

The logo for PTL, consisting of the lowercase letters 'ptl' in a white, serif font, centered within a teal rectangular background.

ptl

# Chair's Annual Report

The PTL Governance  
Advisory Arrangement ('GAA')

March 2019

Countrywide Assured Workplace Personal Pension Plans

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1

## Introduction and Executive Summary



This report on the workplace personal pension plans provided by Countrywide Assured has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA'). It is our fourth annual report.

This report sets out our assessment of the value for money delivered to policyholders (see [Section 2](#)). It also explains the background and credentials of the GAA (see [Appendix 3](#)). The GAA works under Terms of Reference, agreed with Countrywide Assured, dated 16 March 2016. These are publicly available (see [Appendix 3](#)).

The workplace personal pensions provided by Countrywide Assured fall into one of three portfolios acquired by Countrywide Assured. These are:

- » City of Westminster.
- » Irish Life.
- » Save & Prosper (S&P).

The GAA believes that deciding what represents 'value for money' is subjective and that value for money will mean different things to different people. We think value for money can be judged by looking at the balance of all the costs paid by policyholders against the benefits and services provided from their policy, together with appropriate comparisons against other pension providers.

### The GAA's opinion on the value for money delivered is as follows:

- » **City of Westminster – reasonable to good value for money.**
- » **Irish Life – reasonable to good value for money.**
- » **S&P (with profit policies) – good value for money.**
- » **S&P (unit linked policies) – reasonable value for money.**

**Note** – *this assessment of value for money makes no allowance for actual investment performance. Holders of these policies have typically achieved good outcomes due to investments consistently out-performing their benchmark – see [Section 2](#) and [Appendix 2](#) for further detail of the value for money assessment.*

A colour-coded summary of our value for money assessment for different policy types is shown below:

Good ←-- ● --● --● --● --● --→ Poor	City of Westminster	Irish Life	S&P (with-profits)	S&P (unit-linked)
Investments	●	●	●	●
Communications and support	●	●	●	●
Risk management: operational and financial	●	●	●	●
Other factors: administration, options at retirement, etc.	●	●	●	●
Overall benefit	●	●	●	●
Level of charges	●	●	●	●
<b>Overall value for money assessment</b>	●	●	●	●

The GAA has not raised any new concerns with Countrywide Assured during the year (see [Section 3.2](#)).

Arrangements have been put in place to ensure that the views of the policyholders can be directly represented to the GAA (see [Section 3.3](#)).



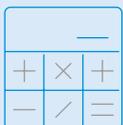
If you are a policyholder and have any questions, require any further information or wish to make any representation to the GAA you should contact:

**Gabrielle Towell**  
**Countrywide Assured plc**

2nd floor, Building 4, West Strand Business Park  
 West Strand Road, Preston  
 Lancashire, PR1 8UY

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## Value for money assessment



The GAA has assessed the value for money delivered by Countrywide Assured to its workplace personal pension policyholders by looking at cost versus benefits. More detail about how we have done this is set out in Appendix 2.

### Key highlights of our assessment:

- » Countrywide Assured has invested significant resource in a major Customer Strategy Review. This is of benefit to policyholders and in the last year led to tangible improvements.
- » This review includes a Product Governance Framework which has a specific objective to review the complete legacy book of business from a value for money perspective.
- » The investment options available vary between the individual pension portfolios and generally offer a good range of options.
- » The Investment Committee (IC) has a thorough process of investment fund review including good management information and a regular programme of investment manager meetings. This is of considerable importance in the context of the investment fund charges for the S&P Policyholders.
- » The investment objectives could be described in more detail. The parameters and constraints of the investment management and the degree of risk could be clearer to assist policyholders.
- » The service levels achieved have been very good with consistent and strong performance statistics.
- » Transaction cost data under the Financial Conduct Authority (FCA) prescribed method from 3 January 2018 has been collected for most funds and appears reasonable.
- » The Customer Strategy Review has led to an expanded and enhanced website facility for policyholders. Further website facilities are due to be available soon for Policyholders.

- » The combined impact of charges varies significantly between policies – particularly in relation to varying premium sizes and length of time a policy is in force. The charges for S&P policies are generally relatively high compared to market practice for new policies. We note that the most commonly used fund (the S&P managed fund) has delivered very strong investment returns net of charges over most recent years.
- » Additional charges are incurred for the S&P with-profits fund in exchange for an underpin to the guaranteed rate of return. This is generally accepted as being a valuable benefit.
- » Policyholder communications have been through a significant review as part of the Customer Strategy Review and enhanced communications have been delivered during 2018. Policyholder telephone support is of a good quality.
- » The range of choice of retirement options is reasonable.

### **In our opinion the value for money delivered from the various policies is**

- » **City of Westminster – reasonable to good value for money**
- » **Irish Life – reasonable to good value for money**
- » **S&P (with profit policies) – good value for money**
- » **S&P (unit linked policies) – reasonable value for money.**

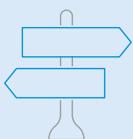
The GAA's assessment of value for money is carried out on an ongoing basis and makes no explicit allowance for actual investment performance over the life of the policies. Nonetheless, it is part of past outcomes and the build up of current investment fund values for members and value for money experienced in the past, even if not guaranteed for the future. Countrywide Assured are of the opinion that actual investment performance should be a critical factor of the value for money assessment. The GAA is of the view that Countrywide Assured have a robust Investment Committee review process in place to assess on an ongoing basis the potential for future performance and to make changes as required if performance does not justify the fees. The GAA has been provided with evidence of this robust process.

How this impacts on the value for money assessment can be demonstrated with the S&P unit-linked policies. Looking at the Managed Fund, the most commonly used investment option; investment performance has consistently outperformed its benchmark, meaning that policyholders investing in this fund have probably achieved good outcomes to date. However, the GAA assessment of value for money (which doesn't give explicit allowance for past investment performance) rates these policies as 'reasonable value for money'. This relies on the investment review process without which the value for money would be rated lower. Policyholders already retired are likely to have received good value for money.

This feeds through into recommendations from the GAA to Countrywide Assured and our discussions with them. The GAA had considerable debate about the Investment Committee review process including reviewing the investment funds with the highest charges. However, a review does not necessarily lead to a change and it is correct to consider current investment processes and management, investment performance experienced, the assessed volatility and future value of investment charges in such a review.

## 3

## GAA activity and regulatory matters



This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

### 3.1 GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies on 31 May 2018.

On 11 October 2018, members of the GAA visited Countrywide Assured to meet our main contact and other senior executives with responsibility for compliance, technical pensions support, investment governance and customer strategy.

Countrywide Assured provided all the information we requested at or before the site visit and in subsequent follow up requests.

The GAA held 4 meetings during 2018/19 to review and discuss the information we had received and to develop and improve the way that we assess value for money and report on this.

### 3.2 Concerns and challenges raised with the Provider by the GAA and their response

The GAA has raised a number of challenges with Countrywide Assured for their consideration, these are:

- » Countrywide Assured should continually examine the scope for reductions in charges, where these may be feasible. In particular, charges vary between contracts. Whilst Countrywide Assured were not part of the Independent Project Board (IPB) review, it is worth being cognisant of the 1% per annum threshold on charges, excluding transaction costs, from this review albeit it is not a regulatory

requirement to meet this threshold. Total charges for some Countrywide Assured policies exceed 1% per annum, which was more typical historically when these policies were sold. Countrywide Assured continue to believe that this has been more than compensated for by the strong investment performance to date for the most commonly used fund. It was also noted that the IPB stated that there was no 'one size fits all' charge structure that would assure that all customers get 'value for money' all of the time. Value for money will depend on customers' decisions and behaviours and important qualitative factors including governance, investment performance, transaction costs and communication with customers.

- » Lifestyling is not available on any of the workplace policies, although it is accepted that this is difficult to implement in a single strategy because the variety of methods of drawing benefits from policies makes policyholder intentions and timing hard to predict. The introduction of pensions freedoms means it is difficult to have appropriate lifestyling for all policyholders. Countrywide Assured have reviewed communications approaching retirement age in their enhanced Customer Strategy which has improved this phase of communications considerably during 2018, including a reminder on all annual benefit statements for Policyholders to consider if their investment fund choices remain suitable for their requirements.

The GAA has had considerable discussion with Countrywide Assured on the issue of charges and investment returns. The GAA considers that a robust investment review process is in place. The reasons for the S&P Managed Fund past performance, the assessed investment process and conviction regarding the likelihood of good net future investment returns with suitable asset and risk profiles are vital as part of such a process, and also whether the current funds are suitable given the level of charges.

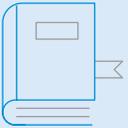
### 3.3 The arrangements put in place for policyholders' representation

The following arrangements have been put in place to ensure that the views of policyholders can be directly represented to the GAA:

- » The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been communicated via the Countrywide Assured website and has been highlighted on annual benefit statements since April 2016. We also understand that Countrywide Assured send mailings each year to all relevant policyholders to make them aware of the GAA report.
- » Countrywide Assured will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders.
- » Where Countrywide determines that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

## 4

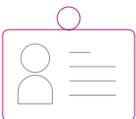
## Next steps



This GAA report is for the year to 5 April 2019. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

In the next year the GAA will look in further detail at:

- » Any potential considerations for reductions in charges
- » The completion of the enhanced Customer Strategy.
- » Further consideration of investment funds and options.
- » Review how Environmental, Social and Governance factors are embedded into the investment process.



If you are a policyholder this report is for your information only and you do not have to take any action. If you do have any questions, require any further information or wish to make any representation to the GAA you should contact Countrywide Assured at the address shown on page 4.

**Keith Lewis**

**Chair: PTL Governance Advisory Arrangement**

## Appendix

1

## Summary of workplace personal pensions data at 31 December 2017

	City of Westminster Personal Pension Scheme (CWA)	Irish Life Personal Pension Program (IL)	Save & Prosper Personal Retirement Account (S&P)
<b>Number of employers:</b> non-qualifying for auto-enrolment* qualifying for auto-enrolment	Not known 0	Not known 0	82 0
<b>Total number of policyholders</b> contributing / non-contributing	7 1 / 6	103 9 / 94	292 20 / 272
<b>Total value of assets (market value)</b>	<b>£0.06m</b>	<b>£3.29m</b>	<b>£4.68m</b>

\* none of these categories are open to new entrants.

Work has been carried out to identify the Workplace Personal Pension policyholders. However, as these cannot be easily identified it is possible that the data shown may be overstated.

# Appendix

## 2

### Value for money assessment

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The GAA believes that value for money is necessarily highly subjective and will mean different things to different people over time, depending on what they consider important at that time. We believe that it is always a balance of cost versus benefits. There is not enough publicly available data to perfectly assess value for money in an absolute or relative way. We have, however, been able to carry out limited relative comparison of the costs and benefits of these workplace personal pension plans with similar products from similar providers.

The GAA has assessed the value for money delivered by Countrywide Assured to its workplace personal pension policyholders by looking at costs compared against our evaluation of the quality of the benefits.

We have looked at the benefits offered to policyholders in four main areas – investment, communications, risk management and administration – together with other features such as the range of options available at retirement. In making our overall assessment of the quality of the benefits and standards achieved, where possible we have taken into account the likely needs and expectations of this group of policyholders, based on the information available to us.

We have looked at the total ongoing cost of the policy by analysing all the charges, which may be applied in a number of different ways.

Finally, we have considered the quality of benefits offered versus the charges deducted, to reach an overall opinion on value for money. Where possible, we have formed our opinion taking into account the benefits and charges of other similar providers.

In each area of benefits, in the tables on the next few pages we have described the features in the left hand column, based on the information given to us. Our opinion on quality is given alongside in the right hand column. Where we have used technical pensions terms or jargon, these are explained in the glossary at the back of this report.

## Description of arrangements

## GAA assessment and opinion

## Investment – Design and performance of investment strategies

The schemes do not have a default investment fund. The S&P managed pension fund is the most commonly used fund.

There is a committee structure to review investment funds.

There was no requirement for default funds when these policies were sold. Therefore, it is important that the main funds used are suitable for most policyholders. Most policyholders use the managed fund options.

No lifestyle facility is available, although the range of funds includes options which would be suitable for policyholders to use for de-risking as they approach retirement.

Countrywide Assured have reviewed communications approaching retirement age to include a reminder on all annual benefit statements for Policyholders to consider if their investment fund choices remain suitable for their requirements.

## Investment – Fund range available

The main unit linked funds available on the Schemes are:

**City of Westminster**

Adventurous Managed Balanced Managed · Conservative Managed · Equity · European · Fixed Interest · International · Secure Growth

*Fund Manager:* Irish Life Investment Managers

**Irish Life**

Balanced Managed · Deposit · Fixed Interest · International Equity · Opportunity Managed · Property · Security Managed · UK Equity

*Fund Manager:* Irish Life Investment Managers

**S&P**

Cautious Managed · Equity · Gilt · Global Equity · High Interest · Managed · With-profits

*Fund Manager:* JP Morgan

Countrywide Assured believe that policyholders who originally purchased a S&P policy would have placed considerable weight on the investment management being carried out by JP Morgan, and they believe that this brand loyalty, combined with their historic investment out-performance (net of charges), continues to add value for policyholders.

We believe that a good range of funds is available for policyholders, in particular the S&P policies constituting the majority of the membership.

The S&P With-Profits funds offer valuable guarantees in exchange for a higher level of charges.

### Investment – How investment performance of the fund range is reviewed and any changes made

A description has been provided of the investment monitoring and governance process for the unit-linked fund range and with-profits fund, including a copy of the Investment Policy and the roles and responsibilities of the Investment Committee.

Evidence has been provided that the characteristics and net performance of the investment strategies are regularly reviewed by the Investment Committee to ensure that they are aligned with the interests of policyholders. This has included Committee minutes. The Committee meets 4 times per annum plus an additional governance meeting, with additional liaison and decisions in-between as required. The main investment managers have separate meetings with Countrywide Assured 4 times per annum

The Investment Committee adopt a RAG analysis to monitor individual funds. LIPPER statistics are also used for the purposes of external comparison plus Association of British Insurers (ABI) sector comparisons.

The Investment Committee reports quarterly to the Board. Investment performance is monitored net of transaction costs.

Additional oversight is applied to with-profits (or unitised managed funds with guarantees) via the with-profits committee.

Countrywide Assured has developed and implemented a new investment governance structure. It has also developed a Product Governance Framework to review, amongst other things, fairness to customers.

Some investment fund changes have occurred.

The Investment Committee includes an external independent investment consultant to assist in their challenge to investment fund managers and their wider considerations.

The Countrywide Assured internal audit team visit investment fund managers to review governance processes.

Countrywide Assured have followed a strategy of retaining the original fund managers where they acquire books of business and transfer them into their book. This has ensured a consistency of approach and maintains the objectives from when the policies were started.

The GAA is of the view that a robust investment fund governance structure is in place with the Investment Committee willing to recommend changes it considers necessary.

The GAA has noted and discussed with Countrywide Assured their assertions regarding the value placed by policyholders on JP Morgan's investment management capabilities which, when combined with their investment performance, they believe helps to justify the level of charges. In the absence of any specific evidence to confirm this, such as the results of a policyholder survey, the GAA has not given significant weighting to this aspect in its overall assessment of value for money for the S&P unit-linked policies in this year's report.

The LIPPER statistics are not perfect as a benchmark although they do provide a guide.

**Description of arrangements****GAA assessment and opinion****Investment – Transaction costs**

Transaction costs data have been provided from all investment fund managers for the main investment funds used, using the FCA prescribed method.

The transaction costs data showed costs for 2018 which were very low for nearly all funds and reasonable for all funds consistent with the style of investment management.

**Communications and Support – Statement of aims and objectives of investment strategies**

The investment fund factsheets provide considerable detail on the investments held. The investment objectives are described in one sentence. Countrywide Assured are looking at the accessibility of information and the level of information available for policyholders.

There is a good amount of detail given and the factsheets are easy to find via the website for policyholders. The investment objectives could be described in a little more detail and the parameters and constraints of the investment management and the degree of risk could be clearer to assist policyholders.

**Communications and Support – Overall quality of written communications, including education on pension saving**

Sample policyholder communications have been provided including revised annual benefit statements, pre-retirement wake up letters or packs, and retirement option packs. Details of telephone scripts have been provided and updated Customer Strategies Policyholder telephone support.

Communications near to and at retirement have been reviewed as part of the Customer Strategy Review. New guides have been developed on options, annual statements and transfers.

Policyholder telephone support is of a good quality.

Policyholder communications have been through a significant review as part of the Customer Strategy Review. This has improved the overall quality for policyholders.

## Description of arrangements

## GAA assessment and opinion

### Communications and Support – Other support, including telephone and online

There has been considerable website development in 2018 making more information readily available for Policyholders.

Telephone support is available from a dedicated pensions team, free of charge or local rate in the UK. All policyholders taking benefits with Countrywide Assured receive a phone call to ensure they understand the risks linked to their chosen benefits before that benefit is paid.

The main interaction with policyholders is via telephone calls which are followed up in writing. Close oversight is made with call recordings and staff individual testing. There are detailed call scripts. In the last 18 months average call times have increased. Countrywide Assured are seeking to improve their website which may reduce the frequency and need for telephone calls thereby assisting the telephone support service levels.

Policyholders can obtain updated fund values over the telephone other than with-profits policyholders who can obtain figures after a delay. Countrywide Assured is currently reviewing and enhancing its website which will be of benefit to members who wish to interact electronically and seek information at any time.

Service levels are monitored monthly and Countrywide Assured meet monthly with the administrators.

Although policyholders cannot log into the website to see their fund value, they can obtain this information immediately over the phone during weekday working hours, except for with-profits.

Whilst the administration monitoring is detailed, the service is outside Countrywide Assured's immediate control. Nonetheless, statistics would suggest very good standards are being maintained.

The investment in enhancing the member on-line facilities is welcome and positive.

Positive Policyholder feedback surveys have been implemented.

### Communications and Support – When choosing retirement options

All policyholders taking benefits with Countrywide Assured receive a phone call to ensure that they understand the risks of their chosen benefit before it is paid.

There is a series of letters sent at different periods before selected retirement date.

The communication materials are clear and give detail on the options available.

There may be benefit to policyholders if the process started more than one year before retirement age.

### Risk Management – Security of IT systems and data protection

Security of IT systems is the responsibility of the Head of Operations. A specialist external partner is working with Countrywide Assured on cyber security. Improvements to security of data transfers have been implemented.

We believe that IT security and GDPR compliance are adequate, based on the description of the frameworks given to us.

Note that we have not taken any independent advice from cyber security or data protection experts to support this opinion.

**Description of arrangements****GAA assessment and opinion****Risk Management – Financial strength and stability**

The financial strength of Countrywide Assured is regularly reported to the Prudential Regulatory Authority as part of the normal supervisory reporting. Countrywide Assured is part of the Chesnara plc group whose financial strength is reported to the market on a six-monthly basis. The latest financial strength report showed a material margin above Solvency II insurance reserving requirements.

We are satisfied that financial security of the organisation should not be a concern for policyholders.

**Risk Management – Independent assurance of firm controls**

There is independent assurance of internal controls as part of the annual audit by Deloitte LLP. There is an internal audit department working to an audit plan reporting to the Board's Audit and Risk Committee.

We believe the internal audit process is appropriate. Several internal audit reports have been supplied. These showed considerable detail and recommendations for improvements. The process is rigorous.

**Risk Management – Product Development process to assist policyholder outcomes**

There is a regular process of internal product review to ensure that products remain fit for purpose and suitable for policyholders.

We believe that the process of internal product review is appropriate and that actions are addressed where the audit identifies areas for improvement.

**Risk Management – Product development process to assist policyholder outcomes**

A regular process of internal product review is established with the aim of ensuring that products continue to provide good outcomes for policyholders. A Product Governance Framework prepared and implemented a framework for reviews which are ongoing. The framework has several strands covering aspects of fairness, expectations, service experience, benchmarking outcomes, governance and solvency.

The framework established is comprehensive. The process is ongoing, whilst not all of the product reviews have been completed they have for the largest parts of the in scope portfolio.

**Risk Management – Processes for protecting policyholders against fraud and scams**

Countrywide Assured is working with outsourcers to reduce the risk of fraud and scams. This includes website details and leaflets for policyholders as what to look out for. Transfer requests are assessed and questionnaires issued with warnings where considered appropriate. Warnings are given in all pre-retirement telephone calls.

New policies are in place for policyholders defined as vulnerable customers.

We believe this approach is adequate.

## Description of arrangements

## GAA assessment and opinion

### Administration service and core financial transactions

Countrywide Assured have a philosophy of outsourcing day-to-day activity.

On 11 October 2018 we met with representatives of Countrywide Assured who manage the third party administrators. Customer experience is being tested using an external provider. A service rating review is offered at the end of every telephone call.

We believe that the administration service provided to policyholders is of a good standard and that, if the agreed Service Standards are met, core financial transactions will be processed promptly and accurately. There has been consistent strong service performance statistics during the last year.

### Other governance or support arrangements

Countrywide Assured is investing significant resource in developing and implementing an enhanced customer strategy. This has been approved by the Board, and a number of items have been completed in 2018, and the complete strategy will be embedded within the next one to two years. This development follows the FCA thematic review of closed savings portfolios.

The review of customer strategy is expected to enhance the Policyholder experience once completed.

### Retirement options

Some decumulation options after retirement are available to policyholders. Policyholders can move into an arrangement offering UFPLS without requiring an external transfer after going through a scripted risk warning process. Most policies are set up in tranches, which would enable policyholders to take more than one UFPLS.

A transfer would be required to move into flexible income drawdown and no additional charges would be applied to this transfer, compared to a transfer to any other pension arrangement pre-retirement age.

Policyholders interested in an annuity option are directed to the Hargreaves Lansdown website on a non-advised basis.

In our opinion, the range of choice of retirement options is reasonable. The additional options available can be accessed through transfers, but may not be appropriate in any case based on the policyholder profile.

The annuity service established on a non-advised basis is helpful for policyholders wishing to explore that option.

### Charges and direct and indirect costs borne by policyholders

The Annual Management charge (AMC) for the S&P funds varies from 0.5% per annum for the gilt and property funds to 1.29% per annum for the most commonly used Managed Fund, 1.25% per annum for With-Profits and 1.74% per annum for the Global Equity Fund.

The charging structure for the S&P Policies includes bid/offer spreads, varying allocation rates by size of premium and/or term of policy, capital units, loyalty bonuses and early exit charges for capital unit elements. The combined impact of these charges varies significantly between policies – particularly in relation to varying premium sizes and length of time a policy is in force.

Irish Life policies have an AMC of 0.75% per annum plus policy fees and capital units. Some policies have bonuses applied.

A 1% cap for exit charges for Policyholders over age 55 has been introduced.

Some of the S&P unit linked charges are at the higher end of market practice when compared to new policies. Whilst Countrywide Assured have not been part of the IPB review, it is worth being cognisant of the 1% per annum threshold for risk of high charging adopted by the IPB in this review, but noting that this is not a regulatory requirement. The IPB stated that there was no ‘one size fits all’ charge structure that would assure that all customers get ‘value for money’ all of the time. Value for money will depend on customers’ decisions and behaviours and important qualitative factors including governance, investment performance, transaction costs and communication with customers.

This threshold is on total charges, excluding transaction costs. Total charges for some Countrywide Assured policies exceed 1%. As noted elsewhere in this report, investment performance net of these charges has been strong for the most commonly chosen investment fund.

For With-Profits policies guarantees can provide a valuable additional benefit for policyholders. Where a guarantee bites, Countrywide Assured has to hold an additional reserve in respect of these. The GAA has received evidence that due to the current financial environment these guarantees are biting for a number of policies and so providing a valuable benefit.

## Overall assessment of value for money

**In our opinion the value for money delivered from the various policies is:**

- » **City of Westminster – reasonable to good value for money**
- » **Irish Life – reasonable to good value for money**
- » **S&P (with profit policies) – good value for money**
- » **S&P (unit linked policies) – reasonable value for money**

**Note** – *this assessment of value for money makes no allowance for actual investment performance. Holders of these policies have typically achieved good outcomes due to investments consistently out-performing their benchmark.*

The GAA's assessment of value for money is carried out on an ongoing basis and makes no explicit allowance for actual investment performance over the life of the policies. Nonetheless, it is part of past outcomes and the build up of current investment fund values for members and value for money experienced in the past, even if not guaranteed for the future. Countrywide Assured are of the opinion that actual investment performance should be a critical factor of the value for money assessment. The GAA is of the view that Countrywide Assured have a robust Investment Committee review process in place to assess on an ongoing basis the potential for future performance and to make changes as required if performance does not justify the fees.

How this impacts on the value for money assessment can be demonstrated with the S&P unit-linked policies. Looking at the Managed Fund, the most commonly used investment option; investment performance has consistently outperformed its benchmark, meaning that policyholders investing in this fund have probably achieved good outcomes to date. However, the GAA assessment of value for money (which doesn't give explicit allowance for past investment performance) rates these policies as 'reasonable value for money'. This relies on the investment review process without which the value for money would be rated lower. Policyholders already retired are likely to have received good value for money.

# Appendix

## 3

### Background and credentials of the PTL Governance Advisory Arrangement

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In February 2015 the Financial Conduct Authority (FCA) set out new rules for Providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, Providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- » Act solely in the interests of the relevant policyholders of those pension plans and to
- » Assess the 'value for money' delivered by the pension plans to those relevant policyholders.

The FCA rules also require that the Chair of each Independent Governance Committee and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

The PTL Governance Advisory Arrangement was established on 6 April 2015 and has been appointed by a number of workplace personal pension Providers. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust based pension schemes and we sit on a number of IGCs. We have oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at [ptluk.com](http://ptluk.com).

All of PTL's Client Directors have been appointed to the GAA. More information on each of them, their experience and qualifications can be found at [ptluk.com/team](http://ptluk.com/team).

Dean Wetton is also a member of the GAA. Dean is independent of PTL. Information on his experience and qualifications can be found at [www.deanwettonadvisory.com](http://www.deanwettonadvisory.com).

PTL, its Client Directors and Dean Wetton are independent of all of the Providers participating in the GAA in so far as:

- » They are not directors, managers, partners or employees of any of the Providers, or any company within their groups, or paid by them for any role other than as members of the GAA, nor are they members of the share option or performance related pay schemes of any of the Providers nor have they been within the last five years.
- » They do not have a material business relationship of any description with any of the Providers, or any company within their groups, and have not done so within the last three years.

Any potential conflicts of interest are recorded in a log and considered by the GAA in accordance with its conflict of interest policy.

The members of the GAA are appointed by the board of PTL. The board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience and independence to act in the interests of the members of the Providers' pension plans.

The terms of reference agreed with Countrywide Assured can be found at:

[www.countrywideassured.co.uk](http://www.countrywideassured.co.uk)

# Glossary

## Allocation rate

The proportion of the investment that is invested. Any deduction is typically to cover set up costs. Where the allocation rate is more than 100%, this is typically to reduce the effect of other charges or costs.

## Annual Management Charge or AMC

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

## Annuity

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is 'joint life', it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ('the annuitant').

## Bid / offer spread

The amount by which the ask, or purchase, price exceeds the bid, or sell, price

## Capital units

A way of charging for the cost of setting up a pension policy over the lifetime of the policy. Some or all of the contributions in the early years are used to buy a different type of unit in the chosen investment fund, and these units are gradually sold or cancelled each year. The money from cancelling the units is taken by the provider to meet the cost of setting up the policy.

## Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

- » Investment of contributions.
- » Implementation of re-direction of future contributions to a different fund.
- » Investment switches for existing funds, including lifestyling processes.
- » Settlement of benefits – whether arising from transfer out, death or retirement.

## Decumulation

The process of using policyholder's fund to provide retirement income. This could involve purchasing an annuity to provide an income for life or leaving the fund invested and taking it out as one or more lump sums.

## Default investment strategy

The investment funds into which contributions are invested for policyholders who do not select other specific investment funds from the full range of funds available.

## Exit charges

A charge taken when you leave an investment option / provider.

## Flexible drawdown or Flexi Access Drawdown

An option for an individual to receive payments from their pension fund as they choose.

## Lifestyling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

## Transaction costs

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.

## UFPLS or Uncrystallised Funds Pension Lump Sum

A method of drawing cash from a pension pot without buying an annuity or using drawdown

## With Profits

An insurance contract that participates in the profits of an insurance company. The insurance company aims to distribute part of its profits to with-profits policy holders in the form of bonuses.

ptl



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