



STATEMENT ON DC GOVERNANCE

For the year ended 31 December 2016



WORKPLACE PENSIONS IN BLACK + WHITE

STATEMENT REGARDING DC GOVERNANCE

This Chair's Statement ('Statement') has been prepared by the trustees of The Salvus Master Trust ('the Scheme') to demonstrate how the Scheme has complied with the new DC governance standards introduced on 6 April 2015 under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This Statement relates to the period from 1st January 2016 to 31 December 2016 and covers the following key areas:

1. Trustees and Professional Advisers
2. The Trustee Board
3. Scheme Management, including The Trustees' compliance with the statutory Trustee Knowledge and Understanding ('TKU') requirements
4. Investment governance of the Scheme's default arrangement
5. Charges, transaction costs and value for money within the Scheme
6. Administration, including the processing of core Scheme financial transactions



I. Trustees and Professional Advisers

Trustees of the Scheme

There are currently three experienced professional independent trustees (the “Trustees”).

During the year under review and to the date of approval of this Report, the Trustees of The Salvus Master Trust (the Scheme) were:

Able Governance Ltd	<i>Appointed 25 May 2016</i>
Clark Benefit Consultants Ltd	<i>Appointed 6 July 2015</i>
Gowling WLG Trust Corporation Limited	<i>Resigned 1 October 2016</i>
HR Trustees Limited	<i>Appointed 1 October 2016</i>
Rumbles Pensions Services Limited	<i>Resigned 17 April 2016</i>

Professional Advisers

Secretary to the Scheme

Goddard Perry Consulting Ltd
Corinthian House
17 Lansdowne Road, Croydon CR02BX

Administrator

HS Admin
25 Goodlass Road, Liverpool L24 9HJ

Banker

Barclays Bank PLC
Ashton House
497 Silbury Boulevard, Milton Keynes MK9 2LD

Consultant

Goddard Perry Consulting Ltd
Corinthian House
17 Lansdowne Road, Croydon CR0 2BX

Custodian

AEGON
Edinburgh Park, Edinburgh EH12 9SE

Independent Auditor

Moore Stephens LLP
150 Aldersgate Street, London EC1A4AB

Investment Adviser

P-Solve Investments Limited
11 Strand, London WC2N 5HR
Appointed 17 July 2017

Investment Manager

AEGON Asset Management
Edinburgh Park, Edinburgh EH12 9SE

Sponsoring Employer

Goddard Perry Consulting Ltd
Corinthian House
17 Lansdowne Road, Croydon CR02BX

Solicitor

ARC Pensions Law LLP
9 Devonshire Square, London EC2M 4YF
Appointed 25 May 2016

Enquiries

Any enquiries about the Scheme, including requests from individuals for information about their benefits, complaints, and copies of the Scheme documentation, should be addressed to: Salvus Master Trust, HS Admin, 25 Goodlass Road, Liverpool L24 9HJ

Member Queries: salvus.members@hsadmin.com

Employers, Payroll and Adviser

Raise a Support request: <http://www.salvustrust.com/help-support.php>



2. The Trustee Board

There are three experienced professional independent trustees (the “Trustees”). The Trustees are each represented by:

- Christina Bowyer, representing HR Trustees Limited - Christina is a qualified lawyer specialising in pensions and trust law, she has been a practising lawyer since 2005. Christina completes formal annual professional development training as specified by the Solicitor’s Regulatory Authority and to meet the demands of HR Trustees’ accreditation which is audited by KPMG. She is also a member of the Association of Pension Lawyers and has been an Associate of the Pensions Management Institute since 1992.
- Nick Boyes, representing Able Governance Ltd - Nick has been involved in the trusteeship and governance of occupational pension schemes since 1992, having previously worked in the pensions departments of a number of insurance companies. A qualified teacher of Economics, Nick attained the Associateship of the Chartered Insurance Institute by the pensions route, and the Diploma in Pensions Management from the PMI, along with other pensions-related qualifications. In addition to representing his previous company, Alexander Forbes Trustee Services, in its capacity as independent trustee to pension schemes of all kinds, Nick has been a frequent contributor to the pensions press and assisted the Pensions Regulator with its acclaimed Trustee Toolkit. Nick maintains his pensions technical knowledge by attending industry events, adviser briefings and regional PMI and Pension & Lifetime Savings Association meetings.
- Michael Clark, representing Clark Benefit Consulting - Michael has more than thirty years pensions experience specialising in scheme management and administration. Before setting up his own company Michael headed up a team of professional trustees. Michael has more than ten years’ experience of being a trustee and as a member of an Independent Governance Committee. Michael qualified as an Associate of the Pensions Management Institute in 1990 and was subsequently elected to a Fellow. In addition, he is also a Fellowship Ambassador for the Pensions Management Institute as well as being a member of the Association of Professional Pension Trustees. As such Michael is required to complete formal annual professional development.

None of the three professional Trustees are affiliated to Goddard Perry Consulting Ltd (Goddard Perry). The appointment process for Scheme Trustees is open and transparent, including the public advertising of new roles and an interview process led by Goddard Perry. Each of the Trustees has experience of working with defined contribution pension schemes acting as Trustee.



3. Scheme Management

Trustee knowledge and understanding

Each of the Trustees is conversant with the Scheme rules, the Scheme's Statement of Investment Principles and the other Scheme policies that are in place. They familiarise themselves with these documents, either as part of their work as a Scheme Trustee or on an ad hoc basis, and review them from time to time as required to secure the good governance of the Scheme.

The Trustees have an in depth knowledge of the law relating to pensions and trusts and the principles underpinning the investment of the Scheme assets and funding of occupational pension schemes. All of the Trustees have completed the Pensions Regulator's Trustee Toolkit.

A training log is maintained for each of the Trustees and any training needs are identified and addressed as and when required. The log is reviewed annually to identify any gaps in the knowledge and understanding across the Trustee board.

The Trustees regularly attend professional pensions events and write articles as well as ensuring that they meet the Continued Professional Development requirements of their relevant professional bodies.

During the year, the Trustees appointed ARC Pensions Law as their legal advisers. After a lengthy review process, P-Solve were appointed as investment advisers in July 2017. Both of these appointments strengthen the Trustees' effectiveness. In particular, since the draft legislation was published in autumn 2016, ARC Pensions Law has provided the Trustees with updates regarding the new regime for master trusts now contained in the Pension Schemes Act 2017.

As a result of the Trustees' collective in depth knowledge and understanding, and taking into account the professional advice available to the Trustee board, the Trustees believe they have the skills and experience to enable them to properly exercise their functions as Trustees of the Scheme.

Conflicts of interest

Actual or potential conflicts of interest are considered as a standing agenda item at the start of each Trustee meeting. Should any conflicts be identified, the required action is agreed by the Trustees at the meeting in accordance with the Scheme's conflict of interest protocol. This includes exclusion from the meeting for the discussion of a particular agenda item. To date no such conflicts of interest have occurred.

Risk Register

The Trustees have been developing an updated Risk Register to more fully understand, manage and monitor risks within the Scheme. This is kept under constant review and discussed at each Trustee meeting.



4. Investment Governance of the Scheme's default arrangement

The Scheme currently has two default funds each with a five-year track record, which are the Cautious Lifestyle and the Balanced Lifestyle. More than 99% of Scheme members are in either of the two default funds

The default funds are being reviewed by the Trustees with their new investment adviser, P-Solve, to ensure that they remain appropriate in the future. During 2016 the Trustees monitored the performance of the default funds based on reports received from Goddard Perry, the previous investment advisor to the Trustees, at their quarterly Trustee meetings.

The strategy and performance of the default funds were last reviewed in November 2015. Details of the investment strategy and investment objectives of the default funds are contained in the Scheme's latest Statement of Investment Principles.

The Trustees receive quarterly investment performance figures which they review to ensure that the investments are achieving their targeted return within the agreed risk parameters. The Trustees will continually monitor Scheme investments for their suitability for members and to ensure that they achieve their investment targets. Any changes to the member fund choices or in the default investment strategy will be reflected in the Scheme Statement of Investment Principles as and when this is updated

Security of assets

The investment manager for all of the assets held in the Scheme is AEGON, who is completely unrelated to Goddard Perry or the Scheme itself

AEGON, is a UK- based insurance company. As such, AEGON is subject to the UK insurance company regulatory regime which is designed to ensure that UK insurance companies are financially sound. At this time, the Trustees do not have any concerns about the security of members' funds held by AEGON.

However as part of our good governance policy, the Trustees plan further engagement with AEGON to scenario test the security of the assets in more extreme situations which can arise in volatile market and economic conditions. This will include a review of the extent to which the Financial Services Compensation Scheme provides protection to members' funds



5. Charges and transactions costs

The Trustees recognise that transaction costs and charges paid by members can have a significant impact on their pension savings and keep these under review.

Member borne costs and charges

As the Scheme is being used as a Qualifying Scheme for automatic enrolment purposes, the charge controls on DC schemes apply. The Trustees have been advised that the default funds are not subject to charges in excess of the statutory maximum.

The level of charges applicable to members varies depending on the contractual agreements in place with their employers. The level of charges applicable to the default funds during 2016 were as follows:

Level of charge	Number of Employers whose members pay the level of charge
0.34%	2
0.44%	499
0.49%	15
0.50%	14
0.6%	295
0.65%	519
0.75%	439
0.49% + £1 per member	12
0.60% + 83p per member	900
Total Employers	2,695

Goddard Perry has been rationalising the different member charges which previously differed according to contractual agreements. To allow the Scheme to remain open to the very smallest employers and still deliver the same features and scheme benefits, as you can see from the table above, the position is now that the majority of members pay an Annual Management Charge (AMC) of 0.6% of their member account plus a member fee of 83p per month



Transaction costs

The Trustees understand that they are required to assess and understand the different types and levels of transaction costs that are incurred by the Scheme's investment funds and assess the impact of these charges on members' funds.

The majority of funds available to members are index-tracker funds; the volume of transactions is related to changes in the respective index. The Trustees believe that transaction costs are minimised within this strategy. AEGON has advised the Trustees that it does not currently report these costs to any pension scheme clients who invest money in AEGON funds, pending reaching a consensus about how these are to be reported. As such the Trustees are unable to state the level of transaction costs applicable to the default funds or the range of transaction costs applicable to other funds.

The Trustees are corresponding with AEGON and will be working with P-Solve to continue their work to seek greater clarity on this topic as a matter of urgency and will report further next year.



6. Administration and Core Financial Transactions

Both active members and employer contributions are paid across to the Scheme at each payroll run by the employer and are processed by the Scheme's administrator HS Admin, on behalf of the Trustees. The Scheme is open to transfers in, without any minimum value, via their employer or the PPF.

In late January 2017, The Trustees, with HS Admin, carried out a review of every participating employer and found a number of issues relating to three main categories. The administrators established that:

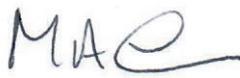
- A group of employers, whilst making contributions on time, had omitted to submit the required member data
- A number of employers had made contributions and supplied data of poor quality
- Some employers were persistently late in sending data and contributions to HS Admin, or sent information on an inconsistent basis.

During 2016 and 2017, our administrators have been phasing in an online employer portal which allows all employers to submit the membership data securely and collect all contributions automatically by direct debit. The administrator is phasing in an automated prompt and reminder communication strategy to employers to help them to continue to meet auto enrolment compliance.

The Trustees have processes and controls in place to assist their compliance, including an arrangement whereby HS Admin provides regular written and verbal reports to the Trustees which allow the Trustee board to continue to monitor the processing of transactions

Conclusion

The Trustees continue to be committed to the ongoing future of the Scheme and will be seeking authorisation of the Scheme by the Pensions Regulator as soon as that is required in October 2018

Signed		Date: 27 July 2017
For and on behalf of Michael Clark of Clark Benefit Consulting Ltd Chair of the Trustee Board Salvus Master Trust		

