard work and commitment.

I would also like to thank the B&CE management team, led by Patrick Heath-Lay and the B&CE Insurance Limited Board, chaired by Babloo Ramamurthy, for their open and collaborative approach to the IGC requirements. I firmly believe that members' interests have been looked after and I am confident in the ongoing solutions that have been put in place.

Steve Delo
EasyBuild IGC Chairman

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About the EasyBuild IGC

IGC expertise

The IGC has 5 members, 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 the Chairman of PAN Trustees, 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 30 year career has included senior roles in scheme management, consulting, asset management and trusteeship. 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 12 years. 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 £20bn. He sits on three master trust boards – two defined contribution, one defined benefit. He is a Fellow of the Pensions Management Institute.



Sam Stedman IGC Member

Sam Stedman is the Head of Corporate Development for B&CE and is a Member of the Association of Chartered Certified Accountants. Prior to his current role, he was B&CE's Group Director of Finance between 2012 and 2019.

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.



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 which the union provided to its staff and, building on this experience, he became one of the union movement's leading pension practitioners.

In 1992, he joined Willis Towers Watson as 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 President of BESTrustees. He also 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. He is a trustee of two master trusts.

Alan is a regular speaker at conferences and contributor to trade papers. He has chaired the National Association of Pension Funds 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.



Mark Plant
IGC Member

Mark Plant is the Director of Strategic Delivery for B&CE. His current role sees him working closely with the executive team on significant business activities and he is currently responsible for oversight of corporate governance. Mark played a key role in the development and delivery of The People's Pension in 2012.

Mark joined B&CE in 1997 and has undertaken a range of roles within the company including customer services, business analysis, project and programme management. Prior to joining B&CE, he studied business studies at the University of Bedfordshire.



Sue Lewis
Independent IGC Member

Sue is an expert in financial services consumer protection. Until December 2018, she was Chair of the Financial Conduct Authority Financial Services Consumer Panel. She is a Trustee of national charities StepChange, Surviving Economic Abuse, and the

FairBanking Foundation. Sue is also on the professional standards boards of the Chartered Insurance Institute and the Chartered Banker.

Sue also has international expertise in financial education, financial inclusion and consumer protection regulation, working with organisations such as the Organisation for Economic Co-operation and Development and Alliance for Financial Inclusion. She is a frequent speaker and moderator at conferences in the UK and overseas. Sue spent most of her career as a senior civil servant, advising government ministers on policy issues including financial services, early years, children and young people, and gender equality.

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.