



STATEMENT REGARDING DC GOVERNANCE



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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 6 April 2015 to 31 December 2015 and covers the following key areas:

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

Any material developments since the year end have also been noted where the Trustees feel that they help in describing the ongoing governance of the Scheme.



I. Scheme Management

Trustee Knowledge and Understanding

There are currently three professional Trustees. Blake Laphorne Pension Trustees Limited was the first Trustee and it was replaced by Gowling WLG Trust Corporation Limited (and its predecessors) which was appointed on 29 January 2015. Clark Benefit Consulting Ltd has been in place since 6 July 2015 and Able Governance Ltd since 25 May 2016.

Neither Clark Benefit Consulting Ltd. nor Able Governance Ltd is affiliated to Goddard Perry Consulting Ltd (Goddard Perry). Gowling WLG Trust Corporation Limited is also not affiliated to Goddard Perry. However, as its owner, Gowling WLG (UK) LLP, has in the past provided legal advice to Goddard Perry in relation to Salvus, so does not consider itself to be fully independent of Goddard Perry. There is a conflicts process in place for the management of any such legal advice.

The Trustees all maintain appropriate levels of trustee knowledge and understanding, both individually and collectively. This requirement is managed in a number of ways including:

- All Trustees are subject to their own professional Continued Professional Development requirements, which are independently audited in accordance with the relevant professional bodies' standards.
- Trustees training is a regular agenda item at Trustees' meetings, with training provided by the Trustees' advisers, as appropriate. Ad-hoc updates on key issues are also provided by the Trustees' advisers, when required.

In addition to the skills within the Trustee board itself, the Trustees have appointed professional advisers who provide specialist support and advice. This includes the scheme's legal advisers and auditors.

Pooling all these resources together means that the Trustees are well equipped to exercise their duties and manage the Scheme effectively.

A training log of Trustee training is maintained and any training needs are identified as and when required.

Conflicts of duty or interest and Risk Management

Conflicts of duty or interest is a regular agenda item at the start of each Trustees' meeting and, should any conflicts of duty or interest be declared by any of the Trustees, the required action will be decided by those present at the meeting. Such action may be for the conflicted Trustee to be excluded from the meeting or excluded from the particular item causing the conflict.

A table of potential conflicts is maintained along with a register of conflicts declared.

The Trustees maintain a Risk Register which going forward will be reviewed.



2. Investment Governance and Scheme's default arrangement

The Statement of Investment Principles (SIP) for the Salvus Master Trust was updated on 31 December 2015 and the agreed process is for the Trustees to review the SIP at least annually or immediately after any significant change in investment policy. A copy of the current SIP is available on request.

The Trustees have taken a preliminary look at the suitability of the default fund. We have decided to conduct a full scale review and are planning to review the suitability of the default fund which takes account of the range of members and employers who pay contributions to the scheme in the coming year. Any review will consider the pension choices available to members and what good member outcomes should look like given the nature of the Salvus membership.

The Trustees' main aims with regard to investments, as detailed in the SIP, are to make sure that they can meet their obligations to the members of the Scheme. This is achieved by the following:

- Ensuring there is a sufficient number of appropriate investment options available to allow the member to plan for retirement.
- Providing a description of each fund, clearly setting out its objectives and level of risk.
- Providing at least one default investment option.
- Encouraging members to seek independent financial advice from an appropriate person in determining the profile of their own investment.
- The Trustees will continually review the suitability of the options provided and will, from time to time, change managers or introduce additional investment portfolios as appropriate.

Members who do not make an active investment decision on joining the Scheme have their contributions invested in one of the Lifestyle Investment Programmes, which are the default investment funds for the Scheme. Participating Employers can choose between two strategies, which show slightly different risk characteristics.

Given the size of the funds, it is expected that members will choose to take all of their benefits as cash, and both default funds have this as the flight path target. The Trustees will monitor this expectation against the Scheme experience, and will consider the introduction of strategies which aim to transition to an alternative to cash, depending on fund size and other factors.

The target retirement date is the member's 65th birthday unless the member elects otherwise in writing.

The Trustees are in discussions with Goddard Perry to ensure that the information about the funds available to members is clear and accessible.



3. Charges, transaction costs and value for money

Transaction costs and charges borne by members can have a significant impact on their pension savings. The Trustees keep the levels of these deductions under review.

Member-borne costs and charges

The charges which Goddard Perry makes to participating employers differ according to contractual agreement. This makes judging members' value for money particularly complex.

Monthly Fee - Per Member	Nil to £1.50
Annual Management Charge	0.29% to 0.75%

The actual costs borne by individual members depend on the fund, or combination of funds, that the members are invested in.

As the Scheme is being used as a qualifying scheme for automatic enrolment, the charge controls on DC schemes do apply. The Trustees have been advised by Goddard Perry that none of the member funds in the default arrangement are subject to charges in excess of the charge cap. Equally, the trustees have been advised that there are no active member discounts in place.

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 value these costs deliver to members.

As the majority of the funds available to members are index-tracker funds, the volume of transactions is related to changes in the respective index. The Trustees are confident that any transaction costs within the fund are minimised by this strategy. Further investigations are underway, however, as the Trustees seek to ensure that all transaction costs are identified.

There is currently no charge applying to any switch in investment funds. Any change in funds will be reflected within the revised unit price. The fund charges and the pricing basis are described in the member booklet which all members can obtain on joining the Scheme, as well as in the individual fund factsheets which are available to members on Salvus' website or from Goddard Perry, the Scheme's consultants.



Value for money

The Trustees judge that the value for money provided by the Scheme, depending on the level of fees agreed with the employer ranges from 'fair' to 'good'.

The assessment considers the extent to which costs and charges offer good value to members and takes into account the range of member deductions including those associated with administration, investment management and investment governance, reflecting on the nature of the benefits provided and service quality.

The Trustees plan to better understand how specific employers are awarded lower charges within the Scheme, and will continue to engage with our advisers and Goddard Perry in the coming year to do so. This will include assessing the extent to which the charges and transactional costs represent good value for members and that the services provided are of the standard which members require.

Members receive annual benefit statements and are able to view their benefits online at any time. Members may transfer previous pension benefits into the Scheme at any time. There are no restrictions or penalties should members wish to transfer their benefits out of the Salvus Scheme.

The Trustees have included a section on Value for Money in the Scheme Risk Register.

The Trustees have reviewed the revised DC Code of Practice No. 13 and associated "How to" guide relating to 'Value for members'.

The Trustees are committed to ensuring that the concept of Value for Money is subject to constant review and will formally consider this at least annually.

Security of the Assets

All of the assets are invested through an insurance policy held with AEGON which is a UK based insurance company. It is subject to the UK insurance company regulatory regime which is designed to ensure that UK insurance companies are financially robust. At the present time the Trustees have no concerns about the security of the member funds held by AEGON. However the Trustees do plan further engagement with AEGON this year to scenario test the security of the assets in the more extreme situations which can arise in unusual market and economic conditions. This will include a review of the extent to which the Financial Services Compensation Scheme applies.

Processing core financial transactions

The Scheme is open to active members and both member and employer contributions are paid across to the Scheme by each Employer each month and are processed by the scheme's administrator, HS Admin, on behalf of the Trustees.

The processing of core financial transactions is regularly monitored by HS Admin which has documented internal control procedures that help to ensure that transactions are processed promptly and accurately. These include controls and procedures to manage the receipt and timely investment of contributions, the accuracy of investment allocations, payments of benefits as well as individual transfers out and investment switches managed as part of the life-styling arrangement.



During the course of the year, Goddard Perry has prepared an AAF 02/07 Master Trust Assurance Report that has subsequently been independently audited on 8 April 2016. The Trustees will monitor adherence to the controls described in the Report to ensure that a clean audit can be achieved each year, indicating a robust regime for the control of risk.

It is the intention of HS Admin to introduce a 'straight-through processing' facility that enables participating Employers to upload member contribution data directly to member records. This will provide significant advantages in terms of time saving and accuracy of transaction processing. The Trustees welcome this development, but will monitor the transition process in order to minimise the possibility of issues arising while the new procedure beds in.

HS Admin provides the Trustees with a governance report on administration issues at quarterly intervals. The Trustees use this information to review HS Admin's administration processing, including core financial transactions.

Any exceptions or issues with administration or transaction processing identified through the quarterly reporting are discussed with HS Admin to identify the root cause and the measures being taken to improve the Scheme's processes to minimise the likelihood of repeat issues occurring and ensure transaction processing is as efficient as possible.

The Trustees review the information provided by HS Admin and consider whether it allows them to determine whether Scheme processing is timely and accurate, or whether further reporting would be helpful in future. At this time, the Trustees are in discussions with HS Admin about the reporting of further statistics in order to improve the level of management information available to the Trustees. This will help to improve the Trustees monitoring of the Scheme.

In addition, the Trustees review HS Admin's administration assurance reports including details of the disaster recovery and business continuity plan.

Scheme data and record-keeping

The Trustees will continue to work with HS Admin to ensure that the quality of the membership data is of a sufficiently high standard to ensure that the right amount of members' benefits are paid at the right time.

Signed by the Chair on behalf of the Trustees of The Salvus Master Trust



Michael Clark
Chair of Trustee Board
Salvus Master Trust

