Annual Statement Regarding Governance

The law requires, the Trustee the London United Busways Retirement Benefits Plan (the 'Trustee') to prepare a statement (the 'Statement') on the governance of defined contribution (DC) (also known as money purchase) benefits in the annual report.

This document sets out the Statement covering the period 1 January 2017 to 31 December 2017.

This statement relates to the Plan's DC Additional Voluntary Contributions (AVCs) (closed to further contributions from 30 June 2017) and the Pension Investment Plan (PIP) (closed to new entrants and further contributions from 24 October 2013), only and covers five key areas:

1. The Plan's default investment option;
2. The processing of core financial transactions;
3. Charges and transaction costs within the Plan;
4. Value for Money assessment; and
5. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements.

1. The Plan's default investment option

There is no default option in relation to the AVC arrangements. However from a review of the joining documentation for the PIP the Trustee believes that the Clerical Medical With Profits fund is a default investment option for the PIP.

As required by the Trustee has appended the latest copy of the Statement of Investment Principles (the 'SIP') that relates to the default investment option. This SIP has been prepared in accordance with the law.

The Trustee has set up a DC Working Party that includes the Chair and independent Trustee Director to focus on DC benefits. The Trustee has also reviewed the past performance of the funds as part of a comprehensive monitoring report. They have not at this point reviewed the continuing suitability of the Plan's default investment option or wider fund range, primarily because it is limited to the fund range offered by Equitable Life. This is a limited and shrinking fund range and the Trustee is mindful that the Plan's assets and metrics would struggle to secure investment via a bundled product elsewhere in the market. They decided the immediate action was to communicate with members encouraging them to review their current investments. The Trustee, with the support of their professional advisers, will consider in 2018 more actions like a potential provider review, within the limited offering available with Equitable Life, and appropriate performance monitoring arrangements, with further communications to members.

2. The processing of core financial transactions

As required by the Administration Regulations, the Trustee Directors must ensure that core financial transactions are processed promptly and accurately.

This includes:

- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payment from the Plan to, or in respect of, members.

This information is detailed within the annual transaction summaries produced by Equitable Life Assurance Society which are reviewed by the Trustee Directors. The Trustee Directors hold meetings at least four times a year.

The Plan's risk register details the risks to Plan members associated with a failure to process core financial transactions promptly and accurately and it is monitored and reviewed on at least an annual basis.

All switch requests and contribution redirections are managed by the in-house Pensions Officer who ensures these are dealt with promptly and reports to the Trustee Directors at each Trustee meeting.

It was noted that for a 3 week period (week 31, 32 and 33), the Company had not deducted or paid to the Trustee AVC's for DB members. Following a review the Trustee received funds for 5 members and arranged to secure member units based on the price that the original payment should have secured.

Charges and transaction costs within the Plan

As required by the regulations, the Trustee Directors are required to report on the charges and transaction costs for the investments used in the default arrangements and their assessment on the extent to which the charges and costs represent good value for members.

Below are all of the available funds in which members are invested along with the relevant administration charges borne by members. As noted above the Trustee believes that the Clerical Medical With Profits (called CMG With Profits in the table) is a default investment option. Transaction charges have been requested by the Trustee but have not been provided.

Fund	AMC post April 2016
Guaranteed Equity Funds*	0.50
Equitable Life With Profits	1.50
CMG With Profits	0.50
European	0.75
Far Eastern	0.75
Gilt and Fixed Interest	0,50
International Growth (Global Equities)	0.75
Managed (Mixed Asset 40%85%)	0.75
Money	0.50
Pelican (UK Equities)	0.75

*On 15 January 2017 the Guaranteed Equity Fund closed and funds were automatically switched into the Money Fund.

**By its nature, the charging structure is not transparent – for example, investment returns are earned in the form of discretionary bonuses calculated by the provider. We understand that Equitable Life charge 1.5% to operate the With-profit policies and this is deducted from the regular bonus, so that all declared regular bonuses are net of charges.

Other than the Equitable Life With Profits and CMG With Profits funds, all other funds are unit linked.

There was a charge for contributions into the unit-linked funds (all contributions have now ceased) of 3.0% for contribution made to the Defined Benefit AVCs section (Policy Number Q1005) and 2.5% for PIP (Policy Number Q2003). This is applied through a bid/offer spread on the price declared for each of the funds available.

The Annual Management Charge consists principally of the manager's annual charge for managing an operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees.

The Plan's investment manager does not apply a charge to switch investments between unit linked funds and switches are made on a bid to bid basis.

The Trustee Directors do not believe that it is proportionate to undertake a market review of price and performance for the With-profits policies. This is because:

- As switching away from the current policies will result in CMG With-profits policyholders losing their accumulated terminal bonus, which can represent a significant proportion of members' investments.
- Some of the Equitable Life With-profits policyholders benefit from a guaranteed increase in their basic entitlement at the rate of 3.5% per policy year.

The Trustee Directors will be communicating to With-profits policyholders to explain the features of an investment in this type of policy to ensure they are aware of any guarantees and potential reduction in value if assets are realised before the stated vesting date.

Value for Money

In accordance with the Pensions Regulator's DC Code of Practice number 13 and the relevant legislation, the Trustee (having taken professional advice) concluded that the Plan's overall benefits and services represent neutral value for money in respect of the costs payable by members for the following reasons::

- Charges on funds have been assessed by our advisors as comparing as around average / neutral with those of peer funds;
- The performance of the Plan's funds over the 5 years to 30 September 2017 has been mixed with a number of funds failing to beat or match their benchmark hence representing reasonable to poor value for members; and
- The member services offered by the Plan are generally good, with a comprehensive governance structure in place.

The Trustee Directors are mindful of the nature of the Equitable Life policy and note that Equitable Life describes itself as being in "run off". Equitable Life closed some funds during 2016 and increased charges on the remaining funds to enable them to manage their ongoing expense. As such the Trustee Directors have been working with their advisers to investigate if any improvements can be made with the current provider or by a move to an alternative supplier. A comprehensive monitoring report with recommendations was reviewed by the Trustee Directors with the main action to encourage member engagement and that action is being developed accordingly.

Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan. This requirement has been met during the course of the Plan year as follows:

- The Trustee Directors have undertaken specific Defined Contribution training covering the basis of Defined Contribution schemes, how the Plan interacts with Defined Contribution benefits, pension freedoms and Defined Contribution Governance, both as a group and individually to keep abreast of relevant developments;
- The Trustee Directors have undertaken general training on the new data protection laws coming into force on 25 May 2018 and have commissioned advice and training on the key trustee and company powers under the Plan Rules, having identified a need for their knowledge in that area to be refreshed;
- The Trustee Directors have regularly reviewed their training needs;
- The Trustee Directors are in the process of completing the Pension Regulator's Trustee Toolkit modules. The Trustee Directors include a professional independent Trustee with a considerable amount of trustee and pensions consulting experience.

I confirm that the above statement has been produced by the Trustee Directors to the best of our knowledge.

Signed on behalf of the Trustee Company on 28 March 2018

Richard Casling Trustee Director