

# Annual chair's statement 2018

For members of the ITV Defined Contribution Plan (the ITV DC Plan)

**You've built up valuable savings in the ITV DC Plan, so it's important to know that the ITV DC Plan is well run and your savings are being looked after. This is the responsibility of the ITV DC Plan Trustees.**

Each year, the Trustees produce a document called the Chair's statement. This sets out important information about the ITV DC Plan and demonstrates how it has met its legal requirements in a number of key areas. It includes:

- [Details of the ITV DC Plan's investment fund costs and charges](#); these funds are available to members through the *hands off* and *hands on* options.
- ['Pounds and pence illustrations'](#) showing the impact that investment costs and charges might have on the value of a sample of members' savings over time.
- [A 'Value for Members' assessment](#) about the value provided by the ITV DC Plan.
- [Details about the training provided to the Trustees](#) so they can carry out their role effectively.
- [Information about how core financial transactions are processed](#), such as the investment of your contributions or fund switches.
- [Information about the investment strategy](#) and how the investments are managed.

The Chair's statement on the following pages covers the year from 1 October 2017 to 30 September 2018 – so before the new *hands off* investment options were introduced from 1 October 2018. This means that not all of the information in the Chair's statement reflects the current investment options available to members. However, we're required by law to provide you with this copy of the Chair's statement.

**If you have any questions about the Chair's statement or would like a printed copy, please contact ITV Pensions by calling [01772 884488](tel:01772884488) or emailing [enquiries@itv-pensions.com](mailto:enquiries@itv-pensions.com)**

# Annual Chair's Statement

*for the Plan period ending 30 September 2018*

This statement has been prepared by the Trustee of the ITV Defined Contribution Plan ('the Plan') to demonstrate how the Plan has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This statement reflects the position for the reporting period the Trustee has continued to develop the Plan's governance standards and the implementation of investment changes immediately after this reporting period. Details of the investment review are included within this Statement.

## 1. Default arrangement

A copy of the latest statement of investment principles prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 can be found at <https://www.itvdcplan.com/documents/Chairs-Statement.pdf> and is also appended to this Statement ([Attachment 2](#)). This has been agreed by the Trustee after consultation with the Company (as required by law). This Statement details both the default arrangement and all the investment options under the Plan for the reporting period (1 October 2017 to 30 September 2018), it has yet to be updated for the investment changes made during the month following the end of this reporting period.

The Plan was established in January 2017 and the first members joined in March 2017 when they transferred from the DC Section of the ITV Pension Scheme. The Trustee of the DC Section of the ITV Pension Scheme had in place various fund options, including a default investment strategy for members who did not wish to make an investment decision. In addition, other fund options due to previous mapping exercises were considered default arrangements. The Trustee decided (having received advice from its investment consultants) to mirror all the investment options of the DC Section of the ITV Pension Scheme including the default options (with the addition of two lifestyle strategies from the DB AVC options of the ITV Pension Scheme).

For the reporting period the Hands off Phased lifecycle option was the Plan's default investment option for new members who did not make an active investment choice. The objective of the Hands off Phased lifecycle is to generate capital growth over the long term with increasing levels of retirement income and capital protection as members approach retirement. The Trustee with support from its investment consultants reviewed the performance of the default options under the Plan via receiving quarterly reporting which outlined whether the funds were meeting their stated objectives in terms of performance against benchmark as well as the suitability of the fund managers based on detailed research undertaken by the Plan investment consultants. Based on the reporting received and advice from the Trustee's investment consultant, the Trustee believes that each default arrangement has met its objective during the reporting period.



In addition to the ongoing reviews of the default arrangements above, the Trustee, during the reporting period, also concluded its first strategic review of the Plan's Hands off lifecycle strategies including those considered default arrangements. As part of this review, detailed analysis of the demographics and the risk profile of the membership was undertaken. Consideration was also given to the potential retirement decisions members could make following the retirement flexibilities introduced by legislation in April 2015.

Having considered the output of the review, the Trustee decided to offer a range of lifecycle investment strategies in order to better meet the objectives and needs at retirement of the different member groups under the Plan. These lifecycle strategies are collectively referred to as the 'Hands off' option, and all have the same structure; a growth phase and a transition phase. The new Hands off strategies provide members with options at both the growth and transition phases offering a total of 14 options to choose from to support members' objectives and needs at retirement. These strategies were implemented in October 2018 and members were mapped to these new strategies based on the detailed member level analysis which was carried out during the reporting period. Members received communications about the changes including face to face presentations and were offered the opportunity to make an alternative investment decision at the time. The below Plan investment guide provides more details on the different investment options available:

<https://itvdcplan.com/documents/itv-dc-investment-guide.pdf>



## 2. Charges and transaction costs for all investment options available to members during the reporting period

The Trustee monitors the fund charges on a quarterly basis with the help of its advisers. The Trustee confirms that it is compliant with the Charge Cap Regulations meaning that the charges for the Plan's default arrangements do not exceed 0.75%.

The tables below detail the charges for the default fund and all other fund options within the Plan for the reporting period and has been prepared to take into account the statutory guidance:

Default arrangements – Hands off	Component funds	AMC (%)	Additional Expenses (%)	Total Expense Ratio (TER) (%)
<b>Phased</b>	Global shares (index tracker) – invested in until 10 years from retirement	0.153	0.000	0.153
	Mixed Selection – invested in from 20 years from retirement	0.660	0.040	0.700
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Blended</b>	Global shares (index tracker) & Mixed Selection – invested in up to within 1 year from retirement	0.407	0.020	0.427
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Focused</b>	Global shares (index tracker) – invested in until 10 years from retirement	0.153	0.000	0.153
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Steady</b>	Mixed Selection – invested in from 20 years from retirement	0.660	0.040	0.700
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153



<b>'Hands on' self-select funds</b>	<b>AMC (%)</b>	<b>Additional Expenses (%)</b>	<b>Total Expense Ratio (TER) (%)</b>
<b>Company Bonds *</b>	0.380	0.010	0.390
<b>UK government bonds (index tracker) *</b>	0.130	0.000	0.130
<b>Money Markets *</b>	0.153	0.000	0.153
<b>Global shares (index tracker) *</b>	0.153	0.000	0.153

<b>Non default Hands off options</b>	<b>Component funds</b>	<b>AMC (%)</b>	<b>Additional Expenses (%)</b>	<b>Total Expense Ratio (TER) (%)</b>
<b>Blended (cash at retirement)</b>	Global shares (index tracker) & Mixed Selection – invested in up to within 1 year from retirement	0.407	0.020	0.427
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Focused (cash at retirement)</b>	Global shares (index tracker) – invested in until 10 years from retirement	0.153	0.000	0.153
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153
<b>Focused 5</b>	Global shares (index tracker) – invested in until 10 years from retirement	0.153	0.000	0.153
	Company Bonds – invested in from 10 years from retirement	0.380	0.010	0.390
	UK government bonds (index tracker) – invested in from 10 years from retirement	0.130	0.000	0.130
	Money Markets – invested in from 3 years from retirement	0.153	0.000	0.153



<b>'Hands on' self-select funds</b>	<b>AMC (%)</b>	<b>Additional Expenses (%)</b>	<b>Total Expense Ratio (TER) (%)</b>
<b>Emerging Markets (index tracker)</b>	0.430	0.000	0.430
<b>Global Shares (index tracker) &amp; mixed selection*</b>	0.407	0.020	0.427
<b>Global shares</b>	0.680	0.050	0.730
<b>Global shares excluding UK (index tracker)</b>	0.153	0.000	0.153
<b>Mixed Selection *</b>	0.660	0.040	0.700
<b>Property and Infrastructure</b>	0.535	0.070	0.605
<b>Shariah law (index tracker)</b>	0.350	0.000	0.350
<b>Social conscience</b>	0.730	0.030	0.760
<b>UK government inflation-linked bonds (index tracker)</b>	0.130	0.000	0.130
<b>UK shares (index tracker)</b>	0.125	0.000	0.125
<b>UK shares</b>	0.830	0.010	0.840

*\*Constituents of hands off lifecycle strategies as well as being self-select investment options*

## Transaction costs

In some cases, members may also be charged transaction costs. These costs are taken into account via the unit price for each of the funds and are not directly charged to the members. Transaction costs are those incurred by the investment managers as a result of buying, selling, lending or borrowing investments. These costs are typically categorised as:

- Explicit costs which are directly observable and include broker commissions and taxes, or
- Implicit costs which cannot be observed in the same way but can also result in a reduction in the value of capital invested, these implicit costs include market impact or delay costs which can also result in a gain for the fund (ie, a negative transaction cost).

The FCA's Policy Statement 'Transaction Cost Disclosure in WorkPlace Pensions' establishes a defined methodology to calculate transaction costs (known as the 'slippage cost' methodology).

The following transaction costs have been calculated by Zurich in conjunction with the underlying fund managers. The figures shown in the transaction costs column indicates whether over the reporting period, if the total transaction that have taken place have produced either a positive or negative impact. Transaction costs reporting in a standardised format has only recently been introduced and as a result insufficient information is currently available to benchmark these across the market. Once comparable market information becomes available the Trustee will look to review these costs in more detail.



<b>Fund name</b>	<b>Total transaction costs (%)</b>	<b>Percentage of Assets reported (%)</b>
<b>Global shares excluding UK (index tracker)</b>	-0.004	100.0
<b>Company bonds</b>	-0.071	100.0
<b>Emerging markets (index tracker)</b>	-0.032	98.5
<b>Global shares (index tracker)</b>	0.047	100.0
<b>Mixed selection</b>	0.365	100.0
<b>Shariah law (index tracker)</b>	0.034	100.0
<b>Social conscience</b>	0.000	100.0
<b>UK government bonds (index tracker)</b>	-0.009	100.0
<b>UK government inflation-linked bonds (index tracker)</b>	0.018	100.0
<b>UK shares</b>	-0.070	100.0
<b>UK shares (index tracker)</b>	-0.027	95.3
<b>Property and Infrastructure</b>	0.103	83.9
<b>Money markets</b>	0.002	100.0
<b>Global shares (index tracker) and mixed selection</b>	0.209	100.0

These transaction costs were provided with the following notes:

1. Total transaction costs are a combination of some or all of: transaction taxes, fees and charges, implicit costs, indirect costs, anti-dilution offsets and lending and borrowing costs.
2. For funds with more than one underlying fund, transaction cost calculations are based on blended fund-level holdings at the report date given.
3. Indirect costs relate to transaction costs incurred within an underlying investment vehicle within the fund manager's fund.
4. Anti-dilution offset reflects the price adjustments the fund manager has made to protect existing investors from dilution effects resulting from investors buying or selling units. This reduces the total transaction cost incurred by existing investors and so is deducted from the costs incurred.
5. Lending and borrowing costs reflect transaction costs associated with short term loans of securities that the fund manager may undertake to increase investment returns.
6. Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Zurich fund level when Zurich deals in the underlying funds.
7. Reporting cycles may differ between fund managers, and so data provided may not align completely with the overall report date. The latest available annualised information has been used in each case.
8. Fund managers may use different methodologies to calculate their transaction costs; therefore overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.
9. Transaction costs have not been provided by the fund manager(s) for some components of the fund. The percentage of assets reported on has been stated above. If no data on percentage coverage was provided by the fund manager, it is assumed that 100% coverage was achieved for these funds/fund components. The above transaction costs have not been provided by all the underlying fund managers to Zurich for the period. The Trustee will work with its advisers to ensure 100% coverage next year, recognising that this is a new requirement for fund managers.

In the context of the information available, the Trustee has concluded that the transaction costs reported over the period are reasonable.

[Attachment 1](#) to this statement contains details of illustrations which demonstrate the effect of costs and charges across a range of example members and investment options.



### 3. Core financial transactions

The Trustee regularly monitors the core financial transactions of the Plan. These include the investment of contributions, transfer of assets into and out of the Plan, fund switches and payments out of the Plan to and in respect of members/beneficiaries.

During the period from 1 October 2017 to 30 September 2018, the Trustee ensured that core financial transactions were processed promptly and accurately by the following means:

The Trustee has agreed service level agreements (SLAs) with its third party administrator, JLT, which are the Trustee's agreed levels for the promptness and accuracy of processing financial transactions. These SLAs are all well within legal disclosure limits and are regularly reviewed, and JLT provides quarterly reports of its performance against SLA's which are monitored at Trustee meetings.

The Trustee relationship with JLT is supported by the ITV Pensions Department who have quarterly meetings with JLT to review and monitor that the service standards agreed remain suitable and raise any issues if necessary. The service standards cover:

- Contributions being invested in the Plan
- Members transferring assets out of the Plan (members are not permitted to transfer in benefits to this Plan)
- The switching of member assets between the investment options within the Plan
- Member payments out of the Plan

Additional reporting has been developed by the ITV Pensions Department to ensure financial transactions are processed accurately and promptly through a review of JLT's systems and processes, this includes oversight of JLT's:

- AAF 01/06 internal controls reports
- Process for training its staff
- Plan specific manual
- Business continuity plan in place at applicable JLT sites
- Daily monitoring of bank accounts
- Contributions processed by the dedicated team sitting within the administration function
- Ensuring robust checking of all investment and banking transactions including the additional sign off required for larger transactions

The results of the latest AAF review show that none of the audit exceptions affected the Plan and the results were shared with the Trustee at its September 2018 meeting.

To support the accuracy of financial transactions, the Trustee reviews the Plan's common and conditional data on an annual basis to ensure that financial transactions can be processed promptly and accurately. The common data as at June 2018 scored 99% (2017, 98%) and the conditional data as at June 2018 scored 97.1% (2017, 92.5%). A monthly validation of active member data is undertaken between JLT, ITV Pensions Department and the Company.

ITV Pensions Department also provides some limited support in relation to the processing of financial transactions in relation to DC administration. The Trustee considers the performance of ITV Pensions Department to check that it is happy with the service being provided.

ITV Pensions Department, the Company and JLT undertake monthly monitoring of contribution payments calculated and paid to the administrator by ITV to ensure these are processed promptly and accurately.





## 4. Value for members

Costs of the provision of DC benefits under the Plan are split between members and the Company and Trustee. During the period to 30 September 2018, members met investment related charges only. All other costs incurred by the Plan, including costs of administration, legal costs, Plan governance and communications, are met by the Company and Trustee. This position has not changed following the implementation of the new investment strategy in October 2018.

At the Trustee's request, Willis Towers Watson undertook an assessment of the value of the services members pay for (the Plan's investment fund options) in comparison to the investment charges that members pay. In addition, the assessment considered the broader value provided to members of those services where members do not bear the cost.

The assessment process considered:

- The value of the charges members were paying in comparison to relevant market comparators and the quality of the investment options received for these charges.
- The broader value provided and the perceived and actual member need for the different services offered by the Plan in comparison to the performance of these services in terms of both quality and whether these meet members' needs.

The assessment considered the Plan's charges in comparison to schemes of a similar size and investment strategy as well as reviewing these charges against other relevant market comparators. The results of the assessment showed that the average charge for all of the Plan's investment options is broadly in line with schemes of a similar asset size and structure and below other relevant market comparators. The Trustee and its investment consultants also believe that members, for the charges they pay, are offered good quality lifecycle options as well as highly rated active and passive investment options.

The recent introduction by the Trustee of a suite of new lifestyle strategies that better target members' retirement needs increases the value provided to members. On the basis of this, together with the regular Trustee reviews of the performance of the Plan's investment funds in the context of their investment objectives, the Trustee has concluded that the investment charges represent good value for members.

In addition, the assessment of the broader services offered to members that they do not pay for through the Plan found that overall these provide good value to members. Below are some of the key areas where the Plan offers broader value:

- The Trustee regularly communicates with members in a wide range of formats, which are designed to be clear to understand and engaging.
- The Plan makes available a wide variety of tools and additional resources available, including the ITV Plan website. These are being reviewed and enhanced following the changes to the investment strategy shortly after this reporting period.
- The Trustee invests significant resource and time into the management of the Plan including regular trustee meetings and regular monitoring of its service providers.
- A dedicated team is provided by the Plan's administrator to ensure Plan members receive a good administration experience.
- ITV's in house pensions team are available to assist members with any queries they have.



## 5. Trustee knowledge and understanding ('TKU')

The Trustee has a TKU process in place, which enables the Trustee Directors, together with the advice available to them, to properly exercise their functions as the Trustee Directors of the Plan. All new Trustee Directors receive bespoke training from their advisers on all aspects of the Pension Regulator's trustee toolkit when they join – this includes an all-day training session provided by the Plan lawyers including topics such as the law relating to pensions and trusts.

During the period to 30 September 2018, the Trustee's approach to meeting the TKU requirements has included:

- Regular training incorporated into planned meetings to support Board agenda items. Training over the reporting period included investment strategy considerations, GDPR and a review of the key terms of The Plan's administration agreement with JLT.
- Training from advisers on topical items at each meeting.
- Applicable parts of the Plan Rules are highlighted at meetings - for example during the reporting period a detailed schedule of discretionary powers under the Rules was discussed and agreed by the Trustee.
- Recording all training and attendance at appropriate seminars via the Trustee training logs.
- The Trustee reviewed and agreed the Plan's current SIP during the reporting period.
- The Trustee received ad-hoc updates from its various advisers about matters relevant to the Plan.

The Trustee has maintained training logs covering training over the reporting period and developed a training plan for the next Plan year. The training plan considers the training requirements for the different Trustee Directors for the forthcoming reporting period. The Trustee Directors meet annually with the Chair to identify any knowledge gaps (and the Chair meets annually with on the other Trustee Directors to review his performance). Due to the appointment of two new Trustee Directors in May 2018 the Trustee will now undertake its first regular Trustee effectiveness assessment in the next Plan year.

Based on the above, each Trustee is conversant with:

- The Trust Deed and Rules of the Plan
- The Statement of Investment Principles
- Other documents recording policy relating to the administration of the plan and contracts with service providers

In addition, to the degree to which it is appropriate for the purposes of each Trustee Director to properly exercise his or her functions as a Trustee Director they have knowledge and understanding of:


- The law relating to pensions and trusts
- The principles relating to investment of the assets of pension schemes

Two of the five Trustee Directors are independent of the sponsoring employer and hold other board appointments.

The combined knowledge, understanding and experience of the Trustee Directors together with the advice available to them enables them to properly exercise their duties as Trustee Directors of the Plan. This is demonstrated by the ability of the Trustee to challenge the advice received from its advisers. This is



evidenced through the Trustee meeting minutes but specifically over the reporting period in relation to the investment strategy changes as the Trustee's adviser was asked to re-consider the impact of the proposed changes on some membership groups. This resulted in the de-risking phase of the lifecycle strategies being updated and developed further for these membership groups.

A handwritten signature in blue ink, appearing to read 'Chi Jones', with a large, stylized flourish underneath.

**Signed by the Chair on behalf of ITV DC Trustee Limited**

**18 April 2019**



## Attachment 1

### Illustrations of the effects of costs and charges

The below illustrations are based on three different example members (see details of these below).

The illustrations are based on the projected growth and charges for each of the three most popular investment options in terms of number of members invested (ie, the Hands off strategies). In addition, illustrations have been included for the fund with the lowest overall charges (UK shares (index tracker)) and the fund with the highest overall charges (UK shares).

We would note that when reviewing the below illustrations it is important to consider the assumptions used (see details below) and to bear in mind that there are other factors that impact what a member may receive on retirement. In addition, when considering what is a suitable investment choice, charges are only one aspect and other areas should be considered by members (such as potential for investment return and a member's own preferences and tolerances to various risks). It is important to highlight that lower charges do not necessarily equate to better value.

Example Member	Years	Hands off Steady		Hands off Phased		Hands off Blended	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member of the Plan	1	£2,800	£2,800	£2,800	£2,800	£2,800	£2,800
	3	£6,600	£6,600	£6,700	£6,600	£6,700	£6,600
	5	£10,800	£10,600	£10,900	£10,800	£10,900	£10,700
	10	£22,800	£21,900	£23,000	£22,800	£22,900	£22,400
	15	£37,300	£35,200	£37,700	£37,300	£37,700	£36,400
	20	£54,800	£50,700	£55,800	£54,800	£55,600	£53,000
	25	£76,000	£68,900	£77,700	£76,000	£77,400	£72,900
	30	£101,800	£90,200	£104,300	£100,800	£104,000	£96,600
	35	£132,900	£115,000	£136,200	£128,300	£136,500	£124,900
	45	£182,000	£153,500	£186,000	£169,000	£187,400	£167,700
Average member (based on age)	1	£56,400	£56,000	£56,400	£56,300	£56,400	£56,200
	3	£75,800	£74,500	£76,000	£75,400	£76,000	£75,200
	5	£96,800	£94,200	£97,100	£95,700	£97,200	£95,600
	10	£156,200	£148,700	£156,700	£150,900	£157,600	£152,900
	15	£215,500	£202,200	£216,100	£204,600	£217,800	£209,000
	19	£254,000	£237,100	£254,600	£239,600	£256,600	£244,700
Member approaching retirement	1	£75,400	£75,100	£75,400	£75,100	£75,500	£75,200
	3	£99,000	£98,000	£99,000	£98,000	£99,200	£98,300
	5	£122,000	£120,100	£122,000	£120,100	£122,100	£120,600
	6	£132,900	£130,800	£132,900	£130,800	£133,100	£131,300



Example Member	Years	UK shares		UK shares (index tracker)	
		Before charges	After charges	Before charges	After charges
Youngest member of the Plan	1	£2,800	£2,800	£2,800	£2,800
	3	£6,700	£6,600	£6,700	£6,600
	5	£11,100	£10,800	£10,900	£10,800
	10	£23,800	£22,800	£22,900	£22,800
	15	£39,900	£37,300	£37,700	£37,300
	20	£60,200	£54,800	£55,600	£54,800
	25	£85,800	£76,000	£77,400	£76,000
	30	£118,100	£101,800	£104,000	£101,800
	35	£158,700	£132,900	£136,400	£132,900
	40	£209,900	£170,600	£175,900	£170,600
Average member (based on age)	1	£56,800	£56,400	£56,400	£56,400
	3	£77,400	£75,800	£76,000	£75,800
	5	£99,900	£96,800	£97,200	£96,800
	10	£166,400	£156,700	£158,100	£156,700
	15	£250,100	£229,300	£232,300	£229,300
	19	£332,600	£298,300	£303,100	£298,300
	Member approaching retirement	1	£77,100	£76,500	£76,600
	3	£106,200	£104,100	£104,400	£104,100
	5	£138,100	£133,700	£134,400	£133,700
	6	£155,200	£149,500	£150,300	£149,500

## Notes and assumptions

The illustrations are calculated based on the following assumptions and limitations:

- 34 Projected pension account values are shown in today's terms.
- 34 For the purpose of the illustrations the contributions are based on an annual amount.
- 34 For the purpose of the illustrations it is assumed that investment returns, transaction costs and fund charges are applied annually at the end of the year.
- 34 Charges and costs are deducted before applying investment returns.
- 34 Inflation is assumed to be 2.5% each year.
- 34 For each example member contributions are assumed to be paid from their current age to the assumed target retirement age.
- 34 Values shown are estimates and are not guaranteed.
- 34 The real projected growth rates for each fund (set out below) are shown gross of fees and have had the above inflation assumption deducted:
  - Steady – from 0.52% to 3.90% (adjusted depending on term to retirement)
  - Phased – from 0.52% to 4.05% (adjusted depending on term to retirement)
  - Blended – from 0.52% to 4.03% (adjusted depending on term to retirement)
  - UK shares – 4.74%
  - UK shares (index tracker) – 4.03%
- 34 The above real projected growth rates are net of transaction costs.
- 34 Transactions costs and other charges have been provided by Zurich and covered the year to 30 September 2018.
- 34 Example members
  - Youngest: age 19, total annual contribution: £1,757, starting fund value: £945, normal retirement age: 64
  - Average: age 42, total annual contribution: £7,182, starting fund value: £10,306, normal retirement age: 61
  - Approaching retirement: age 55, total annual contribution: £10,306, starting fund value: £63,560, normal retirement age: 61



# Attachment 2

## STATEMENT OF INVESTMENT PRINCIPLES

### ITV DEFINED CONTRIBUTION PLAN

#### Introduction

- 1 This document describes the defined contribution ("DC") investment policy pursued by the Trustee of the ITV Defined Contribution Plan (the "Plan"). It has been updated following the Trustee's review of and amendments to its 'Hands off' lifecycle strategies, effective 1 October 2018.
- 2 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Plan is Defined Contribution in nature and was established on 17 January 2017. DC benefits accrued under the DC Section of the ITV Pension Scheme were transferred during Q1 2017 for current employees (active members of the Plan) and some deferred members who only had DC benefits under the ITV Pension Scheme.
- 3 The Plan is a registered pension plan under the Finance Act 2004.
- 4 The Plan is administered by JLT and the investment platform is provided by Zurich.
- 5 The purpose of this Statement is to document those investment principles, guidelines and procedures which are appropriate for the Plan, in a manner consistent with the requirements of the Pensions Act 1995 ("the Act") and the Pensions Act 2004 ("the 2004 Act").
- 6 The Plan's Trustee ("the Trustee") has received advice from its investment adviser (Willis Towers Watson) and the Company has been consulted regarding this Statement as required by the Act.
- 7 When choosing investments, the Trustee and the Investment Managers, to the extent delegated, are required to have regard to the criteria for investment set out in the Occupational Pension Scheme (Investment) Regulations 2005 and the principles contained in this Statement.
- 8 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the Plan competently.
- 9 This document has been drafted in the light of the DC Code of Practice and the DWP's minimum governance standards, and specifically the recommendations relating to the content of Statements of Investment Principles generally.

#### Compliance and review of this statement

- 10 The Trustee plans to monitor compliance with this Statement annually and following its planned reviews of the Trustee's investment strategy.
- 11 The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.



- 12 This review will occur no less frequently than every three years. Any such review will be based on written expert investment advice and the Principal Company will be consulted.

## Investment objectives

- 13 The Plan's main investment objectives are:
- To ensure the individual fund options are suitably invested and managed to maximise the return commensurate with an acceptable level of risk.
  - To provide members with a diversified a range of investment options (Hands off lifecycle strategies and Hands on funds) designed to give members the freedom to structure his/her own investment policy to suit his/her individual risk, return, liquidity and retirement planning preferences.

## Investment policy

- 14 The Trustee's policy is to seek to achieve its investment objectives through offering a suitable mixture of asset classes and funds. Pooled funds are made available across the main asset classes, reflecting the changing requirements of members as they progress towards retirement.
- 15 The Trustee makes available a range of Hands off lifestyle strategies. Each of these pre-packaged investment options comprises a growth phase and a consolidation phase where members' investments are progressively switched into lower risk investments as retirement approaches. The Hands off options provide members with choices in relation to both the level of investment risk taken during the growth phase and how the member plans to use their Plan savings at retirement. is the target outcome choices at retirement are focussed towards cash withdrawal, flexible access or a pension (annuity purchase).
- 16 The joining process for new members is designed so that members make an investment choice and no default investment option is needed. However, in introducing the new Hands off lifecycle strategies, the Trustee had to have in place a default mapping strategy for existing Hands off members who did not wish to make an investment decision.
- 17 Members are able to select their own investments from a range of pooled funds under the Hands on investment strategy, which is sometimes referred to as the self-select option.

## Risk management

- 18 The Trustee recognises a number of risks involved in the investment of assets of the Plan, including:
- **Capital risk** – the risk that the value of the investment will fall in value over any period of time. The trustee has made available a cash fund for the purpose of managing this risk.
  - **Inflation risk** – the risk that the contributions fail to provide an adequate amount of benefit. This could be by failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment. The Trustee has made available equity funds for the purpose of managing this risk.



- **Manager risk** – addressed through ongoing monitoring of the Managers as set out on page 5 of this document.
- **Mismatch risk** – the risk that members’ investment allocation in the years prior to retirement and/or once benefits are being accessed does not match their retirement objectives, exposing members to inefficient or uncertain outcomes.
- **Currency risk** – where members invest in funds with an exposure to overseas securities, there will be an element of currency risk as these securities are converted back into Sterling. The Trustee has made available to members a number of funds that invest in Sterling and overseas securities to provide choice to members. In addition, the Trustee’s passive global equity has a portion of its investments that are hedged back to Sterling.
- **Political risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- **Liquidity risk** – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustee has had regard to this in selecting appropriate funds.

19 The Trustee continues to monitor these risks on a regular basis in line with the ongoing monitoring outlined on page 4 of this document.

## Member investment options

20 Based on the Trustee’s investment objectives, the Trustee has selected a range of investment options available to members. Contributions are invested by JLT onto the Zurich platform.

21 The Trustee has selected a range of Hands off strategies (lifecycle) and Hands on (self-select) options to offer members a balanced range of investment options to allow them to match their investment choice against their own risk tolerance and the different ways in which they may take their benefits.

22 Details of the Hands off strategies and Hands on investment funds are contained in the investment Policy Document (dated May 2019). The Hands off strategies offer 3 different risk-rated growth phases (phased, focused and steady) and target a range of retirement outcomes:

- Flexible access (continued growth) – focusing on continued growth beyond normal retirement age (NRA)
- Flexible access (default) - drawdown
- Pension – annuity purchase
- One-off cash – immediate spend
- Multiple cash – spend over 5 years

23 The Flexible Access (phased) Hands off strategy is set as a default option for new members that would like the choice of funds made on their behalf, or for those that fail to select funds when requested to do so. This strategy was set as the default based on the membership analysis conducted as part of the investment strategy review completed in 2018.

24 The Hands on (self-select) investment options include funds which seek to meet the typical ethical and/or religious considerations of members, as communicated to the Trustee by members including through a survey on ethical considerations in 2017.





## Fee basis

- 25 Members bear the management charges on the funds in which they invest which cover the provision of investment services. These fees are charged by an adjustment to the unit prices within the funds, calculated daily on the value that day. The Trustee believes the charging structure is appropriate and in line with standard market practice. The Principal Company meets the administration and communication costs of the Plan.

## Expected risk and return

- 26 The investment options include the following assets and have the following risk and expected return characteristics:
- **Equities** – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.
  - **Diversified assets** – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities.
  - **Property and Infrastructure** – aims to provide good growth via diversified exposure to commercial property in the UK, global developed property shares and global listed infrastructure markets.
  - **Bonds** – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term. The value of some bonds is expected to move broadly in line with the price of annuities, providing some protection to the ‘purchasing power’ of a member’s account near to retirement when used to provide a pension income (annuity).
  - **Cash** – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.

## Monitoring and reviewing investments under the Plan

- 27 The Pensions Regulator expects Trustee Boards to regularly review their investment fund options and consider the demographics of the membership when doing so.
- 28 The Trustee reviewed the nature of the Plan’s Hands off investment strategy during 2018 and plans to review the Hands on strategy during 2019. In carrying out its reviews, the Trustee considers all relevant factors in determining whether this Statement and the associated risks remain appropriate.

## Monitoring investment performance

- 29 The funds the Trustee has made available to members are through the Zurich platform. The Trustee will receive regular performance monitoring data from its investment advisers on a quarterly basis.



## Investment manager monitoring

- 30 The continuing suitability of the Plan's investment managers will be reviewed by the Trustee at least annually. The review will be based on the results of the Trustee's regular monitoring of the Investment Managers' performance and investment processes and their compliance with the requirements of the Pensions Act concerning diversification and suitability of investments, where relevant.

## Other matters

### Social responsibility and corporate governance

- 31 The Trustee defines "Sustainable and Responsible Investment" as investing to meet present and future needs through management of long-term risks and opportunities, which involves considering all financially material factors, including environmental (including climate risk), social and governance (ESG) issues within a broader risk management framework. The Trustee takes account of members' investment time horizons and objectives when considering these factors to help the Plan and its agents (including the advisors and investment managers) make more informed investment decisions to produce better investment outcomes.
- 32 The Trustee considers sustainability to be an important and relevant issue and follows a policy of encouraging effective stewardship to influence this with fund managers across the investment strategy. The Trustee recognises the UK Stewardship Code as best practice and encourages its investment managers, via its investment adviser, to comply with the Code or explain where they do not adhere to this policy.
- 33 Where applicable in the overall fund range, consideration of all financially material factors, including ESG-related issues is delegated to the investment managers. The Trustee explores these issues with its advisers on a regular basis to understand the investment managers' sustainable investment processes and approach and how they exercise these duties in practice. The extent to which investment managers integrate and consider ESG factors, and their approach to stewardship (comprising voting and engagement) is a criteria used as an input for the selection of new asset managers.
- 34 The assets of the Plan are invested in pooled funds. As such, the day to day management of the Plan's assets are delegated to professional investment managers. Therefore, the exercise of the Plan's corporate governance powers, including its voting rights, concerning the companies in which it invests is delegated to and directly carried out by the investment managers.

### Realisation of investments

- 35 The Plan only has investment options that can be readily realised which allows members to access funds quickly and easily. The investments are daily dealt and this aims to provide benefits on retirement or transfer to another pension arrangement without delay. However, the Plan does allow Property as an investment option which has historic occurrences of when the funds were not readily realisable due to liquidity issues. The Trustee has considered this and is comfortable that the benefits of offering property outweigh the liquidity risks.

