



Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report and financial statements

Year ended 31 December 2016

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report to members for the year ended 31 December 2016

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Welcome from the trustee chairman



Welcome to the 2016 annual report and financial statements. 2016 has been another busy year for the trustee directors with the implementation of the pension scheme changes as well as all the regular trustee business.

Valuation

We undertake a full scheme valuation every three years and in the intervening years we obtain an annual funding update. The last full valuation was as at 31 December 2014 and the annual update at 31 December 2016 showed that the funding position has deteriorated since then and the previous update as at 31 December 2015 (full details are included on [page 14](#)). The main reason for this change is due to changes in financial assumptions. In particular, a fall in gilt yields has placed a higher value on the scheme's liabilities although this was offset in part by investment returns being higher than expected.

The next full scheme valuation is due at 31 December 2017 and we hope to be able to report the results in late 2018.

Pension changes

On 1 January 2016, EPensionBuilder closed to future accrual and all current members joined ECashBuilder for future pensionable service. During the year, a new programme of member support delivered by the ZPen Regional Pensions Support team has been rolled out with sessions designed to help members understand their benefits.

Pension flexibilities

You are probably aware that in April 2015 the law changed the way in which people can access their pension savings from defined contribution arrangements like ECashBuilder. In early 2016, three new lifestyle fund choices were introduced which align more closely with the new flexibilities. Find out more about the options available to our members on [page 9](#).

Investment strategy

During 2015, the trustee board developed its risk reduction strategy using a technique known as Liability Driven Investment, or LDI. This means that we invest in financial instruments which protect part of the fund against the impact of movements in both inflation and interest rates.

At the end of 2016, we initiated a review of the EPensionBuilder investment strategy with Zurich's

Investment Management team and our investment advisers, Barnett Waddingham. We are aiming to further improve the balance between reducing risk and maintaining growth whilst being mindful of the need to find assets that match the cash flows of our liabilities (i.e. the pensions that we will pay out in the future).

You can read more about our investment strategy by turning to [page 15](#).

Trustee board effectiveness

During the year, we have continued our focus on ensuring we meet the Pensions Regulator's expectations on how a well-run scheme should be managed. As part of this, we carried out our second formal board effectiveness review (the first being in 2013). The 2016 review concluded that the trustee board is continuing to work effectively and in line with good practice.

The trustee directors set aside at least one day a year for training and development. This year our "away day" focussed on Liability Driven Investment and our fiduciary responsibilities. We also took part in a session to consider our business continuity procedures.

Trustee advisers

The trustee directors have a number of advisers to support them. We regularly review these advisers' appointments as part of our governance framework. During the year we carried out a review of the scheme lawyer. After considering a number of tenders and receiving presentations from three shortlisted firms, we appointed TLT Solicitors.

Trustee changes

Jeff Brinley stepped down from the Trustee board in August 2016 following his appointment as Head of Endsleigh. I would like to thank Jeff for his contribution over a number of years. In October 2016 the Company appointed Jacquie Ward to fill the vacancy left by Jeff. Jacquie is the Head of Compliance and Risk at Endsleigh.

I hope you enjoy reading this year's report and find it engaging and informative. As always, we welcome feedback, so if you have any comments or questions on the annual report, please get in touch using the contact details on [page 34](#).

With very best wishes,



Clive Gilchrist
Trustee Chairman

Trustee's report

How the scheme is managed

Trustee board

This pension scheme is set up under trust, which ensures a high level of security for members' benefits by legally separating the pension scheme's assets from those of Endsleigh Insurance Services Limited. Endsleigh Insurance Services Limited is the sponsoring company and when we refer in this report to the company, we mean the sponsoring company and the participating employers as listed on [page 8](#). Endsleigh is also part of the Zurich group and we sometimes refer to the Zurich group in this report.

The trustee company, Endsleigh Pension Trustee Ltd, is responsible for managing the trust. Each trustee company director (usually referred to as a "trustee director") has a legal duty to run the scheme in accordance with the governing trust deed and rules for the benefit of members and their dependants.

At least one third of the total trustee directors must be nominated by the members. The remaining trustee directors are nominated by the company. The trustee board can operate with vacancies, which does happen from time to time when people leave. The trustee board follows Zurich group and industry best practice, but operates quite independently. Importantly, one of the trustee directors is completely independent of Endsleigh's day to day business.

Terms of office

Provided they remain eligible, member nominated trustee directors are appointed for a three year term (unless they choose to resign before this). At the end of the three years, they can choose to stand for selection again.

Trustee directors nominated by Endsleigh do not have fixed terms of office and continue as trustee directors until they resign or the company removes them.

Any trustee director will stop being a trustee director immediately if they are prohibited by law from acting as a trustee or a director.

Selecting member and pensioner trustee directors

Every three years, current employee members and pensioners are asked to make nominations for the two member nominated trustee director positions.

The selection process for member nominated trustee directors includes a specifically designed assessment centre and competency based interview. A selection panel consisting of two trustee directors plus Zurich's Head of UK Pensions and Benefits (or a nominated representative) will select up to two nominees who have the necessary skills and aptitude to be trustee directors.

This selection process was run in 2015 and Pete Bishop and Rory Grant were reappointed by the sponsoring company for a further three year term.

Changes to the trustee board

On 3 August 2016, Jeff Brinley resigned from the trustee board following his appointment as Head of Endsleigh. This left a vacancy on the trustee board for a company nominated trustee director, which was filled on 20 October 2016 by Jacquie Ward, Head of Compliance and Risk.

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Trustee directors



Clive Gilchrist (Chair)

Deputy chairman of
BESTrustees
(independent trustee
company)



Pete Bishop

Senior Analyst Programmer,
Endsleigh



Jeff Brinley

Head of Endsleigh
Endsleigh

Resigned 3 August 2016



Lucy Brooks

Head of People &
Development
Endsleigh



Elaine Etheridge

Operations Manager
Endsleigh



Rory Grant




Portfolio Analyst
Endsleigh



Jacquie Ward

Head of Compliance & Risk
Zurich Personal Lines and
Endsleigh

Appointed 20 October 2016

-  Company nominated
-  Independent trustee director
-  Member nominated

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Trustee advisers

The trustee board is required to appoint advisers and managers to act on its behalf. In certain circumstances it cannot take decisions without first considering written advice from its advisers. The appointed advisers and their firms are shown below. The trustee directors review these on a regular basis.

Scheme actuary

Susanna Morran, FIA, Barnett Waddingham LLP

**Barnett
Waddingham**

Scheme administrator

EPensionBuilder: ZPen team, Zurich



Investment managers

Zurich Assurance Limited



Legal & General Assurance (Pensions Management) Limited



Insight LDI Solutions Plus plc



EPensionBuilder: Zurich Corporate Savings



Solicitors

Gowling WLG International Limited
(until 27/07/2016)



TLT Solicitors
(from 28/07/2016)



Independent auditors/Covenant advisers

PricewaterhouseCoopers LLP



Investment adviser

Barnett Waddingham LLP

**Barnett
Waddingham**

Bankers

NatWest



Insurance company

Zurich Assurance Ltd



Scheme secretary

Claire Calo, Zurich, ZPen team

Trustee company secretary

Endsleigh Corporate Secretary Limited

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Address for general information and individual benefit enquiries

EPensionBuilder (and scheme secretary)

The ZPen team
UK Pensions and Benefits
Zurich Insurance Group
The Grange
Bishops Cleeve
Cheltenham
GL52 8XX

Email: epenhelp@uk.zurich.com

ECashBuilder

Zurich Corporate Savings
The Grange
Bishops Cleeve
Cheltenham
Gloucestershire
GL52 8XX

Website: www.zurich.co.uk/save/ecashbuilder2016

Email: supportcentredc@uk.zurich.com

Trustee's responsibilities

The trustee board has a responsibility for managing the scheme through appropriate internal controls to:

- safeguard the scheme's assets, and
- ensure that adequate accounting records are kept, and
- prevent and detect fraud and other irregularities.

The trustee must make information about the scheme available to members in an annual report.

Trustee's report and financial statements

The trustee has a responsibility to obtain audited financial statements for the scheme for each scheme year and make these available to scheme members, beneficiaries and certain other parties. These financial statements must:

- show a "true and fair view" in law¹ of the scheme's financial transactions during the scheme year, and
- show the amount of scheme assets at the end of the scheme year, and how these are invested, and
- show details of the scheme's debts at the end of the scheme year - other than the

¹ United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

money needed to pay pensions and benefits in the future, and

- contain the information specified in law² relating to the preparation of financial statements for occupational pension schemes, and
- include a statement on whether the financial statements have been prepared in accordance with the relevant accounting practice³.

The trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

Pension scheme contributions

The trustee board has a legal duty to ensure that a schedule of contributions is prepared, maintained and, from time to time, revised.

This schedule must show:

- the rates of contributions (other than voluntary contributions) payable to the scheme by or on behalf of the employers and the active members, and
- the payment dates for these contributions.

The trustee board must also:

- keep records of contributions received from active members, and
- monitor whether employers are making contributions to the scheme in accordance with the schedule of contributions.

If contributions are not made correctly, the trustee board is required by law⁴ to consider making reports to the Pensions Regulator and to members.

Conflicts of interest and duty

The trustee board has a formal policy and procedure on managing conflicts of interest and duty which complies with Companies Act 2006 requirements.

All trustee directors must declare any "interests" – that is directorships or other situations where they have (or could potentially have) an interest that conflicts with the interests of the trustee company. For example, a trustee director might also be a director of an Endsleigh Group company or might be a member of the scheme. These interests must then be formally authorised by the trustee board or the Endsleigh Insurance Services Limited board (where

² Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996

³ Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised May 2014)

⁴ Pensions Acts 1995 and 2004

there is not a quorum of non-conflicted trustee directors) to enable the directors to continue to participate in discussions and decision making. All authorised interests are maintained in a formal register which is reviewed annually.

Managing conflicts

The trustee board must still manage conflicts even where the particular situation has been authorised. If a trustee director is conflicted on a particular matter they will usually not take part in any decision on that matter. Where there is acute conflict, the trustee director or adviser may withdraw from any discussions relating to the matter.

The policy also describes the trustee board's obligations on how to handle confidential information acquired in their trustee director role and in other roles.

Trustee knowledge and understanding

By law⁵, the trustee directors must have enough knowledge and understanding to be able to carry out their function as trustee. This requirement is reinforced by the Pensions Regulator, who has set out his expectations for trustee knowledge and understanding (TKU) in a Code of Practice.

The Endsleigh trustee board has a formal policy on TKU, and this is reviewed to ensure continued compliance with the Regulator's requirements. New trustee directors must complete the Regulator's training course, the "trustee toolkit", within six months of appointment.

All trustee directors have formal annual assessments which review TKU and set development objectives. These objectives are met through tailored training programmes which use a variety of training tools, including interactive workshop sessions, seminars and individual study. Use is made of in house expertise and the trustee's own advisers as well as external training programmes and seminars. The scheme's professional advisers send the trustee directors relevant legislative updates and they are offered practical support.

At least once a year the trustee directors set aside a day for team development, using a workshop format facilitated by the scheme management team and external expertise. This year the trustee directors' training "away day" focussed on Liability Driven Investment and fiduciary responsibilities. The trustee directors also took part in a session which considered business continuity procedures.

The trustee directors are encouraged to study for formal qualifications and Pete Bishop and Clive

Gilchrist have both passed the Pension Management Institute's certificate for Pension Trusteeship. In addition, all trustee directors have completed the core modules of the Pensions Regulator's trustee toolkit.

How the scheme is structured

A brief history of the scheme

The pension scheme was originally established in the 1970s to provide pension benefits to Endsleigh employees.

The original trust deed was dated 30 December 1970. That deed was amended on a number of occasions (mainly to take account of changes in legislation) and consolidated into a new deed with an effective date of 30 March 2006.

In 2001, the scheme was closed to new members and Endsleigh introduced a Stakeholder Scheme. Endsleigh ceased contributions to the Stakeholder Scheme on 31 May 2011 and on 1 June 2011 introduced a defined contribution section within the original scheme. This section was called ECashBuilder and the final salary section was re-branded as EPensionBuilder.

EPensionBuilder provides what are known as 'final salary' benefits; that is, the final emerging pension is calculated by reference to service and pensionable salary close to taking the benefits. With effect from 31 December 2015 EPensionBuilder was closed to future accrual, with all active members transferring to ECashBuilder for future benefits on 1 January 2016.

ECashBuilder provides 'defined contribution' benefits where the final benefits depend on how much has been paid in, what the investment returns have been and the way in which the member decides to take their benefits. See section on flexibilities [page 9](#).

The trustee company

The trustee company has 1 share held by Endsleigh Insurance Services Limited.

The sponsoring company

The company responsible for the scheme is Endsleigh Insurance Services Limited. The following companies also have employees who are eligible to participate in the scheme:

- Endsleigh Financial Services Limited
- Endsleigh Insurances (Brokers) Limited
- Endsleigh Insurance Services Limited
- Endsleigh Limited
- PLE Employment Services Limited (*ECashBuilder only*)
- TCS Loss Adjusters Limited (formerly John Davies Chartered Loss Adjusters Limited)

⁵ Pensions Act 2004

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- Woodstock Insurances Brokers Limited
(ECashBuilder only)

Overview of the scheme year

Trustee meetings

The trustee directors normally meet as a full board at least four times a year. The trustee directors will usually act by consensus, although they do each have one vote, should the need arise. The chairman does not have a casting vote.

This year there were five full board meetings, including a planning meeting, plus a trustee training day in May. The attendance of the trustee directors is noted below.

Trustee director	Number of meetings attended
Clive Gilchrist	6/6
Pete Bishop	6/6
Jeff Brinley	4/4
Lucy Brooks	6/6
Elaine Etheridge	6/6
Rory Grant	6/6
Jacquie Ward	1/1

Changes made during the scheme year

On 31 December 2015, EPensionBuilder closed to future accrual and all active EPensionBuilder members joined ECashBuilder for pensionable service from 1 January 2016. Benefits earned in EPensionBuilder up to 31 December 2015 will continue to be linked to final pensionable salary until members leave, take their pension or opt for employed deferred status, whichever is sooner.

From 1 January 2016 to 31 March 2016, employees who moved from EPensionBuilder to ECashBuilder received enhanced ECashBuilder contribution rates from the company. From 1 April 2016, the transitional arrangements ended and the ECashBuilder company contribution was harmonised at 12% of pensionable salary for all members.

The new employed deferred membership category allows former EPensionBuilder members to elect to break the final salary link on their benefits built up in EPensionBuilder and instead opt for deferred revaluation to apply to their benefits, whilst maintaining a certain level of death benefits which are consistent with other arrangements in the Zurich Group.

In addition to the changes to the pension arrangements, members also have an option to switch to new style death in service benefits that were introduced for new employees from 1 January 2016.

Pension flexibilities

In April 2015, the law changed the way in which people can access their pension savings from defined contribution arrangements like ECashBuilder. This means that many people will be able to take cash from their pension how and when they like, without having to purchase a fixed income for life (annuity).

The trustee directors have considered how the ECashBuilder investment choices needed to change to reflect the new options and made the appropriate amendments to the funds available. Further detail is provided on page 19.

Early retirement

ECashBuilder members are able to take pension benefits from age 55 so, to bring EPensionBuilder benefits in to line, the Trustee and Company agreed to allow members with EPensionBuilder benefits to take them from age 55 from 1 October 2016.

Factor review

When a member takes their EPensionBuilder benefits before the scheme's normal retirement age (65), the pension benefits that have been built up in the scheme will be reduced to account for early payment. Similarly, when a member takes their EPensionBuilder benefits after the scheme's normal retirement age, late retirement factors are applied to uplift the pension to account for late payment. Following the conclusion of the 31 December 2014 valuation, the early and late retirement factors were reviewed and updated. In addition, the basis used to calculate the transfer value of members' benefits has also been reviewed and updated.

ECashBuilder website

In August 2016, Zurich Corporate Savings migrated all of the ECashBuilder administration onto a new operating platform with a new member website. The new website contains a number of tools that should make it easier for members to manage their ECashBuilder fund. Members can access the website at the web address shown on page 7.

Preparation and audit of financial statements

The financial statements for the year are set out on pages 38 to 48 and scheme membership details are detailed on [page 11](#).

The trustee directors confirm that the financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

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Employer related investment

There were no employer related investments (as defined by the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005) in Zurich Group companies at any time during the year or at year end.

Transfer Values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

Pension Increases - EPensionBuilder

Pensions in payment

The Trust Deed and Rules makes provision for pensions in payment to be increased annually on the anniversary of retirement. The following table sets out how pensions in payment are increased for different periods of service.

Category	Pensionable service	Rate in 2016
Pensions payable for leavers before 6 April 1997	All pensionable service	3%
Pensions payable for leavers after 6 April 1997	Pensionable service up to 31 December 2003	3%
	Pensionable service between 1 January 2004 and 5 April 2006	0.8%
	Pensionable service from 6 April 2006	0.8%

None of the increases were discretionary. There is more information about how pension increases are calculated in the members' guide. For pensioners with pensionable service before 6 April 1997, and who were over Guaranteed Minimum Pension (GMP) payment age before 6 April 2016, the state rather than the scheme may increase part of their pension. However, for members achieving GMP payment age after 6 April 2016 the state no longer provides these increases.

Preserved pensions

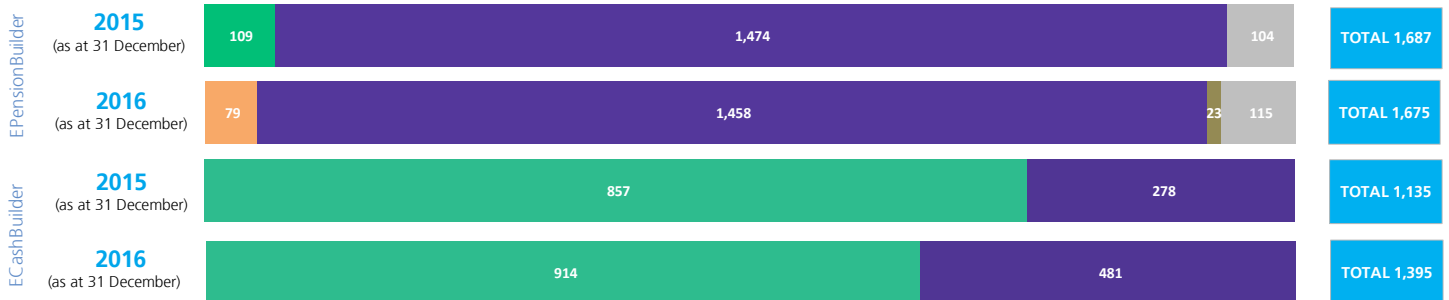
The Trust Deed and Rules also make provision for preserved pensions to be increased annually, between members leaving and retirement. The following table shows the rates of increase applicable.

Pensionable service	Rate
Pensionable service up to 31 December 2003	Fixed 5%
Pensionable service from 01 January 2004	RPI subject to a maximum of 5%
Guaranteed minimum pension (GMP)	Fixed rate dependant on date of leaving

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Membership details

The change in membership of the scheme during the year is given below. Please note that due to the movement of members to ECashBuilder from EPensionBuilder, employed deferred members and final salary link members are also included in the active ECashBuilder section.



● Active
 ● Final salary link *
 ● Employed deferred **
 ● Preserved
 ● Pensioners

		Active			Members with Final Salary Link	Members with Preserved Benefits			Employed Deferred	Pensioners	
		Total	EPB	ECB	EPB	Total	EPB	ECB	EPB	Total	EPB
Balance at start of year	2,822	966	109	857	-	1,752	1,474	278	-	104	104
Retrospective adjustments ***	21	-	21	-	1	1	-	-	-	-	-
New Joiners	269	-	269	-	-	-	-	-	-	-	-
Reinstated to active	5	-	5	-	(5)	-	(5)	-	-	-	-
Leavers with preserved benefits	(234)	-	(234)	(5)	239	5	234	-	-	-	-
Leavers with short service refunds	(2)	-	(2)	-	(12)	-	(12)	-	-	-	-
Leavers transferred out	(1)	-	(1)	-	(23)	(8)	(14)	(1)	-	-	-
Deaths	-	-	-	-	-	-	-	-	-	-	-
Retirements	-	-	-	(1)	(14)	(14)	-	-	15	15	-
Status change to employed deferred	-	-	-	(24)	24	-	-	24	-	-	-
Reclassification of Final Salary Link Members	(109)	(109)	-	109	-	-	-	-	-	-	-
Trivial commutation	(1)	-	(1)	-	-	-	-	-	(5)	(5)	-
Deaths	-	-	-	-	-	-	-	-	(2)	(2)	-
New dependant pensioners	-	-	-	-	-	-	-	-	3	3	-
Balance at end of year	3,070	914	-	914	79	1,962	1,458	481	23	115	115
Pensions secured by annuity policies with Legal & General										33	33
Revised year end balance	3,103	914	-	914	79	1,962	1,458	481	23	148	148

* Final salary link members' benefits are based on Final Pensionable Earnings at the point of crystallisation

** Employed deferred members benefits are being revalued in accordance with the rules for deferred members

*** Relates to timing differences between Payroll and membership stats

Scheme funding

Actuarial Liabilities – EPensionBuilder

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. Technical provisions are the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to scheme members on request.

Funding policy

The trustee directors are responsible for making sure there is enough money in EPensionBuilder to pay the benefits as they fall due. So, the trustee directors need to:

- have an estimate of how much the benefits are going to cost (the pension scheme 'liabilities'), and
- have an investment strategy which ensures that the pension scheme is in good shape to meet the benefit costs as they arise.

The trustee directors and the company have agreed a funding policy for EPensionBuilder and this is summarised in a Statement of Funding Principles. The scheme actuary prepares this statement after the trustee directors and the company have examined all the relevant factors, such as:

- the return on investments (including an estimate of what these will be in the future),
- how the liabilities are likely to be affected by pay rises, pension increases and how long pensioners are expected to live after retirement.

The ongoing funding of EPensionBuilder is closely monitored by the trustee directors.

Actuarial valuation

At least once every three years the trustee directors ask the scheme actuary to carry out a valuation to assess the financial position of EPensionBuilder. This is to determine the current financial position of EPensionBuilder based on all benefits earned

Previously, it would also have been necessary to establish the cost of providing benefits built up in the future but since the scheme closed to future accrual on 31 December 2015, this is no longer required.

There are several steps in the valuation process:

Step 1: determining the value of benefits earned to date ("technical provisions")

The actuary calculates the value at the valuation date of all benefits earned so far for all EPensionBuilder members, including those who have preserved benefits⁶ and those who have actually retired.

In making her calculations, the actuary makes assumptions about things like return on investments, inflation in the future and how long members are expected to live. These assumptions are agreed by the trustee directors and the company having taken advice from the actuary.

These calculations produce the scheme's "technical provisions" and the actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Step 2: determining the funding level

The actuary compares the technical provisions with the value of the EPensionBuilder fund. If the fund is worth more than the value of the benefits earned so far, EPensionBuilder is said to be in "surplus". If the reverse applies, it is said to be in "deficit". This is sometimes called the 'funding level'.

The method of calculation of a "surplus" or "deficit" does not necessarily mean that there is too much cash (or a cash shortfall) in the fund. The valuation is essentially a "snapshot" in time taking account of the various factors described above. The true position depends on whether the assumptions made are borne out in practice.

Step 3: agreeing a recovery plan

If there is a shortfall against the technical provisions, the trustee and the company agree a level of contributions needed to make good this deficit. This is called a "recovery plan".

Significant actuarial assumptions

Inflation and pension increases

By comparing the cost of investing in inflation linked Government bonds with fixed rate Government bonds, it is possible to arrive at a figure for the average market view of future Retail Price Index (RPI) inflation. The choice of RPI assumption of 3.2% pa is based on Government bonds (with a duration of 25 years) plus an inflation risk premium of 0.2% pa.

The trustee then derives an assumption for Consumer Price Index (CPI) inflation by using a

⁶ Members have preserved benefits if they have left Endsleigh but have not yet reached retirement age.

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gap of 0.8% pa between RPI and CPI, resulting in a CPI inflation assumption of 2.4% pa.

For pension increases, a statistical model of movements in inflation is used along with the assumed long term RPI inflation rate, allowing for caps and floors according to the provisions in the scheme's rules.

Discount rate

The discount rate is determined by taking into account the long-term strategic asset allocation, the liability profile of the Scheme, and the perceived strength of the employer covenant.

The return on Government bonds is taken as the yield available at the valuation date on the Bank of England nominal gilt spot curve. Using a term of 25 years results in an assumed return on gilts of 2.6% pa.

As a proportion of the Scheme's funds are invested in assets such as equities and corporate bonds which would be expected to outperform Government bonds over the long term, an allowance is made for this in the discount rate.

For the Technical Provisions assumptions at 31 December 2014, the discount rate is derived based on corporate bond and equity risk premiums of 0.9% pa (based on 80% of the actual yield gap between gilts and corporate bonds) and 2.8% pa respectively, and a long-term investment strategy of 34% gilts, 34% corporate bonds and 32% equities, e.g. $2.6\% \times 34\% + 3.5\% \times 34\% + 5.4\% \times 32\% = 3.8\%$ (after rounding).

Salary increases

Salaries are assumed to increase in line with the RPI inflation assumption of 3.2% pa.

Mortality

Standard tables PNxA00 are used, with no adjustment, with allowance for expected future improvements in longevity using model CMI_2014 with a long term rate of improvement of 1.25% pa.

Leaving service

An allowance is made for active members to leave service before their retirement date, with 50% withdrawing at 31 December 2015 and then 15% pa at all ages thereafter.

Retirement

No allowance is made for members to retire early.

Cash commutation

Senior members are assumed not to commute any pension for cash on retirement. An allowance is made for other members to take part of their final salary pension benefits as a tax free lump sum taking into account that members can use their ECashBuilder retirement account to fund some, or all, of their tax free cash sum at retirement.

All preserved members plus active members over the age of 55 (where the status used is the status at 31 December 2014, rather than at date of retirement) are assumed to take 80% of their maximum permitted cash lump sum on retirement from their final salary pension benefits. Active members under the age of 55 (where the status used is the status at 31 December 2014, rather than at date of retirement) are assumed to take 25% of their maximum permitted cash lump sum on retirement from their final salary pension benefits.

Dependant details

80% of members are assumed married (or to have dependants to whom a pension would be paid) at retirement or earlier death. Husbands are assumed to be three years older than wives.

Expenses

No allowance is made for the expenses of running the scheme, the annual levy payable to the Pension Protection Fund or the cost of insuring the benefits payable on the death of an active member before retirement. These are paid by the Employer.

Funding position

The most recent full completed actuarial valuation of EPensionBuilder was carried out as at 31 December 2014 and completed on 11 March 2016.

The valuation indicated that EPensionBuilder has a deficit. The trustee and company have agreed a recovery plan to meet this shortfall.

Recovery Plan

Following the 2014 valuation a recovery plan was agreed between the trustee and the company to fund the shortfall of £49,894,000. From 1 April 2016 to 31 December 2026, the employer is paying a monthly contribution of at least £395,000, increasing on each 1 January by the annual change in the RPI over the year to the previous September. The first increase applied on 1 January 2017 taking the monthly contribution to £403,000.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2016

In addition, a one-off contribution of £60,000 was paid in April 2016.

The shortfall is expected to be eliminated by 31 December 2026.

Annual Actuarial Report

A full scheme valuation is conducted every three years. In the intervening years the trustee directors obtain an annual funding update. The estimated funding position as at 31 December 2016 shows that the funding position has deteriorated since the

previous update as at 31 December 2015 and the valuation date of 31 December 2014. The main reason for this change is due to changes in financial assumptions which have significantly increased the value of the liabilities. In particular the reduction in the discount rate assumption used, owing to a fall in gilt yields over the past twelve months, which places a higher value on the scheme's liabilities. This was offset in part by investment returns being higher than expected.

A summary of the funding position at the 31 December 2014 full valuation, and 31 December 2015 and 31 December 2016 annual updates is shown below.

	31 December 2014 £ million	31 December 2015 £ million	31 December 2016 £ million
Assets	135.1	137.1	167.2
Liabilities (Technical provisions)	185.0	174.4	235.0
Shortfall	49.9	37.3	67.8
Funding level	73%	79%	71%

Actuarial certificate

A copy of the actuary's full report on the valuation at 31 December 2014 is available on request from the scheme secretary (see contact details on [page 7](#)).

By law, the statement from the scheme actuary below and on [page 51](#) must be included in this annual report. The wording complies with guidelines issued by the Institute and Faculty of Actuaries.

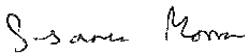
The next full valuation for EPensionBuilder is due as at 31 December 2017.

Certification of the calculation of technical provisions

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2014 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 11 March 2016.

Signature:		Date:	11 March 2016
Name:	Susanna Morran	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's House St James's Square Cheltenham GL50 3PR	Employer:	Barnett Waddingham LLP

Investment report

Investment management

The trustee directors are responsible for setting the investment strategy for each section of the scheme being EPensionBuilder and ECashBuilder, which are described in more detail below. The trustee directors set the investment strategy after taking advice from the Scheme's investment advisor.

The trustee directors are also responsible for determining what should be in the statement of investment principles ("SIP"). This is an important document which sets out the overarching philosophy underlying the trustee's strategic approach; this is currently being revised, and can be requested by members. There were no departures from the SIP in the year.

Management and Custody of Investments

The trustee directors have delegated management of investments to professional investment managers which are listed on [page 6](#). These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

Custodial arrangements

The trustee has invested in a unit linked policy with Legal & General Assurance (Pensions Management) Limited (PMC) and a pooled fund arrangement with Insight LDI Solutions Plus plc and has not, therefore, appointed separate custodians. L&G and Insight appoint custodians for the safe custody of assets held within the policy. The two custodians PMC has appointed are HSBC and Citibank, whilst Insight has appointed Northern Trust.

Voting rights

As the scheme invests in pooled funds, the day to day decisions, including the exercise of voting rights have been delegated to the investment manager.

Ethical Investment

Whenever possible the trustee will prefer a particular investment which they believe to be more socially responsible, as opposed to one that is less socially responsible. For this purpose socially responsible means that the investment seeks to contribute positively rather than negatively to the economy, environment and society in which the investment is made.

As the scheme invests in pooled funds, the trustee cannot directly influence the social, environmental and ethical policies and practices of companies in which the pooled funds invest. However, the trustee directors recognise that the investment manager takes into account social, environmental and ethical factors through the use of its shareholder influence.

EPensionBuilder

The investment objective for EPensionBuilder is to invest in assets of appropriate quality and liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Scheme provides.

The trustee directors regularly review the performance of the investment manager, who invests in a diverse portfolio to optimise returns, without exposure to excessive risk.

Since January 2009 the trustee directors have taken a number of steps to reduce holdings of equity and increase holdings of bonds. This was completed in early 2011, so as to maintain as far as possible the split of 32% equities (+/- 5%) and 68% bonds (+/- 5%). This decision was taken to protect the fund from the risks associated with uncertain equity markets in the current economic climate.

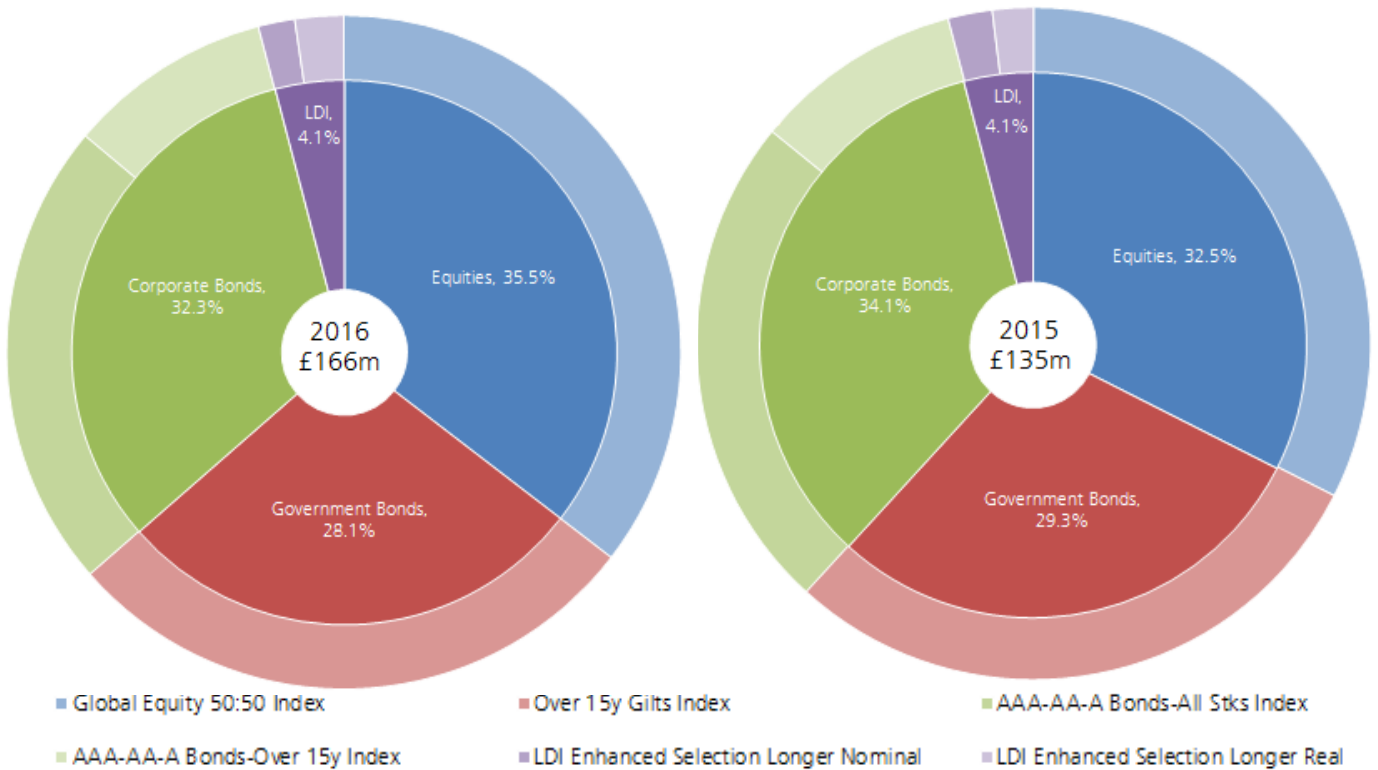
During 2013 the trustee directors commenced a full investment strategy review to address ways of reducing risk. As an initial step the trustee directors agreed in December 2013 to transfer 23% of the scheme assets held in shorter dated bonds into a long dated bonds fund, to more closely match the liability to pay pensions into the future and help reduce interest rate risk. The transfer was completed during March 2014. This was the first step of an on-going strategy.

Since 2014 the trustee directors have used Liability Driven Investments (LDI) to reduce risk. LDI is designed to reduce the volatility of the schemes funding level by minimising the impact of movements in factors such as interest rates and inflation that affect the value of the schemes assets and liabilities. The trustee directors made their first allocation to the LDI funds in July 2015. A trigger was set by the trustee directors to make additional investment into the funds, but this has not been met since.

During the first quarter of 2017 the trustee directors have been reviewing the scheme's exposure to market risk. The outcome of this review will affect the pace at which the scheme increases the level of LDI in future.

EPensionBuilder investments

At the scheme year end the assets were invested as follows:



EPensionBuilder investment performance

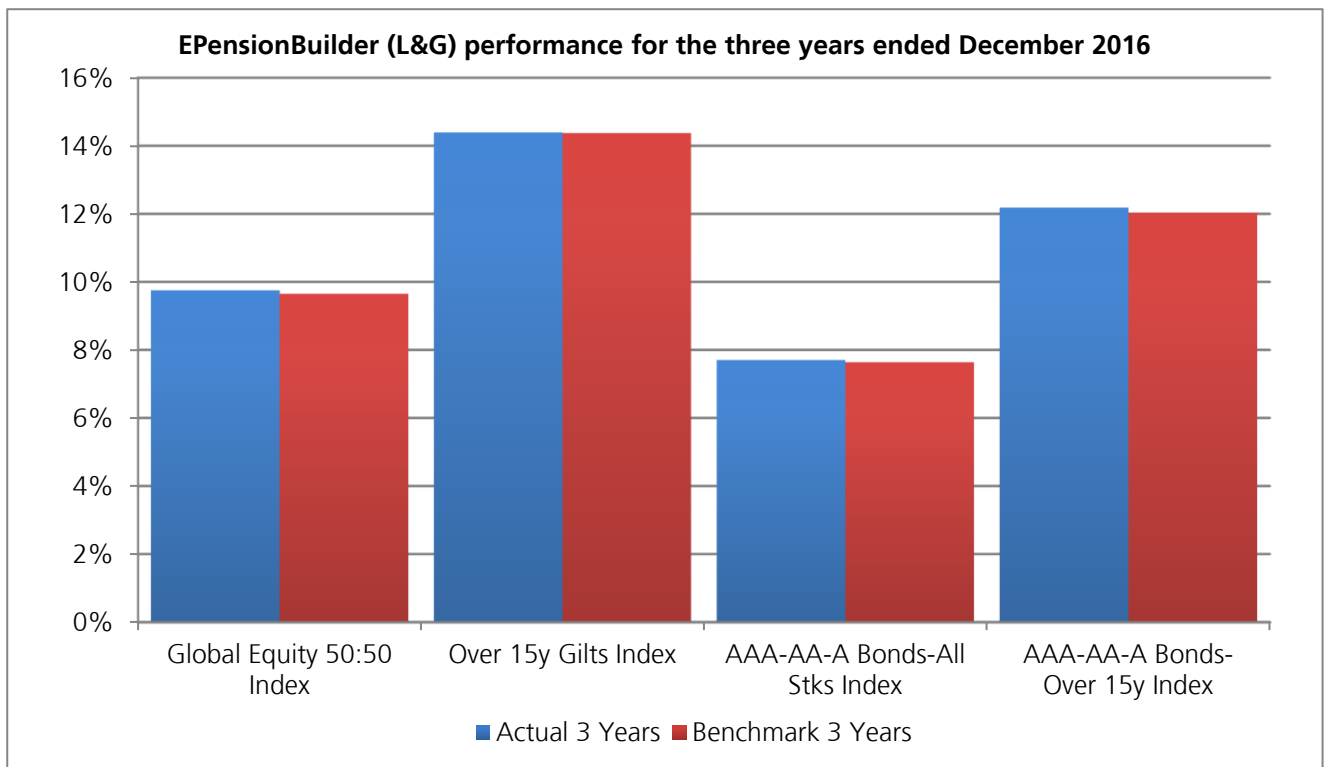
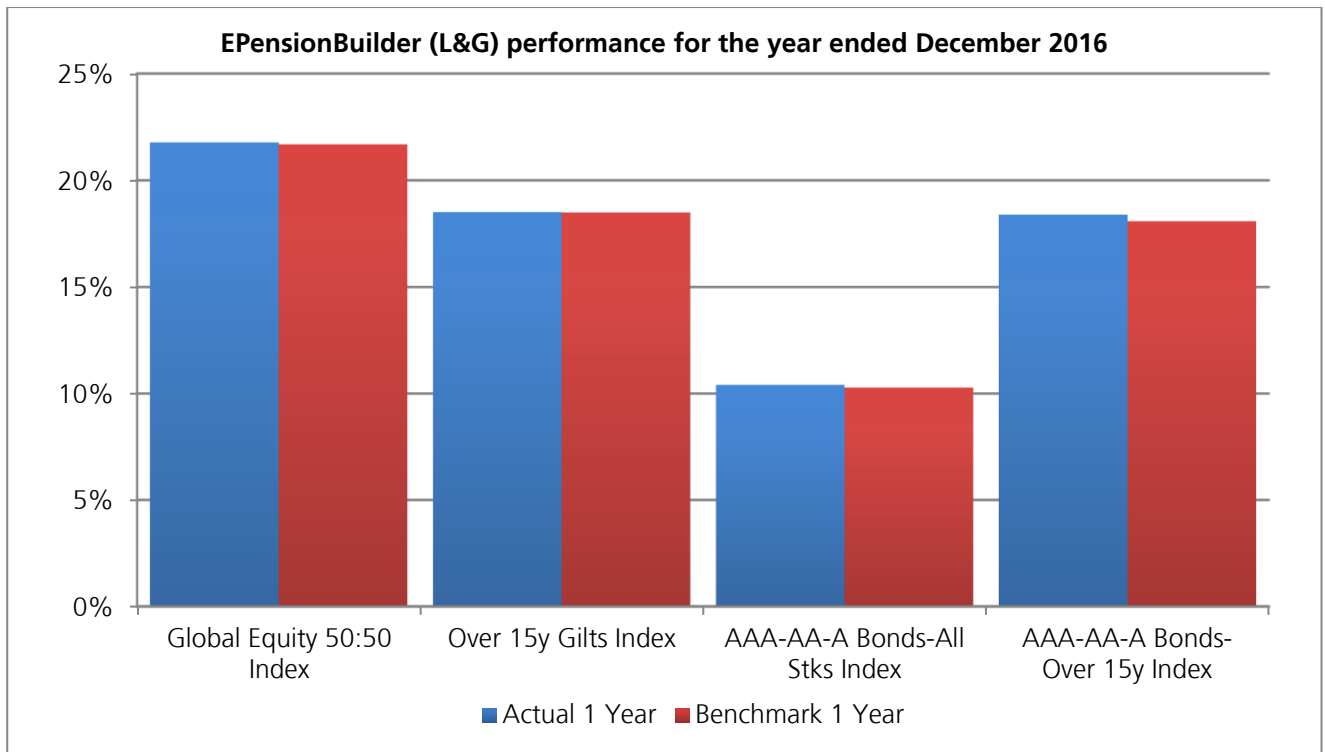
The fund is divided into an equity fund which is designed to provide investment growth over a long period, and bonds, which are designed to back up and move with the scheme’s liabilities to give protection to the scheme’s overall funding position. The bond part of the portfolio is invested in a mixture of UK government fixed interest gilts, UK corporate bonds and the LDI Fund.

All the investments managed by PMC are passively managed against the relevant index; this means that the manager ensures that the spread of investments in the fund reflects the relevant market index movements.

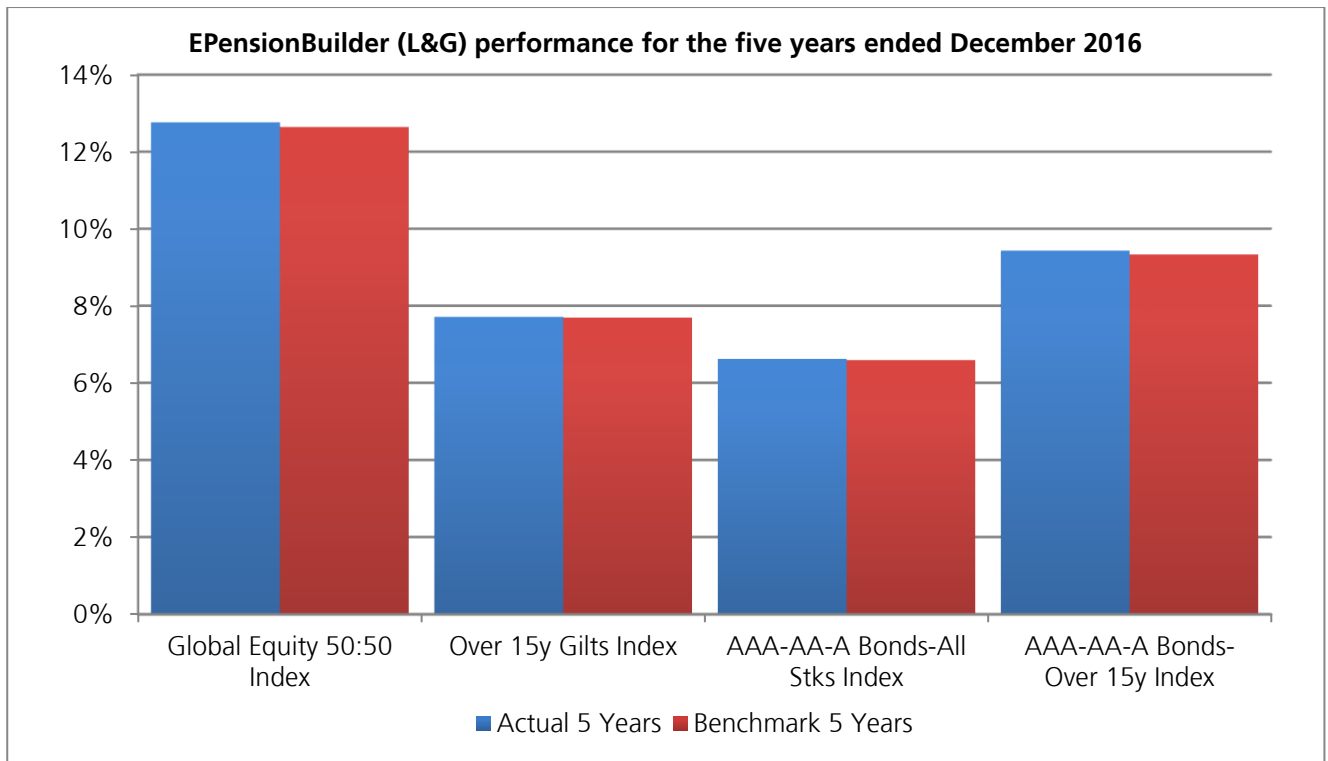
The investment in the Insight LDI mandate is managed against two benchmarks, recognising that the manager can allocate investment between gilts and swaps.

The performance of the funds against the benchmark over the year is shown below.

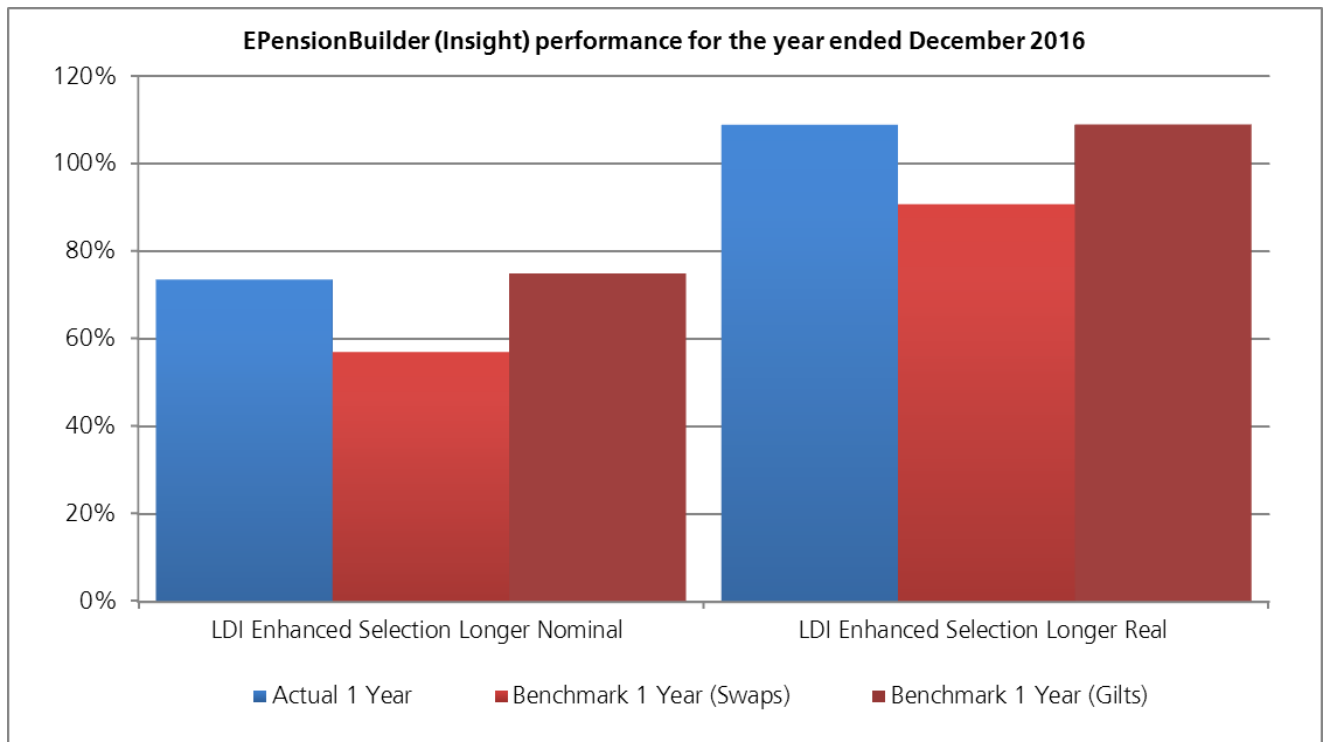
Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Charges are met by the scheme through the bid-offer spread on investments with Legal and General Assurance (Pensions Management) Limited.



Three and five year data is not available for the Insight funds as investment commenced in 2015.

Charges are met by the scheme through the net of fees paid through the fund and an agreed basis point charge.

The Insight LDI Enhanced Selection Funds are designed to track the liability cash flows of a typical pension scheme, rather than the Endsleigh Scheme specifically. Their performance is measured against a swaps comparator and a gilt comparator, due to the fact that the manager has discretion over mainly investing in gilts and swaps. Over time, we would look for the actual performance to be above both benchmarks.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2016

ECashBuilder

The trustee directors are responsible for providing members of ECashBuilder with an appropriate range of investment options. They are designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement amount with which the member can select their retirement options.

Members have a number of investment options including a default investment strategy, additional lifestyle strategies and self-select funds.

All of the Schemes lifestyles operate in the same way by de-risking at regular intervals over a period of 10 years leading up to the members chosen retirement age.

There are three available lifestyles:

Lifestyle Name	Objective	Lifestyle Target
Drawdown Lifestyle	The lifestyle aims to transition from 100% investment in the Growth Fund (EFundBuilder) to 100% investment in the Drawdown Fund (EFlexibleIncomePot). Investment is gradually moved into the Drawdown Fund which is designed to grow above inflation but also provide some capital protection.	Drawdown
Annuity Lifestyle	The lifestyle aims to transition from 100% investment in the Growth Fund (EFundBuilder) to 100% investment in the Annuity Purchase Fund (EPensionPurchasePot). Investment is gradually moved into the Annuity Purchase Fund via a 'temporary buffer' which is designed to obtain some growth over the intervening period.	Annuity
Cash Lifestyle	The lifestyle aims to transition from 100% investment in the Growth fund in a way that enables them to continue to benefit from equity growth in the 10 years prior to the members Target Lifestyle Age, whilst also fostering capital protection. This balance is achieved via use of investment in a 'temporary buffer' i.e. EFlexibleIncomePot.	Cash

There are four funds used in the above lifestyles, each designed to achieve a different objective.

Fund Name	Objective	Fund Linked to
EFundBuilder	The fund aims to achieve long-term growth by investing globally in a range of different investments including for example, company shares and UK commercial property.	Growth
EPensionPurchasePot	The fund aims to achieve returns linked to the bond markets that reflect, to some extent, movements in the price of annuities.	Annuity
ERetirementLumpSum	The objective is to provide a high level of capital security coupled with a high level of liquidity. Returns on cash are currently very low	Cash
EFlexibleIncomePot	The investment objective of the Fund is to provide long term investment growth through dynamic exposure to a diversified range of assets.	Drawdown

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2016

ECashBuilder investments

At the scheme year end the assets were invested as follows:

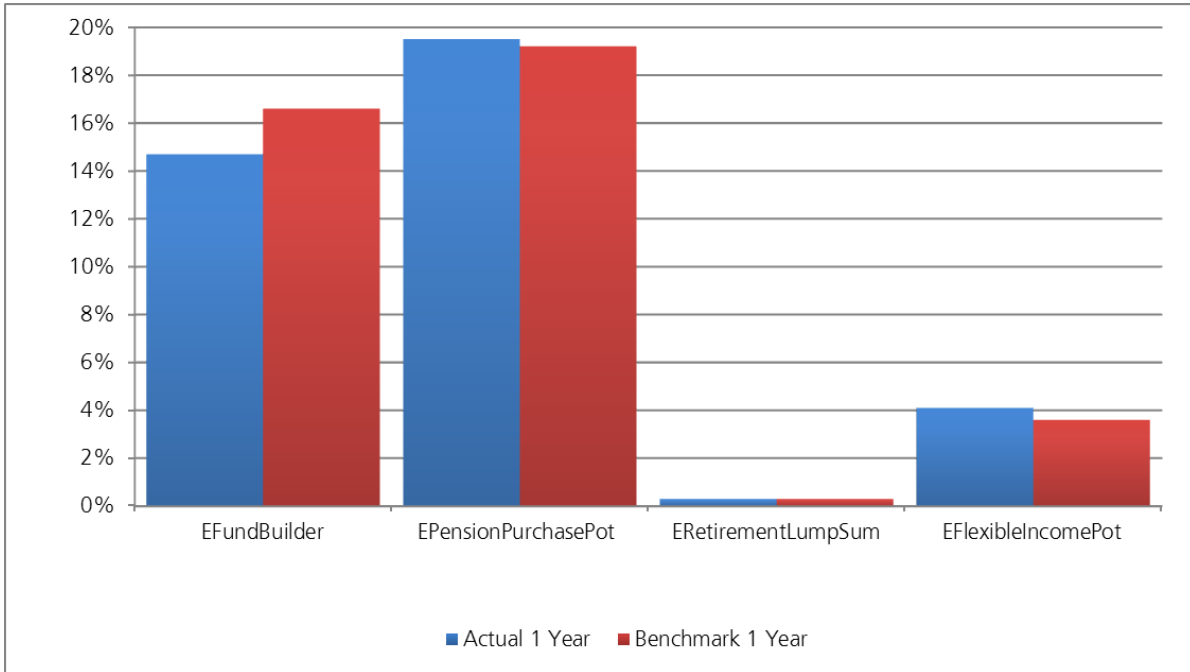
Fund	Value, £'000s	Percentage, %
Blended Funds	14,021	96.24%
EFundBuilder *	13,760	94.44%
EPensionPurchasePot *	2	0.01%
ERetirementLumpSum *	5	0.04%
EFlexibleIncomePot *	254	1.75%
Self-Select Funds	548	3.76%
Aquila Index-Linked Over 5 Year Gilt Index	18	0.12%
Aquila UK Equity Index	62	0.43%
Aquila World ex UK Equity Index	192	1.32%
Global Equity	48	0.33%
Managed	47	0.32%
Property	16	0.11%
UK Corporate Bond	37	0.25%
JPM All-Emerging Markets Equity	126	0.86%
HSBC Amanah Global Equity Index	1	0.01%
LGIM Ethical Global Equity Index	0	0.00%
Aquila Corp Bond All Stocks Index	1	0.01%
Mixed Investments	0	0.00%
Total	14,569	100.00%

* also available as self-select fund

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2016

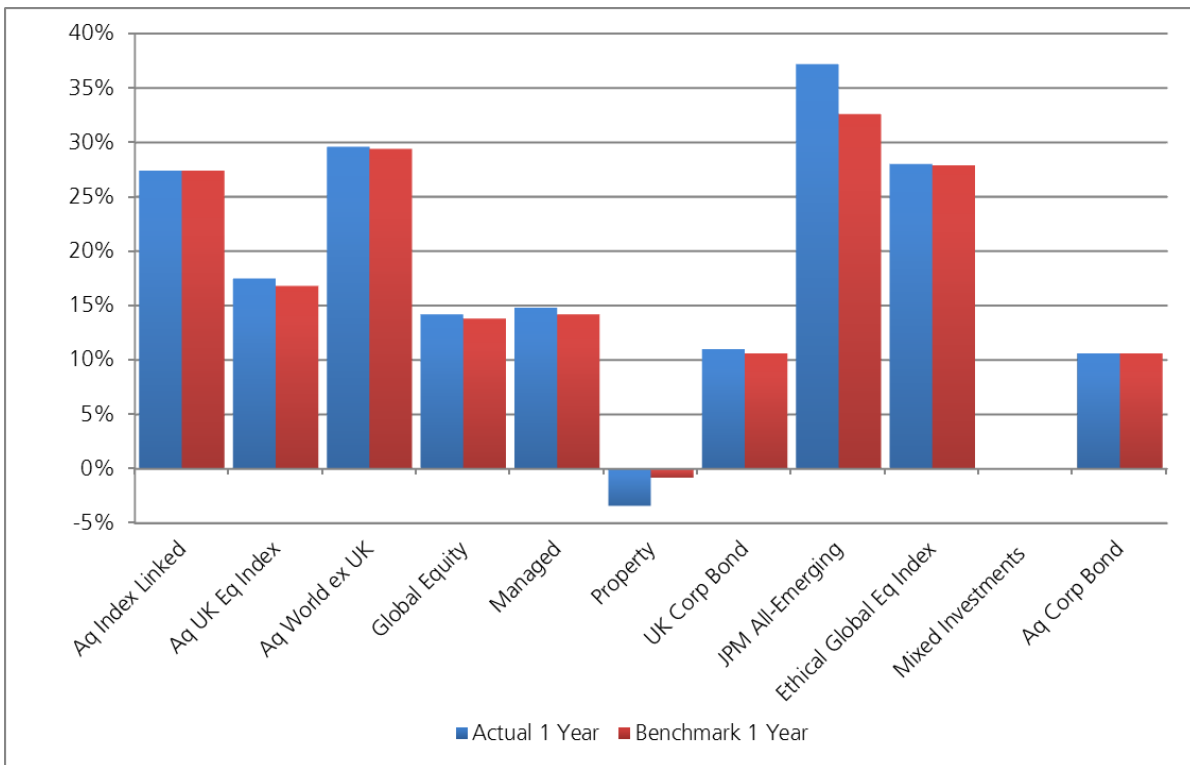
ECashBuilder investment performance for the year ended 31 December 2016

The investment performance of the blended funds against the composite benchmark for the year is shown below.



The main reason for EFundBuilder underperforming its benchmark is due to one of its component funds (European 2 CS) underperforming over the year. Funds which underperform are subject to fund governance which includes remedial action if underperformance is seen over a number of periods. The trustee directors are monitoring the performance of this fund.

The investment performance of the self-select funds against the benchmark for the current year is shown below.

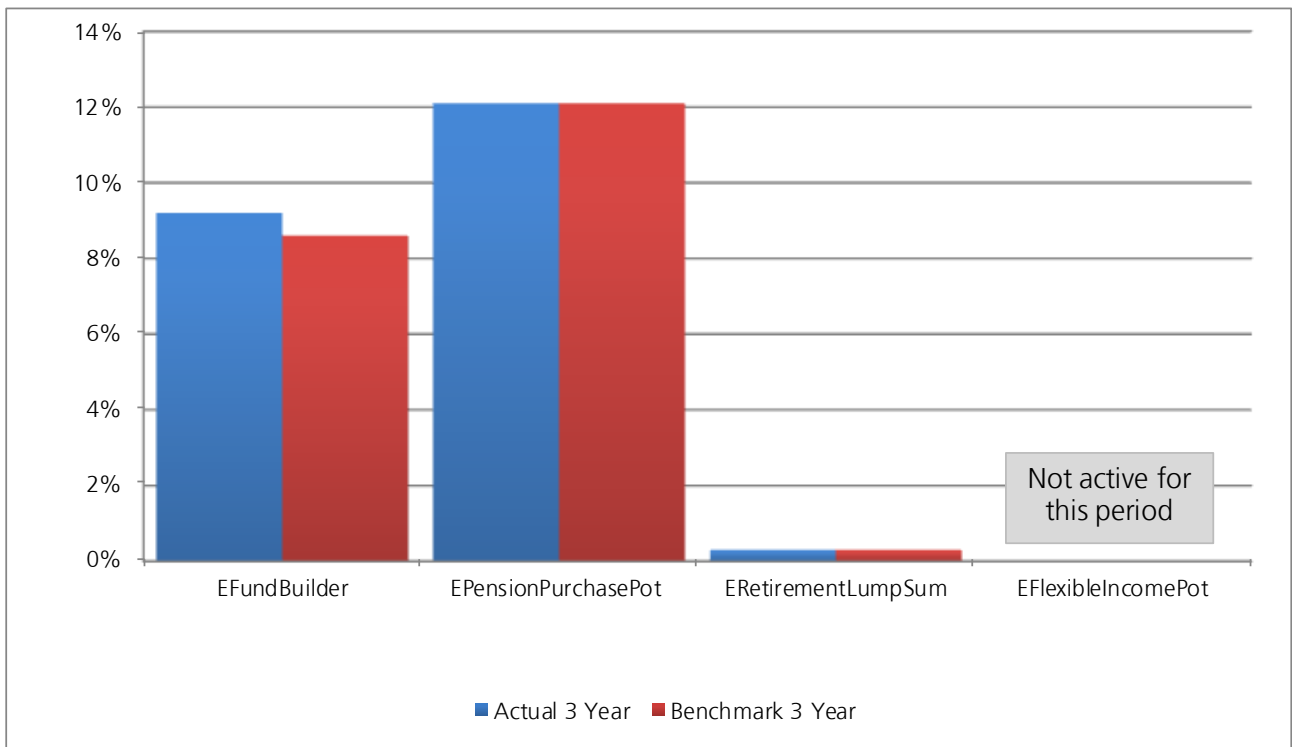


The underperformance of the self-select property fund is being monitored in-line with the fund governance procedure outlined above.

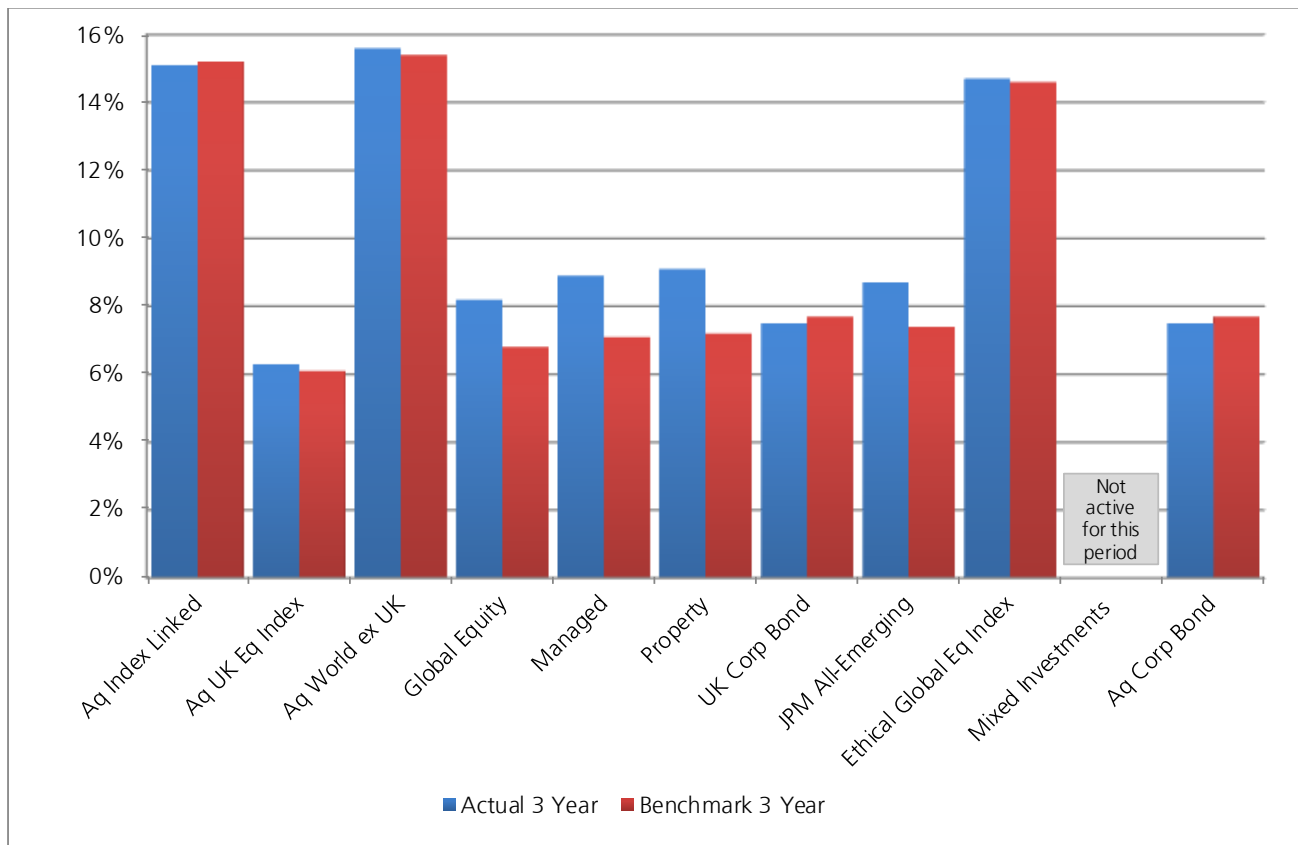
**Endsleigh Insurance Services Limited Pension and Assurance Scheme
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ECashBuilder investment performance for the 3 years ended 31 December 2016

The investment performance of the blended funds against the composite benchmark for three years, are shown below.



The investment performance of the self-select funds against benchmark for three years, are shown below.



Management charges for this policy are met by the members of the scheme by a way of deduction of member units on investments with Zurich Assurance Ltd.

Looking ahead

This report brings you highlights from the scheme year, but it doesn't end there of course. The trustee continues to monitor the scheme's investments to ensure that the chosen investment strategy for the two sections remains appropriate. These are undeniably difficult times in investment markets and the picture can change almost overnight. However, the trustee continues to believe that over the long term the overall investment strategy is sound. As detailed on [page 15](#), the trustees are currently reviewing the EPensionBuilder long-term investment strategy and also preparing for the next triennial valuation.

Statement of investment principles

In accordance with section 35 of the Pensions Act 1995, after consultation with Endsleigh Insurance Services Limited and the investment consultant, the trustee has drawn up a statement of investment principles governing decisions about investments for the purposes of the scheme, which it reviews on a regular basis. A copy of the SIP can be obtained from the address detailed on page 7.

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the trustee. Pension scheme regulations require the trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material
- departures disclosed and explained in the financial statements; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The trustee is also responsible for making available certain other information about the scheme in the form of an annual report.

The trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

The trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid.

The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members. investment objectives and how investments are chosen, what kinds of investments are held, the balance between different types of investment, approach to risk and how investment performance is monitored. Investments have been held in accordance with the statement of investment principles coupled with the trustee's intentions. The statement of investment principles is available on request from the address on [page 7](#).

For and on behalf of the trustee board:

Director *Clive Gilchrist*

Names *CLIVE GILCHRIST*

Date *06/06/17*

Statement regarding DC governance
For the year ended 31 December 2016

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the trustee directors to include an annual statement regarding governance in the annual report.

Default arrangement

Any new members of ECashBuilder, the DC section of the Scheme, who do not make an explicit choice regarding the investment of their funds are defaulted to the drawdown lifestyle option.

The drawdown lifestyle option invests in EFundBuilder up until 10 years before the members selected pension age where it then gradually switches towards a final position of 100% EFlexibleIncomePot, a fund which aims to provide long-term growth through dynamic exposure to a range of diversified assets.

The lifestyle fund itself invests in a series of funds provided by Zurich Assurance Limited. These funds have holdings in underlying pooled funds which have many different fund managers. The trustee cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest although the trustee sets out its ethical investment policy in its statement of investment principles which includes some indirect considerations.

Some of the underlying pooled funds are managed actively and some passively. All of these funds are measured against specific benchmarks which are set out in the statement of investment principles.

By investing in this manner, the trustee directors expect to deliver growth over the member’s lifetime within the Scheme without excessive risk taking, with an increased focus in the final ten years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The trustee directors consider this approach to be in the best interests of relevant members and relevant beneficiaries.

The principles noted above relating to the default arrangement were last reviewed by the trustee directors in February 2016 and are due to be reviewed every three years thereafter.

Processing scheme transactions

The trustee directors have a specific duty to secure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC section are processed promptly and accurately. These transactions are undertaken on the trustee directors’ behalf by the Scheme’s DC administrator, Zurich Corporate Savings and its investment manager Zurich Assurance Limited. The trustee directors have reviewed the processes and controls implemented by those organisations and consider them to be suitably designed to achieve these objectives. The trustee directors have also agreed service levels and reporting of performance against those service levels.

In the light of the above, the trustee directors consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Transaction costs

The Administration Regulations require the trustee directors to make an assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The default arrangements attract varying levels of management charge depending on how far the member is from their selected pension age. The maximum charge that will be levied on the members is when they are invested 100% in EFlexibleIncomePot at a charge of 0.69% of assets under management

for all members. This is lower than the maximum allowed of 0.75% and the trustee directors are satisfied that they have negotiated a good deal for members taking account of the expected growth in the size of the DC section with members moving from EPensionBuilder.

The trustee directors also make available a range of 13 alternative funds which may be chosen by members as an alternative to the default arrangement although members can invest in funds that makeup the default arrangement individually also. These funds attract annual charges of between 0.02% and 0.90%, and the level of charges for each fund is set out on the scheme website. These funds allow members to take a more tailored approach to managing their own pension investments.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07. The comments in this section relate to the trustee directors as a body in dealing with the whole scheme and are not restricted to the DC section.

The trustee directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs annually. The Secretary to the trustee reviews the self-assessments and arranges for training to be made available to individual trustee directors or to the whole trustee body as appropriate. In addition, the trustee directors receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

All of the existing trustee directors have completed the core modules of the Pension Regulator's Trustee Toolkit and new trustee directors are required to complete this within six months of taking up office.

Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the trustee directors consider that they are enabled properly to exercise their functions as trustees.

DC Scheme governance

As Trustees of the Endsleigh Insurance Services Limited Pension and Assurance Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and Administration of occupational defined contribution trust-based schemes, and;
- Regulatory guidance for defined contribution schemes

These are underpinned by the DC quality features.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members at retirement.

The Statement regarding DC governance was approved by the Trustees on 8 June 2017 and signed on their behalf by:



Clive Gilchrist
Chairman

Compliance Statement

Tax status of the scheme

The scheme is a registered scheme and as such is exempt from most UK income and capital gains taxes. The trustee knows of no reason why this registration should be withdrawn.

Contributions - EPensionBuilder

The level of contributions paid by the company to fund benefits building up in the future has been reviewed every three years as part of the triennial actuarial valuation. However, as EPensionBuilder was closed to future accrual from 1 January 2016 (and all active members joined ECashBuilder) all contributions paid by the company now fund the scheme deficit.

Contributions - ECashBuilder

From 1 November 2013, following consultation with members, the company introduced new age related contributions in place of the matching contributions (see table below). A member moved through the age bands on the 1 January after their birthday which took them into the next age band.

Any member who at 31 October 2013 was in receipt of an employer contribution greater than the age related employer contribution received the higher of the rate on 31 October 2013 or the age related rate for so long as the member maintained a salary sacrifice of at least the level on 31 October 2013. If a member reduced their salary sacrifice after 31 October 2013 the employer contribution permanently reverted to the age related contributions.

Age on 1 January in the scheme year	Company contribution (% of pensionable salary)
Under 25	4.5%
25 – 34	6%
35 – 44	7.5%
45 – 54	9%
55 – 65	10.5%
66 – 69	9%
70 – 74	7.5%

Following the review of pension provision in 2015, the Company contributions to ECashBuilder have been amended as follows:

From 1 July 2015 all existing and new ECashBuilder members received a flat rate company contribution of 12% of pensionable salary.

From 1 January 2016 all former EPensionBuilder members, who were transferred to ECashBuilder received double the age related company contribution shown in the previous table, until 31 March 2016.

From 1 April 2016 all ECashBuilder members are entitled to receive a flat rate company contribution of 12% of pensionable salary regardless of age.

Transfers out of the scheme

Individuals who leave the scheme before they retire can, if they wish, transfer the value of their benefits (usually known as a cash equivalent) into another pension arrangement. During the scheme year all cash equivalent values were calculated and verified in the manner prescribed by regulations made under section 97 of the Pension Schemes Act 1993. No allowance is made in these calculations for any discretionary benefits. There were no transfers where the cash equivalent paid was less than the amount provided for by section 94(1) of the Pension Schemes Act 1993.

Scheme investments

The investment manager appointed on behalf of the trustee to manage funds under section 34 of the Pensions Act 1995 is appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or is specifically exempted from the requirements of the Act. The investment manager appointed has the appropriate knowledge and experience necessary to manage the particular.

The Pensions Regulator – codes of practice

The Pensions Regulator is the body that regulates work-based pension arrangements.

The Pensions Regulator's objectives are to protect the benefits of pension scheme members, to reduce the risk of calls on the Pension Protection Fund (PPF), and to promote the good administration of work-based pension schemes.

The Pensions Regulator has a number of regulatory tools, including issuing codes of practice, to enable it to meet its statutory objectives. The Pensions Regulator will target its resources on those areas where members' benefits are at greatest risk.

Codes of practice provide practical guidelines on the requirements of pensions legislation and set out the standards of conduct and practice expected of those

who must meet these requirements. The intention is that the standards set out in the code are consistent with how a well-run pension scheme would choose to meet its legal requirements.

Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be

imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant codes of practice into account.

The Pensions Regulator has so far produced thirteen codes of practice; these are listed in the table below, alongside a commentary on how the scheme has complied with them during the scheme year covered by this annual report.

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
Annual report to members for the year ended 31 December 2016**

Code and recommendations	How the scheme complied during the scheme year
Code 1: Reporting breaches of the law (in force from April 2005)	
<p>Breaches in the law, and reasonable grounds for believing that there has been a breach in the law are reportable to the Regulator. Not all breaches need to be reported and so it must be decided whether the breach is of material significance to the Regulator.</p>	<p>The in house management team at Zurich report regularly to the trustee directors on breaches, errors, complaints and other risks.</p> <p>The trustee directors and their advisers are alerted to significant breaches immediately and decide whether the breach should be reported to the Regulator. The trustee directors' advisers can independently report to the Regulator if it feels there is a material issue.</p> <p>During the 2016 scheme year there were no significant breaches brought to the trustee directors' immediate attention and no matters have been reported to the Regulator.</p>
Code 2: Notifiable events (in force from April 2005)	
<p>There are a number of notifiable events designed to give the Pensions Regulator early warning of a possible call on the Pension Protection Fund.</p> <p>The events fall into two groups:</p> <ul style="list-style-type: none"> • scheme-related - to be notified by trustees; • employer-related - to be notified by employers. <p>Some examples of scheme related events include changes in auditor or actuary, payment of benefits on more favourable terms and transfers of scheme assets of more than 5% of the fund / £1.5m. Examples of employer related events include a decision not to pay a debt to the scheme, a change in credit rating and the employer trading wrongfully. Even if a notifiable event does occur it does not necessarily always need to be reported, this largely depends on the type of event and in some cases the materiality.</p>	<p>There were no notifiable events during 2016.</p>
Code 3: Funding defined benefits (in force from February 2006: revised July 2014)	
<p>This code encourages trustees to work collaboratively with employers to agree an appropriate funding plan that recognises the objectives of both trustee and employer, and requires:</p> <ul style="list-style-type: none"> • A statement of funding principles specific to the circumstances of each scheme to be produced, setting out how the statutory funding objective will be met, • Periodic actuarial valuations and actuarial reports, • A schedule of contributions, • A recovery plan, where the statutory funding objective is not met. 	<p>A statement of funding principles and schedule of contributions are in place. These were completed as part of the valuation as at 31 December 2014.</p> <p>A recovery plan was also put in place following the 2014 valuation.</p> <p>Actuarial reports are produced and communicated to members annually and a full valuation is conducted at least every three years, the last being as at 31 December 2014 and the next as at 31 December 2017.</p>

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Code and recommendations	How the scheme complied during the scheme year
Code 4: Early leavers – reasonable periods (in force May 2006)	
<p>The code sets out the various periods that are considered reasonable when dealing with an early leaver (with less than 2 years' qualifying service but more than 3 months' service) where a transfer is an option if it is effected within a certain time period from leaving.</p>	<p>Arrangements are in place so that early leavers are notified of their options, and given the time as set out in the code, in which to make their decisions. Timescales are monitored and any breaches or potential breaches are notified to the trustee directors and their advisers as noted for Code 1.</p>
Code 5: Reporting late payment of contributions to occupational money purchase schemes (in force May 2006: revised September 2013)	
<p>Schemes on a money purchase basis are required to have a payments schedule setting out when contributions are due and when they should be paid by the employer to the scheme. This code sets out what constitutes late payments and the circumstances in which the Regulator regards these as material. Trustees must report late payment where they have reasonable cause to believe that the employer is unwilling to pay the outstanding contributions or there is possible dishonesty.</p>	<p>Internal controls are in place to monitor that contributions are dealt with in compliance with the timescales set out in the code.</p> <p>Any failures are notified to the trustee and its advisers as detailed for Code 1.</p> <p>There were no issues reported during the scheme year.</p>
Code 7: Trustee knowledge and understanding: TKU (in force May 2006: revised November 2009 and July 2014)	
<p>The trustee toolkit is required learning for trustees unless they have a suitable alternative. (New trustees to complete within six months). Existing trustees should review their own knowledge and understanding at least annually against the scope of knowledge contained in the trustees' toolkit and undertake to fill any gaps that they expose. Trustees should keep their own records of their learning activities.</p> <p>Trustees should recognise where they have insufficient knowledge and understanding and "rectify the issue at once" if they are called on to make a decision.</p> <p>Trustees must have sufficient working knowledge (through reading) of the key scheme documents so that they are able to use them effectively when carrying out their duties as trustees.</p>	<p>The trustee directors have a formal policy which says:</p> <ul style="list-style-type: none"> • all trustee directors must develop and maintain a level of TKU sufficient to enable them to discharge their duties effectively and to meet tPR's requirements; • no trustee director will participate in decisions on matters where he or she has insufficient TKU; • the trustee directors review the policy regularly and at least annually to ensure continued compliance; • each trustee director has an assessment session annually with the trustee Chair and Zurich's Head of UK Pensions and Benefits to look at development areas and to agree appropriate objectives; • trustee directors maintain CPD logs which are reviewed annually; • trustee directors must be thoroughly familiar with the key scheme documents; • when trustee directors consider or decide a matter, they are always provided with the relevant scheme documents/extracts together with expert advice on the interpretation of those documents and the impact of the current matter before them. <p>As at April 2017, all the trustee directors have completed the core modules of the Pensions Regulator's Trustee Toolkit.</p>

Code and recommendations	How the scheme complied during the scheme year
Code 8: Member nominated directors (MNDs) – putting arrangements in place (in force November 2006)	
<p>There is a requirement to have a certain proportion (currently 1/3) of trustees that have been nominated by the scheme members and where this is not the case time periods deemed reasonable are set out for achieving this goal.</p>	<p>In December 2011, the trustee directors agreed a new selection process for the nomination of candidates for member trustee vacancies. All such appointments are subject to satisfying a trustee selection panel of their suitability for the role.</p> <p>The selection process, which was last run in 2015, includes interviews and an assessment session designed to test aptitude for the trustee role.</p>
Code 9: Internal controls (in force November 2006)	
<p>This code sets out what is expected of a well run scheme and how it should operate and monitor activity to minimise risk.</p>	<p>The trustee directors assess and grade the respective risks faced by the scheme annually. An action plan is then prepared to monitor and manage the identified risks – noting their relevant likelihood and materiality. Ongoing review and day to day management is then supported by the Zurich management team.</p>
Code 10: Modification of subsisting rights (in force January 2007)	
<p>This code broadly aims to protect members’ past rights in a scheme. From time to time a scheme may wish to change the benefit structure and this may have an impact on past rights that have been built up. The aim of this code is to ensure that where past rights are altered the overall value is not reduced.</p>	<p>Whenever the scheme has altered benefits this has always been in respect of benefits to accrue from a future date so past rights have been protected.</p>
Code 11: Dispute resolution – reasonable periods (in force July 2008)	
<p>This code provides specific guidance on the Pensions Regulator’s expectation of the reasonable time periods stated in the legislation related to dispute resolution. The code confirms that:</p> <ul style="list-style-type: none"> • trustees should make and advise decisions within four months of issues being raised under their dispute resolution procedures; • trustees’ dispute resolution procedures may include a “reasonable period” of six months after which an application to raise a dispute will not normally be considered. 	<p>The trustee’s formal dispute resolution procedure complies with the timescales for decisions set out in the code. There is a two stage process, with a decision required to be made and notified within two months under each stage:</p> <ul style="list-style-type: none"> • <u>Stage 1</u>: the matter is considered by the HR manager *; • <u>Stage 2</u>: (if the issue remains unresolved) the matter is considered by the trustee board. <p>*From 10 March 2016 the trustee directors agreed to amend the dispute resolution procedure so that at stage 1 the matter is considered by the scheme secretary.</p>

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Code and recommendations	How the scheme complied during the scheme year
Code 12: Circumstances in relation to the material detriment test (in force June 2009)	
<p>This code of practice sets out the circumstances in which the Pensions Regulator expects to issue a contribution notice, requiring additional money to be paid into the scheme. This includes the following circumstances if there has been no prior discussion and agreement of suitable provisions with the trustees and Regulator.</p> <ul style="list-style-type: none"> • the transfer of the pension scheme out of the UK; • the transfer of the sponsoring employer out of the UK; • removal or substantial reduction of employer support; • transfers to another scheme which significantly reduces sponsor support or funding; • a restructure of the scheme which benefits another entity without taking proper account of members' interests. 	<p>The trustee directors are engaged in an ongoing dialogue with the company on material changes and restructures which could potentially impact the employer covenant. This includes regular updates from the company at trustee meetings and a formal annual employer covenant review.</p>
Code 13: Governance and administration of occupational defined contribution trust-based pension schemes (revised July 2016)	
<p>This code sets out the standards of conduct and practice that tPR expects trustee boards to meet in complying with their duties in legislation. The code contains six sections as follows:</p> <ol style="list-style-type: none"> 1. The trustee board Policies for appointing a trustee chair and member nominated trustees. 2. Scheme management skills Managing risk, trustee knowledge and understanding, appointing/managing relations with advisers/service providers, working effectively with the employer and managing conflicts of interest. 3. Administration Accuracy and promptness of core financial transactions. 4. Investment governance Documenting investment matters, setting investment objectives and strategies, monitoring and reviewing investment strategies and fund performance, default arrangements and the security and liquidity of assets. 5. Value for members Assessing value for members and restrictions on costs and charges 6. Communicating and reporting Communicating with members, pension scams, annual chair's statement, reporting to the Regulator and the statement of investment principles 	<p>The trustee directors:</p> <ul style="list-style-type: none"> • have a formal policy on the appointment of member nominated trustees • manage the scheme through a comprehensive risk framework which is formally reviewed at least annually; • have a formal policy on managing conflicts of interest; • have a written policy on knowledge and understanding which requires them to complete the trustees' toolkit, maintain their CPD and have a formal assessment at least annually; • ensure they seek professional qualified advice when appropriate; • ensure funds (including charging structures) are kept under review by the trustee board for appropriateness and value to members; • ensure administration is kept under constant review for timeliness, accuracy and completeness of data; • have a comprehensive and proactive member communication and education programme. Employees attend seminars when they first join the company and expert help is available at any time on request.

Investment Governance Group (IGG):

In 2002 Paul Myners published a review of institutional investment which found shortcomings in the expertise and organisation of investment decision making by pension fund trustees. The “Myners Principles” followed: these set out to codify best practice in investment decision making. Compliance with the Principles was voluntary but pension fund trustees were expected to consider how these principles applied to their fund and to report on a 'comply or explain' basis on how they had used them.

Following a further review of institutional investment in 2008, the IGG was set up to encourage ownership and promotion of the Myners’ Principles. The IGG has updated the original Principles (aimed at defined benefit/final salary schemes) and also used these as a basis for their six Principles for defined contribution/money purchase schemes.

The Principles complement existing regulations but are not a legal requirement. The IGG suggest that they are used as a checklist against which pension schemes can identify areas in need of improvement.

All the Principles are listed below, together with notes on our approach.

IGG: Principles for investment governance for defined benefit pension schemes

Update principle	How we work with this principle
(1) Effective decision making	
Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	The trustee directors have the support of internal investment experts and independent expert advisers when examining the proposals and the methodology behind the proposals. This advice ensures that the trustee directors have sufficient knowledge and understanding to comment on and challenge these proposals and the methodology behind them.
(2) Clear objectives	
Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme’s liabilities, the strength of the sponsor covenant as well as the attitude to risk of both the trustees and the scheme sponsor, and clearly communicate these to advisers and investment managers.	The trustee board receives regular updates from the sponsoring employer on the employer covenant and seeks expert advice from the scheme actuary and the legal adviser in evaluating the covenant. The trustees also commission an independent review of the strength of the covenant annually.
(3) Risk and liabilities	
In setting and reviewing their investment strategy, trustees should take account of the form and structure of the liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.	

Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Update principle	How we work with this principle
(4) Performance assessment	
Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.	The trustee directors receive reports at least quarterly from the investment managers. The trustee directors formally assess their effectiveness as a board every 3 years and as individual directors annually.
(5) Responsible ownership	
Trustees should adopt, or ensure that their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.	The trustee's Statement of Investment Principles includes a statement which says that the trustee directors have considered how social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments.
(6) Transparency and reporting	
Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.	The trustee directors report to members on such matters formally in the trustee's annual report and provide updates in between these reports through trustee's newsletters.
IGG: Principles for investment governance for defined contribution pension schemes	
(1) Clear roles and responsibilities	
Roles and responsibilities in relation to investment decision making and governance are clearly defined and communicated to interested parties.	The trustee board and the trustee's investment advisers (Barnett Waddingham) have clearly defined roles, agreed by the trustee board, in relation to decision making and implementing investment strategy.
(2) Effective decision making	
Decisions relating to investment governance are taken on a fully informed basis and investment governance processes are sound.	The trustee directors have a documented policy on knowledge and understanding setting out their commitment to ensuring they have sufficient TKU to make informed decisions. The trustee directors receive advice from their independent advisers, Barnett Waddingham, when making decisions on investment strategy and governance.
(3) Appropriate investment options	
The investment options provided take account of a range of member risk profiles and needs and are designed appropriately.	The default ECashBuilder fund provides a "lifestyle" approach for members' investments (see below). As an alternative to the default, members can choose to invest in a range of other funds, including equity and bond funds.
(4) Appropriate default strategy	
An appropriately designed investment strategy is offered for members who prefer not to make a choice.	The trustee directors have agreed that there should be a default fund within ECashBuilder, providing a "lifestyle" approach for members' investments. The drawdown lifestyle option invests in EFundBuilder up until 10 years before the members selected pension age where it then gradually switches towards a final position of 100%

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
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	EFlexibleIncomePot, a fund which aims to provide long-term growth through dynamic exposure to a range of diversified assets.
(5) Effective performance assessment	
The performance of investment options is monitored.	The performance of funds within ECashBuilder are kept under review and the “white labelling” of the lifestyle funds enables badly performing funds to be replaced without requiring members to switch individual investments.
(6) Clear and relevant communication to members	
Clear information on the investment options and their characteristics that will allow members to make informed choices is provided.	Members can see their ECashBuilder funds at all times on the Zurich Corporate Savings website (www.zurich.co.uk/save/ecashbuilder2016). The website also includes easy to understand fund fact sheets, stating the investment objectives, fees and risk/return characteristics of each available fund.

Contacts for further information

<p>Address for general information and EPensionBuilder benefit enquiries:</p> <p>The ZPen team UK Pensions and Benefits Zurich Insurance Group The Grange Bishops Cleeve Cheltenham GL52 8XX</p> <p>Telephone 0800 232 1915</p> <p>e-mail: epenhelp@uk.zurich.com</p>	<p>Address for ECashBuilder benefit enquiries:</p> <p>Zurich Corporate Savings The Grange Bishops Cleeve Cheltenham Gloucestershire GL52 8XX</p> <p>Telephone 0800 917 9907</p> <p>e-mail: supportcentredc@uk.zurich.com</p>
<p>The Pensions Advisory Service (TPAS)</p> <p>Any concern connected with the scheme should be referred to Claire Calo, Scheme Secretary, whose address appears on page 7 of this report, and who will address the problem as quickly as possible.</p> <p>TPAS is available at any time to assist members and beneficiaries of occupational pension schemes in connection with any –</p> <ul style="list-style-type: none"> (a) pensions query they may have; or (b) issues they have failed to resolve with the trustee or administrators of the scheme. <p>A local TPAS advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively TPAS can be contacted at:</p> <p>11 Belgrave Road London SW1V 1RB</p> <p>Telephone: 0300 123 1047</p> <p>e-mail: online form available on the web address below</p>	

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Website: www.pensionsadvisoryservice.org.uk

Registrar of Occupational and Personal Pension Schemes

The scheme is registered with the Registrar of pension schemes (the scheme reference number is shown on the front page). The Registrar also operates a pension tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0345 6002 537

Website: www.gov.uk/find-lost-pension

Useful addresses

The organisations below deal with different pension matters helping to protect the interests of people with pensions.

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
BN1 4DW

Website: www.thepensionsregulator.gov.uk

e-mail:
customersupport@thepensionsregulator.gov.uk

The Pensions Ombudsman

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7630 2200

Website: www.pensions-ombudsman.org.uk

e-mail:
enquiries@pensions-ombudsman.org.uk

Pensionwise

[For members of DC schemes who are over age 50]

Telephone: 0800 138 3944

Website: www.pensionwise.gov.uk

The Pensions Advisory Service

11 Belgrave Road
London
SW1V 1RB

Telephone: 0300 123 1047

Website: www.pensionsadvisoryservice.org.uk

Independent auditors' report to the trustees of the Endsleigh Insurance Services Limited Pension and Assurance Scheme

Report on the financial statements

Our opinion

In our opinion, Endsleigh Insurance Services Limited Pension and Assurance Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

What we have audited

Endsleigh Insurance Services Limited Pension and Assurance Scheme's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2016;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit.

Our responsibilities and those of the trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the

preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
Annual report to members for the year ended 31 December 2016**

aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date *8 June 2017*

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report to members for the year ended 31 December 2016

Financial statements

Fund account for the year ended 31 December 2016

£000s	Note	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Contributions and benefits							
Employer contribution		4,740	3,808	8,548	5,448	2,393	7,841
Employee contributions		-	112	112	6	14	20
Total Contributions	4	4,740	3,920	8,660	5,454	2,407	7,861
Transfers from other plans	5	-	64	64	-	31	31
Other Income	6	6	-	6	2	-	2
		4,746	3,984	8,730	5,456	2,438	7,894
Benefits	7	(1,210)	(2)	(1,212)	(1,651)	(2)	(1,653)
Transfers to other plans	8	(1,710)	(259)	(1,969)	(4,207)	(146)	(4,353)
Other payments	9	-	(100)	(100)	(70)	(10)	(80)
		(2,920)	(361)	(3,281)	(5,928)	(158)	(6,086)
Net additions/(withdrawals) from dealings with members		1,826	3,623	5,449	(472)	2,280	1,808
Net return on investments							
Change in market value of investments	10	29,455	1,755	31,210	2,083	398	2,481
Investment management expenses	11	-	(22)	(22)	-	(41)	(41)
		29,455	1,733	31,188	2,083	357	2,440
Net increase in the fund		31,281	5,356	36,637	1,611	2,637	4,248
Transfer between sections	13	17	(17)	-	105	(105)	-
Net assets of the scheme							
Opening net assets		141,401	9,250	150,651	139,685	6,718	146,403
Closing net assets		172,699	14,589	187,288	141,401	9,250	150,651

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2016

Statement of net assets available for benefits as at 31 December 2016

£000s	Note	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Investment assets							
Pooled investment Vehicles	14	165,662	14,569	180,231	135,464	8,968	144,432
Insurance policies	15	5,484	-	5,484	4,606	-	4,606
Total net investments	10	171,146	14,569	185,715	140,070	8,968	149,038
Current assets							
	20	1,569	20	1,589	1,525	282	1,807
Current liabilities	21	(16)	-	(16)	(194)	-	(194)
Net assets available for benefits		172,699	14,589	187,288	141,401	9,250	150,651

The financial statements summarise the transactions of the scheme and deal with the net assets available for benefits at the disposal of the trustee directors. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the scheme year are not dealt with in the financial statements. The actuarial position of the scheme, which does take account of such liabilities, is dealt with in the statement of the actuary on [page 14](#) and in the report on actuarial liabilities on [page 12 to 14](#) of the trustee's report and these financial statements should be read in conjunction with those pages. The actuary's statement, made under Section 222 of The Pensions Act 2004 and dated 11 March 2016, is based on a valuation with an effective date of 31 December 2014.

The accompanying notes form part of these financial statements.

The financial statements on [pages 38 to 48](#) were approved by the trustee board on 8 June 2017 and were signed on its behalf by:

Director *Clive Gilchrist*

Name CLIVE GILCHRIST

Financial statements (continued)

Notes to the financial statements

1 General information

The Scheme was established to provide retirement benefits to certain groups of employees within the Endsleigh Limited group. The address of the Scheme's principal office is Shurdington Road, Cheltenham, Gloucestershire, GL51 4UE.

The Scheme has a defined benefit ("DB") section which is no longer open to new members and as of 31 December 2015 closed to future accrual, and a defined contribution ("DC") section which is open to new members and is used as an auto-enrolment scheme by the employers.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2014. This means that contributions by the employers and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

2 Basis of preparation

The individual financial statements of Endsleigh Insurance Services Limited Pension and Assurance Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised November 2014) ("the SORP"). The scheme has taken up early adoption of FRED 62. This is the second year that the scheme has presented financial statements under FRS102 and the revised SORP.

3 Accounting policies

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

The Scheme accounts are presented under FRS 102. The scheme's functional and presentational currency is pounds sterling (GBP).

a) Investments

Pooled investment vehicles are stated at the closing bid price at the scheme year end date, as advised by the investment manager. APC funds are included in the financial statements as the balance of the

account at the year-end date as advised by the investment manager.

Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments during the year.

b) Investment income

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

ECashBuilder members can choose to pay APCs under the scheme. Contributions received are separately invested with Zurich Assurance Ltd in the name of the individual contributor. Contributions received from members and monies payable by the trustee in respect of benefits arising under APC arrangements have been included within the fund account.

c) Contributions

Normal contributions from the employer and employee are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid.

Additional contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier, with the agreement of the employer and the Trustees.

d) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is

exercised. Pensions in payment are accounted for in the period to which they relate.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the scheme as appropriate.

e) Transfers to and from other schemes

Transfer values represent the capital sums either received in respect of members from previous pension schemes or payable to the pension schemes of new employers for members who have left the scheme. They are accounted for on a cash basis or where the trustee has agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of the agreement

f) Other expenses and income

Premiums on life assurance policies and other income are accounted for on an accruals basis.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2016

Financial statements (continued)

Notes to the financial statements (continued)

4 Contributions

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Employer contributions						
- Normal	-	3,708	3,708	878	2,383	3,261
- Deficit funding	4,590	-	4,590	3,900	-	3,900
- Additional	150	-	150	600	-	600
- In respect of life assurance	-	100	100	70	10	80
Total Employer Contributions	4,740	3,808	8,548	5,448	2,393	7,841
Employee contributions						
- Normal	-	-	-	6	-	6
- Additional Personal Contributions (APC)	-	112	112	-	14	14
Total Employee Contributions	-	112	112	6	14	20
Grand Total	4,740	3,920	8,660	5,454	2,407	7,861

The deficit funding contributions are to improve the scheme's funding position in accordance with the recommendations of the actuary. Following the 31 December 2014 valuation (signed on 11 March 2016) the company had agreed to pay deficit funding contributions of at least £395k per month until 30 June 2022 (with a link to RPI p.a.) starting on 1 January 2016 until 31 December 2025.

The additional contributions of £50k per month ceased with the increase of the deficit funding contributions in 2016.

The EPensionBuilder contributions ceased as of 31 December 2015 with all members moving to ECashBuilder.

5 Transfers from other plans

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Individual transfers in from other plans	-	64	64	-	31	31
	-	64	64	-	31	31

6 Other Income

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
LRP Income	2	-	2	2	-	2
Insight Fees Refunded	4	-	4	-	-	-
	6	-	6	2	-	2

Financial statements (continued)

Notes to the financial statements (continued)

7 Benefits paid or payable

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Pensions	871	-	871	770	-	770
Commutations and lump sum retirement benefits	322	2	324	881	2	883
Lump sum death in retirement benefits	17	-	17	-	-	-
Lump sum death in service	-	-	-	-	-	-
	1,210	2	1,212	1,651	2	1,653

8 Transfers to other plans

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Individual transfers to other schemes	1,710	259	1,969	4,207	146	4,353
	1,710	259	1,969	4,207	146	4,353

9 Other payments

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Group life assurance premium	-	100	100	70	10	80
	-	100	100	70	10	80

The trustee has an insurance policy which is held with Zurich Assurance Ltd to cover the scheme against the lump sum payment in the event of an employee's death in service. £nil was claimed during the year (2015: nil).

10 Investment assets

Reconciliation of movements in investments during the year

£000s	Opening Value	Purchases at cost	Sale proceeds	Change in market value	Closing Value
Pooled investment vehicles:					
Legal & General	129,928	6,010	(500)	23,458	158,896
Insight	5,536	-	(3,889)	5,119	6,766
Insurance Policies	4,606	-	-	878	5,484
EPensionBuilder	140,070	6,010	(4,389)	29,455	171,146
Pooled investment vehicles:					
Zurich Assurance Ltd	8,968	4,138	(292)	1,755	14,569
ECashBuilder	8,968	4,138	(292)	1,755	14,569
Total net investments	149,038	10,148	(4,681)	31,210	185,715

Financial statements (continued)

Notes to the financial statements (continued)

11 Investment Management Expenses

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Management Fees	-	22	22	-	41	41
	-	22	22	-	41	41

12 Investment Transaction costs

Indirect costs are incurred through the bid-offer spread on pooled investment vehicles it has not been possible for the trustee to quantify such indirect transaction costs.

13 Transfers between sections

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Transfers between sections	17	(17)	-	105	(105)	-
	17	(17)	-	105	(105)	-

These transfers are the allocation of orphaned assets from ECB to EPB which are a result of ECB members surrendering their employer contributions as they have left within two years of joining and not transferred their benefits.

14 Pooled Investment Vehicles

Amount in £'000	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Pooled investment vehicles						
Legal & General	158,896	-	158,896	129,928	-	129,928
Insight	6,766	-	6,766	5,536	-	5,536
Zurich Assurance Ltd	-	14,569	14,569	-	8,968	8,968
Total	165,662	14,569	180,231	135,464	8,968	144,432

15 Insurance policies-annuities

The trustees hold insurance policies with Legal and General which provide annuity income to cover pensions for certain members.

16 ECashBuilder Investments

Investments purchased by the scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment managers hold the investment units on a pooled basis for the trustee through a policy of insurance with Zurich Assurance Ltd. The scheme administrators allocate investment units to members. The total investment figure includes £14,569k designated to members (2015: £8,968k).

Financial statements (continued)

Notes to the financial statements (continued)

17 Additional personal contribution (APC) investment

Members of the DC section are allowed to pay contributions at a higher rate than required in the Scheme rules. These contributions are co-invested with other DC assets and are not separately distinguishable.

18 Fair Value of Investments

The fair value of investments has been determined using the following hierarchy:

A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The scheme's investments have been included at fair value within these categories as follows:

Category				
				2016
Amount in £'000	1	2	3	Total
EPensionBuilder section				
Pooled investment vehicles	-	158,896	6,766	165,662
Insurance policies	-	-	5,484	5,484
ECashBuilder section				
Pooled investment vehicles	-	14,569	-	14,569
	-	173,465	12,250	185,715

Category				
				2015
Amount in £'000	1	2	3	Total
EPensionBuilder section				
Pooled investment vehicles	-	129,928	5,536	135,464
Insurance policies	-	-	4,606	4,606
ECashBuilder section				
Pooled investment vehicles	-	8,968	-	8,968
	-	138,896	10,142	149,038

19 Investment risks

FRS102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest risk and other price risk:

Financial statements (continued)

Notes to the financial statements (continued)

- **Currency risk:** this is the risk that the fair value or future value of cash flows will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates
- **Other price risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting a similar financial instrument traded in the market.

EPensionBuilder section

Investment strategy

The trustee determines their investment strategy after taking advice from a professional investment adviser. The scheme has exposure to these risks because of the investments it makes in following the investment strategy described in the trustee report.

Credit Risk

The scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles (2016: £165,662k 2015:£135,464k). The scheme is indirectly exposed to credit risk arising on the financial instruments held by the pooled investment vehicles.

The scheme's bond holdings in pooled investment vehicles are rated, with the majority of the bonds being A rated or above, with a small percentage allocated to BBB (31 December 2016: 0.1% - 0.2%) investments. Indirect credit risk arising from pooled investment vehicles is minimised by the underlying assets of the pooled arrangements being subject to minimum rating criteria, investing in a large number of issuers to reduce concentration risk, the regulatory environment in which the managers operate and diversification of investments amongst a number of pooled arrangements. Trustee directors carry out due diligence checks on appointment of new pooled investment managers and on an on-going basis monitor any changes to the operating environment of the pooled manager. Pooled investments of the scheme comprise managed funds and insurance policies.

Currency risk

The scheme has indirect exposure to currency risk because some of the investments are held in overseas markets via pooled investment vehicles. The trustees have set a bench mark limit to overseas currency exposure of 16% (£29,347k) of the total portfolio (2015- £21,995k).

Interest rate risk

The scheme is subject to interest rate risk because some of the scheme investments are held in bonds and LDI investments which invest in swaps, gilts and repurchase agreements (2016: £6,766k 2015: £5,536k). The trustee has set a benchmark limit of the total investment in bonds and the LDI fund of 68% of the total investment portfolio. Under the LDI Strategy if interest rates fall the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly if interest rates rise the LDI Investments will fall in value as will the actuarial liabilities because of an increase in the discount rate. At the year-end the LDI portfolio represented 4.1% of the total investment portfolio (2015: 4.1%)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking assets which includes equities held in pooled investment vehicles. The scheme has set a target asset allocation of 32% with a tolerance limit of +/- 5% (2016: £58,694k, 2015: £43,990k) of investment being held in return seeking investments.

The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

ECashBuilder Section

Investment strategy

The Trustees' objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product). The SIP outlines the investment objectives and strategy for the Defined Contribution assets of the Scheme.

The investment funds offered to members include white labelled funds provided by Zurich Assurance Ltd. These funds are specifically created for this Scheme which are invested in other funds available through Zurich Assurance Ltd's platform. Fifteen such funds are available;

- EFlexibleIncomePot
- EFundBuilder
- EPensionPurchasePot
- ERetirementLumpSum

The Trustee, together with the aid of their investment adviser has decided the asset allocation of the above funds and monitors the performance of the underlying funds. The day to day management of the underlying investments of the funds is the responsibility of the underlying fund managers. The trustees monitor the underlying risks by quarterly investment reviews with Zurich Assurance Ltd.

The risks disclosed here relate to the DC Section's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustees and therefore may face a different profile of risks from their individual choices compared with the Section as a whole.

Credit Risk

The DC Section (2016: £14,569k, 2015: £8,968k) is subject to indirect and market risk arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

Market Risk

The DC Section (2016: £14,569k, 2015: £8,968k) is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by the underlying fund managers.

Financial statements (continued)

Notes to the financial statements (continued)

20 Current assets

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Contributions due in respect of:						
Employer contributions due	-	-	-	-	252	252
Employee contributions due	-	-	-	-	1	1
Cash Balances	1,567	20	1,587	1,525	20	1,545
Cash In Transit	-	-	-	-	9	9
Sundry debtors	2	-	2	-	-	-
	1,569	20	1,589	1,525	282	1,807

All contributions due to the scheme at 31 December 2015 relate to December 2015 and were paid in full to the Scheme in accordance with the Schedule of Contributions, and therefore do not count as employer related investments.

21 Current liabilities

£000s	EPB 2016	ECB 2016	Total 2016	EPB 2015	ECB 2015	Total 2015
Other Creditors	13	-	13	12	-	12
Unpaid Benefits	3	-	3	182	-	182
	16	-	16	194	-	194

22 Contractual commitments and contingent liabilities

There were no significant contractual commitments or contingent liabilities at 31 December 2016 (2015: nil).

23 Related party transactions

BESTrustees plc received reimbursement of fees of £19k (2015: £30k) during the year in respect of duties as independent trustee director of the scheme.

Contributions in respect of trustee directors who are active members of the scheme have been made in accordance with the Trust Deed and Rules.

All scheme expenses, except for ECashBuilder administration costs and LDI management fees, are met by the company. This includes the trustee directors' remuneration as noted above.

Contributions made to ECashBuilder section are invested through a Corporate Savings Platform provided by Zurich Assurance Ltd. The total value of these funds at 31 December 2016 was £14,569k (2015: £8,968k).

A policy was taken out with Zurich Assurance Ltd to cover the scheme against the benefits payable if a member died whilst working for the company, the policy was taken out with effect from 31 December 2009.

24 Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

25 Employer-related investments

There were no direct employer-related investments during the year.

Independent auditors' statement about contributions to the trustees of the Endsleigh Insurance Services Limited Pension and Assurance Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the schedules of contributions for the scheme year ended 31 December 2016 as reported in Endsleigh Insurance Services Limited Pension and Assurance Scheme's summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the scheme actuary on 17 December 2015 and 11 March 2016.

What we have examined

Endsleigh Insurance Services Limited Pension and Assurance Scheme's summary of contributions for the scheme year ended 31 December 2016 is set out on the following page.

Responsibilities for the statement about contributions

Our responsibilities and those of the trustees

As explained more fully in the statement of trustees' responsibilities, the scheme's trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an examination of the summary of contributions involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the schedules of contributions and the timing of those payments.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date 8 June 2017

Summary of contributions payable during the year

During the year, the contributions payable to the scheme were as follows:

	EPB	ECB	Total
Amount in £'000	2016	2016	2016
Required by the schedule of contributions			
Normal contributions	-	3,708	3,708
Deficit reduction	4,590	-	4,590
Other contributions payable			
Additional	150	-	150
Life assurance	-	100	100
Additional personal contributions	-	112	112
Total per fund account	4,740	3,920	8,660

The actuary's certificate confirming the adequacy of the contribution rate is shown on the following page.

The summary of contributions on this page was approved by the trustee board on 8 June 2017 and is signed on their behalf by:

Director *Clive Gilchrist*

Name..... **CLIVE GILCHRIST**

Certification of the schedule of contributions


Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected, on 31 December 2014, to be met by the end of the period specified in the recovery plan dated ...11...March...2016..

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated ...11...March...2016.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:		Date:	..11.3.16.....
Name:	Susanna Morran	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's House St James's Square Cheltenham GL50 3PR	Employer:	Barnett Waddingham LLP