



**The
Pensions
Regulator**

Making workplace pensions work

Supervisory review report to the Trustees

**The DHL Defined Contribution Section
June 2019**

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Overview



We are pleased to provide the Trustee with the results of the 2019 TPR supervisory review of The DHL Defined Contribution Scheme (“the Scheme”).

The purpose of the review was for TPR to gain an understanding of, and to provide comments to the Trustee on, how the scheme operates and the management and governance controls in place. The review provided the opportunity to understand how the Trustee ensures compliance with legislation; adherence to codes of practice; and the application of good industry practice. We acknowledge the cooperation of the Chair of Trustees and employer in completing this review, and thank them for their time and willingness to share details on the scheme.

It is important to note that this review was undertaken at a high level, and for the above purpose only, based on meetings with the Chair of Trustees, scheme secretary, representatives from the employer and third party advisers and suppliers. These meetings were supplemented by a review of scheme documentation and examples of member communications* as well as attending the February 2019 DC Committee Trustee board meeting. The review is not an in-depth evaluation of all facets of the scheme and is not intended to be used for any other purpose, relied upon by third parties, or replace audit requirements. Nor is it to be considered as regulatory assurance or an endorsement of the scheme by TPR.

*Details of meetings and documentation are located in Appendix 1 and 2

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Executive Summary



Overall we found that the Scheme was well run with the Chair and DC board demonstrating good control over all areas, with no concerns identified.

We observed a very close working relationship between the Trustee, DHL Pension Team and Employer with a focus on delivering good quality, efficient administrative services and good value for members. The member communications were of a high standard, particularly in providing clear and meaningful information, using 'plain English' with visual tools allowing members to see how their funds could work for them as they approach retirement.

The Trustee board is diverse, both in regards to skills, knowledge and understanding, from a mix of member and company nominated trustees. The induction of new trustees and ongoing training for the Trustee board is supported with third party advisers.

While attending the February board meeting it was observed that trustees and representatives of the employer, actively challenged their investment advisers on issues relating to performance and charges. The Chair steered the agenda swiftly, efficiently and ensured that the new trustee joining the board meeting for the first time was included in discussions and felt able to ask questions.

The following pages provide a high level summary of our findings across the 5 key areas in scope with our recommendations for improvement.

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Key Findings

Areas of Focus: Management and Governance



Assessment: Green

Codes of Practice 13 – Trustee Board and Scheme Management, and 7 – Trustee Knowledge and Understanding

Good governance involves having motivated, knowledgeable and skilled trustees in place. It's also about having the right structures and processes to enable effective, timely decisions and risk management, in line with clear scheme objectives. Trustees must remain current and up to date in their knowledge and understanding, reviewing at least annually and undertaking learning to fill any gaps identified.

Findings	Recommendations
<p>The Trustees work very closely with the employer and advisers to ensure that the Scheme has a strong governance framework in place that they actively monitor against.</p> <p>The succession planning for the Chair is exceptionally well planned for, almost two years in advance, ensuring that the necessary arrangements would be in place to provide a smooth transition.</p> <p>The training log illustrates a commitment to ongoing learning with Trustees keeping up to date with new or updated requirements predominantly through attending the quarterly meetings and receiving presentations from their advisers.</p> <p>The training log provided however did not indicate what training is envisaged for 2019 and how evaluations are undertaken to identify any gaps.</p>	<p>We recommend that a regular review is undertaken to assess any training gaps for the trustees, which is then reflected in a training plan for 2019/2020, especially given the recent addition of a new Trustee to the board.</p> <p>Ensure that training logs are updated with any training completed in the last 12 months, if not already in place at the time of this report.</p>

Key Findings

Areas of Focus: Systems and Processes



Assessment: Green

Codes of Practice 13 – Administration and 9 – Internal Controls

Trustee boards should consider administration as a substantive item at every meeting, with ongoing oversight of third party providers a priority. Processes for monitoring timeliness and accuracy of financial transactions, record keeping, administrative tasks and responses to member requests should be in place, with regular MI report received on performance of providers against agreed SLAs.

Findings	Recommendations
<p>Detailed MI reporting on administration is provided to the Trustee board quarterly for their review. The administration of the Scheme is provided in house by DHL. The team were observed to be knowledgeable and experienced, carrying out robust processes, with internal checks in place ranging from spot checks to daily assurance checks on quality/reconciliations.</p> <p>Data scores were exceptionally high for both Common and Conditional, with levels recorded as circa 100% with internal and external audit supporting the accuracy of the score. The Hub provides MI on an exception basis that is clear and assists in resolving issues reported quickly, whilst maintaining a good audit record.</p> <p>It was noted that the due diligence checks undertaken for transfer out quotations required clarification in respect of the escalation process both internally and when to report externally to other regulators.. This also included understanding the need to check the relevant FCA permissions for registered individuals.</p>	<p>We recommend that the Scheme continues the good work on focussing on member data quality.</p> <p>We recommend that the transfer out due diligence process is updated and monitored to ensure that the Trustees are fully informed of any concerns that develop in respect of transfers.</p> <p>We also recommend that any concerns are appropriately reported to regulators.</p>

Key Findings

Areas of Focus: IT/Infrastructure

Assessment: Green

Codes of Practice 13 – Administration and 9 – Internal Controls

Trustees must be confident that the IT systems and supporting infrastructure meet the requirements of the scheme and that measures are in place to protect the system and the data it holds. Trustees should look not only to present needs but also to ensuring sustainability for the future, and business continuity in the event of a systems issue or data breach.

Findings	Recommendations
<p>The existing IT systems and infrastructure supporting the Scheme meet the requirements with data backed up offsite and disaster recovery plans in place. It was noted that arrangements for the Bedford site require additional and up to date staff contact details to enable the BCP to work effectively.</p> <p>It is understood that DHL are exploring the use of a messaging system that will relay messages electronically to staff for BCP purposes.</p> <p>Cyber security has been identified as one of the top risks in the risk register and is taken seriously by the employer and the Trustee board.</p>	<p>We recommend that the BCP is reviewed annually, with prudent scenario testing undertaken.</p> <p>We recommend that cyber security continues to be a priority item in the risk register and the Trustee.</p>

Key Findings

Areas of Focus: Control Functions

Assessment: Green

Codes of Practice 13 – Administration and 9 – Internal Controls

Adequate internal controls are a key characteristic of a well run scheme with an effective system of governance, and a key component of the trustee’s role in managing risk, ensuring the safe custody of scheme assets, and securing member benefits. Trustees should review risks regularly as well as implementing internal and independent external audits of systems and processes.

Findings	Recommendations
<p>There is a robust risk register in place that covers a large range of potential risks which is regularly reviewed by the Audit & Risk Management Committee and by the DC Trustee board.</p> <p>The risk register provides clear concise mitigation plans and in most instances, there are three lines of defence for each of the risks identified on the register.</p> <p>We note that the risk register helpfully records a unique number for each risk, although the reports contained in the board pack from advisers and DHL pension team could be made clearer as to which risk the information and/or recommendations being provided relates.</p>	<p>We recommend that the Trustee continues to focus on ensuring that current risks are monitored and new risks identified added.</p> <p>We recommend that reports covering risk are cross referenced to the main Risk Register for ease of identification. This would allow the relevant comments, recommendations and/or actions agreed which impact the risk scoring to be updated efficiently.</p>

Key Findings

Areas of Focus: Member Outcomes

Assessment: Green

Code of Practice 13 – Investment Governance and Value for Members

Taking steps to make sure that the right investment governance arrangements are in place, involving the right advisers, and that the investment strategies agreed on provide the best chance for members to receive a good outcome is fundamental to being a trustee. Scheme charges and transaction costs should also be assessed regularly ensuring they provide good value in relation to benefits and services.

Findings	Recommendations
<p>The Trustees demonstrated good governance in relation to investment strategies and negotiating exceptionally good fees/charges, which is reflected in members being charged well below the legislative cap of 0.75%.</p> <p>It was observed that the Trustees robustly challenge their advisers when they are present at meetings to ensure that the Scheme receives the best possible service. This allows the Trustees to demonstrate to the advisers that they have a good understanding of the matters put before them. This was particularly noticeable during the discussion in respect of the recommendations for benchmarking marking the investment funds performance on ESG.</p>	<p>We recommend that the Scheme continues to drive the levels of performance and the value for money for members from their providers and advisers.</p>

Key Findings

Areas of Focus: Member Outcomes

Assessment: Green

Code of Practice 13 – Communicating and Reporting

Good member communications that are accurate, clear, relevant and timely are vital in allowing members to engage with the scheme and make appropriate decisions at key points in their life. Members must also be provided with a process for escalating a complaint regarding the scheme to the Trustees.

Findings	Recommendations
<p>Member communications are of a high quality standard and this is reflected in the feedback from the membership survey in 2018 reported in February’s 2019 Trustee meeting. Membership engagement had increased to 55%, up from 33% in 2017.</p> <p>The Trustees work very closely with their advisers on communications, which is clearly reflected in the various mediums of communication provided to the members both electronically and hard copy – clear, concise, informative and educational, helping to raise the standard of knowledge across the membership.</p> <p>Trustees are constantly looking to improve the way they communicate and reach out to their entire membership and are working with advisers to introduce a Smart Phone App to provide further accessibility for members to help them engage and plan for their retirement.</p>	<p>We recommend that the Trustees continue to conduct regular reviews of member communication materials to evaluate their effectiveness.</p>

Next steps –

- Scheme Manager and Pension Board to formulate an action plan to address any recommendations and implement within 3 – 6 months (copy to be provided to TPR):
 - Training Plan & Logs for 2019/2020 – page 5
 - Transfer Out Process – page 6
 - Business Continuity Plan – page 7
 - Risk Register – page 8
- TPR to schedule a meeting to review completed actions in 6 months time
- Next supervisory review will be in 2020 and will concentrate on any new items, or any changes to regulations, or to the scheme since the last review



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Appendices

Appendix 1: Meetings held

Initial & Review meeting with the employer and scheme – 27/11/2018

- Peter Flanagan – Vice President of Pensions UK & Ireland
- Laura Avietian – for the II Team
- Lisa Winchester – for the Accounts Team
- Charles Bennett – Pensions Manager Administration
- Maureen Rattigan – Pensions Secretary
- Bob Sheratt – Pensions Manager - Secretariat
- Lee Spithray – Head of Trustee Services

Trustee Board Meeting – 21/2/2019

- Samantha Pitt – Chair/Trustee Director (Law Debenture)
- Sonja Sharpe – Trustee Director
- Andrew Daunt – Trustee Director
- Sarah Maddox – Trustee Director
- Peter Flanagan – Vice President of Pensions UK & Ireland
- Plus advisers from Willis Tower Watson and DHL Pensions.

Review Meeting – 14/3/2019

- Samantha Pitt – Chair/Trustee Director (Law Debenture)
- Peter Flanagan – Vice President of Pensions UK & Ireland
- Maureen Rattigan – Pensions Secretary

Appendix 2: Materials reviewed

- Conflicts Register and Declaration of Interests
- DCC Financial Report 1.6.2018 – 30.9.2018
- Papers relating to Stage 2 Dispute Case no. 1049347
- Hargreaves Lansdown presentation on Retirement Services
- DCC Monitoring and Review Plan
- DCC risk and Assurance ratings
- Minutes of meeting of DHL DC Committee 21.8.2018
- WTW Presentation on Retire Right
- WTW report on Fund Watch Investment
- WTW Report on Lifestyle Strategies
- DHL DC Statement of Investment Principles
- WTW Presentation on Hot Topics
- Legacy AVC Provider Updates
- DCC Legacy Money Purchase AVC Consolidation Update
- Quarterly HUB Financial Solutions Report
- HUB Presentation on At Retirement Services
- DHL Group Retirement Plan, Making Connections Newsletter - Active Members Newsletter
- Copy of IDR Register - ongoing
- Copy of IDR Register settled
- Procedure for DC Retirement Quotation
- Final Risk Register April 2018 with individual risks
- Draft minutes of DC meeting 13 .11.2018
- eShare screen prints
- KPMG 2018 Audit Management Report
- Risk Register Guide for Committees
- ARMC – terms of reference
- Details of Committee members
- Conflicts of Interest – December 2018
- Example of Signatory List for LGIM
- POC terms of reference
- Trustee Training Log

Appendix 2: Materials reviewed (continued)

- Example of a DC MPA deferred member quote
- DHL Trustees IDRPs July 2018
- Example member announcement ref AVC Phoenix Life WP Consolidation letter
- Pension Scams members detailed booklet (see p.7)
- Sample Pre Retirement Report
- SIP November 2018
- Summary of charges August 2018
- LGIM Policy MF35507 November 2017 Data Reconciliation and Validation Report
- Report on Common and Conditional Data
- WTW commenting on LGIM Funds
- Copy of advisers agreements/contracts
- Disaster Recovery/Business Continuity Plan
- Details of the penetration testing

Appendix 3: Chair statement review



- TPR has reviewed the chair's statement for the scheme year ending 5 April 2018
- In TPR's opinion, this statement complies with the Occupational Pension Schemes (Scheme Administration) Regulations 1996