

The People's Pension Scheme

Value for Members



Trustee Statement 2020/21

As the Trustee of The People's Pension, we act on your behalf to ensure that the Scheme represents good value for its members. We assess its value every year and report on our findings in the Chair's Statement.

This statement summarises the findings of our assessment for the Scheme year 2020/21.

Our principles

To help assess Value for Members (VfM), the Trustee agreed a set of guiding principles:

Members are at the heart of the Value for Members assessment

Savings are **safe and secure** and **well managed**

Charges are **competitive**, being **consistent** with comparable master trusts and **proportionate** to the cost of delivering the services

Core financial transactions are completed **accurately** and **on time**

Administration service delivers a **positive experience** and meets members' needs

Investment solution delivers **responsible long term outcomes** that are appropriate for and understandable to our members

Member communications are **accessible, clear and engaging** and hit the mark

The Trustee sees VfM as being a blend of cost, quality, and service issues, so the Trustee is not working on the principle that offering the best VfM equates to being the cheapest. The Trustee believes, given the Scheme's extremely large and diverse membership, that it is important that the assessment follows a pragmatic and balanced approach to determining members' needs and recognises the population participating in the Scheme.

The assessment

There is no 'one size fits all' approach to VfM assessments. The Trustee's view is that assessing value requires an assessment across the benefits and services provided for the relevant spend against a set of 5 criteria:

- costs and charges
- administration
- investment
- governance
- communications

Given the growth of the Scheme, the Trustee, working with B&CE, is focused on enhancing and sustaining good value across all criteria.

The results

In summary, and taking these factors into consideration, the Trustee believes that The People's Pension provides members with a good quality Scheme and services at a competitive cost that will deliver good member outcomes. It therefore believes the Scheme offers good Value for Members. The Trustee and B&CE are committed to continue to work together to further enhance and sustain member value.

In coming to this view, the Trustee considered that:

Member-borne costs and charges are in line with (and for most members marginally lower) the alternative schemes considered. As such, the charges are considered both competitive and fair.

The following changes are either planned or in progress which are expected to enhance the offering further:

1. There are industry developments and future scheme enhancements items aimed at encouraging members to consolidate their pots, most notably a pension dashboard to allow members to view their defined contribution pensions on a single website. Operating multiple pots is generally inefficient for the pensions industry and as such, members can generally benefit from reduced costs by consolidating their pots within the Scheme.
2. The Scheme's charging structure has been amended in 2021 to remove the annual charge of £2.50 for pots with a value of £102.50 or less, to align to the Department for Work and Pensions response to the 'Review of the default cap and standardised cost disclosure' consultation.

Investment performance – the value added to date through investment performance has been significant. The Scheme has provided returns ahead of its objectives and the average in the market, with less risk being taken to achieve that return than the market average and with better risk adjusted returns than the reference portfolio.

The increasing focus on responsible investment is an area of the management of investment strategies that has improved materially in recent years and which we believe is increasingly viewed as an area of strength.

The following is planned to further increase value:

1. Further investment into the in-house capacity of the investment team at B&CE. This is expected to increase value and enable improvement in the quality of the investment offering through enhanced control and governance.
2. Continued progress on socially responsible investing, removing exposure to the most damaging activities within our portfolio, whilst seeking investment and engagement opportunities with companies, to improve the financial outcomes for our Scheme membership. Working more closely with our investment managers to increase the value of the partnerships we have, whilst prioritising and setting engagement priorities.

Scheme administration continues to be a challenge due to the volume of calls and queries received by the team. Given the unique operating environment because of Covid-19, we believe the Administrator performed well, given the circumstances and need to protect staff health and safety, this is evident by exceptionally low complaint volumes. Despite the challenges of the pandemic, the Administrator ensured that core financial transactions (contributions, transfers, claims, etc.) continued to be processed accurately and in a timely manner.

We believe that the Administrator's new operating model brings a level of flexibility and scalability that is capable of standing the Scheme in good stead over the coming years, although there will be a need for continued innovation and investment in administration technology.

The Trustee welcomed the improved resource profile that will help B&CE deliver on their programme of continued development and enhancement, such as a web-chat service, which will ultimately improve customer outcomes.

Scheme governance and management – the Scheme operates to strong governance standards, bolstered by professional advice received via the Trustees' third-party advisers and continues to satisfy the requirements around Trustees' 'knowledge and understanding'. During the Scheme year the Trustee Board expanded from 5 to 6 Trustee Directors. This has strengthened the overall skills and experience on the Board.

Further evidence that the Scheme is well run is provided by the audit of the Scheme's controls covering its system and processes (the AAF 05/20 Master Trust Assurance Framework Report), with no exceptions noted by the Independent Auditor. This demonstrates that the Scheme not only has robust processes appropriate to the needs of the Scheme, but also those processes are being adhered to.

IT security is a critical area for all pension schemes, and is an area which is evolving rapidly, particularly in relation to data and system security. This is an area where the Trustee have a particular focus and, in common with all financial services firms, recognise that cyber security is likely to be an area of continuous improvements, and that identifying and remediating vulnerabilities and improving the Scheme position will continue into the foreseeable future.

Scheme communications – the Scheme offers a wide variety of high-quality services and communications for members, employers, and advisers. This has been clearly demonstrated over the last Scheme year, in which the Administrator's contact centre and digital services saw significant spikes in activity, including a huge number of requests for information. From a communications perspective we responded with targeted, clear, and supportive materials. Members were pleased with the response, with customer satisfaction scores holding up well at 85% (2020: 72%).

There are some areas which require further improvement and development, the breadth and flexibility of the facilities available to members when they access their accounts at retirement, and the member digital experience. It should be noted that the demand for this functionality has been, and still is, limited given the relative immaturity of the Scheme – as in practice many members have yet to accrue pot sizes that would make use of these flexibilities. This is starting to change however as membership ages and pot sizes grow and there will be an increasing demand for such flexibility going forward. There are plans to make material enhancements in these parts of the Scheme and we look forward to sharing updates on progress in the next statement.

We always welcome feedback from our members telling us what's important to you. If you would like to share your thoughts, please contact us directly at CoSec@bandce.co.uk



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