

**CHAIR'S ANNUAL REPORT:**  
**The PTL Governance Advisory Arrangement**  
**Countrywide Assured workplace personal pension plans**

April 2017

## **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 second 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.

**The GAA’s opinion on the value for money delivered is as follows:**

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

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.

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 to poor value for money”. Policyholders already retired are likely to have received good value for money.

This feeds through into recommendations from the GAA to Countrywide Assured. These include reviewing the investment funds due to the high 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.

See Section 2 and Appendix 2 for more details of the value for money assessment.

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

	City of Westminster	Irish Life	S&P (with-profits)	S&P (unit-linked)
Investments	Yellow	Yellow	Green	Yellow
Communications and support	Yellow	Yellow	Yellow	Yellow
Risk Management: Operational and Financial	Light Green	Light Green	Light Green	Light Green
Other factors: administration, options at retirement, etc.	Light Green	Light Green	Green	Light Green
Overall benefit:	Light Green	Light Green	Light Green	Light Green
Level of charges	Yellow	Yellow	Yellow	Orange
<b>Overall value for money assessment</b>	Yellow	Yellow	Green	Orange

The GAA has not raised any 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:

**Ian King, Countrywide Assured plc, 2nd floor, Building 4, West Strand Business Park, West Strand Road, Preston, Lancashire, PR1 8UY**

## 2. 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 is investing significant resource in enhancing the existing Customer Strategy. This includes a Product Governance Framework which has a specific objective to review the complete legacy book of business from a value for money perspective. Whilst at an early stage, the first reviews are scheduled for Q2 2017. We understand that workplace pensions will be amongst the highest priority tranches.
- The investment options available vary between the individual pension portfolios and generally offer a good range of options.
- 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.
- Investment performance is monitored regularly by the Investment Committee (IC) and the IC reports quarterly to the Board. Evidence of any subsequent actions is limited, although we understand that Countrywide Assured has recently revised the approach as part of the Customer Strategy review. This includes documented management actions in response to inadequate investment performance.
- Initial transaction cost data is under review. Further analysis and data will be sought before any meaningful conclusions are reached.
- 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. 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 and telephone support are of a reasonable quality overall.
- 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 value for money
- Irish Life – reasonable value for money
- S&P (with profit policies) – good value for money
- S&P (unit linked policies) – reasonable to poor 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.**

### **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 12 May 2016 and 5 August 2016.

On 4 October 2016, 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 the site visit and in subsequent follow up requests.

The GAA held 7 meetings during 2016 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. Countrywide Assured attended part of one of these meetings to discuss last year's value for money assessment and report.

#### **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 have not been part of the IPB review, it is worth being cognisant of the 1% per annum threshold on charges from this review. This threshold is on total charges, excluding transaction costs. Total charges for some Countrywide Assured policies exceed this 1% threshold by some margin.
- To date Countrywide Assured have not been able to provide any reliable data on transaction costs. The GAA has reaffirmed its request for this information and will continue to push for information on transaction costs, especially with the FCA having a preferred method outlined in consultation. However, the GAA notes that this method has yet to be finalised and that many investment managers have been reluctant to provide data until the method is finalised.
- Lifestyling is not available on any of the workplace policies. Consideration should be given to reminding policyholders that they should consider the ongoing appropriateness of the investment funds that they have chosen. The variety of methods of drawing benefits from policies makes policyholder intentions and timing hard to predict. Countrywide Assured are giving priority to communications approaching retirement age in their enhanced Customer Strategy which will assist Policyholders. Nonetheless, without prejudicing the outcome, the GAA believes that Countrywide Assured should continue to consider whether a lifestyling option close to retirement age could be appropriate.

The GAA has had considerable discussion with Countrywide Assured on the issue of charges and investment returns. The GAA recommends an ongoing review of investment funds but it is for Countrywide Assured to determine. 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 needs to be part of such a review, and whether the current funds are suitable given the level of charges.

The GAA acknowledges that the with-profits policies have guarantees which offer good value for money.

### **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. A paragraph has been added to the Key Features Document for any new policyholders. We also understand that Countrywide Assured will write 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

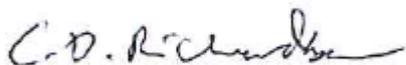
This GAA report is for the year to 5 April 2017. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

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

- Any potential considerations for reductions in charges
- The level of transaction costs within the individual funds
- The investment review process
- Developments on the enhanced Customer Strategy.

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 below:

**Ian King, Countrywide Assured plc, 2nd floor, Building 4, West Strand Business Park, West Strand Road, Preston, Lancashire, PR1 8UY**



Colin Richardson

Chair: PTL Governance Advisory Arrangement

## Appendix 1

### Summary of workplace personal pensions data at 31 December 2015

	<b>City of Westminster Personal Pension Scheme (CWA)</b>	<b>Irish Life Personal Pension Program (IL)</b>	<b>Save &amp; Prosper Personal Retirement Account (S&amp;P)</b>
Number of employers: non-qualifying for auto-enrolment*	Not known	Not known	178
Number of employers: qualifying for auto-enrolment	0	0	0
Total number of policyholders	8	115	347
Contributing/Non-Contributing	1 / 7	9 / 106	32 / 315
Total value of assets (market value)	£0.1m	£2.8m	£6.75m

\* 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

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 three main areas – investment, communications 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. 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. However, Countrywide Assured are of the opinion that actual investment performance should be a critical factor of the value for money assessment.

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 who have reached retirement have probably achieved good outcomes. However, the GAA assessment of value for money (which doesn't give explicit allowance for actual investment performance) rates these policies as "reasonable to poor value for money". Policyholders already retired may have received better value for money in recent years.

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.

<b>Investment - Design and performance of investment strategies</b>																																
<p>The schemes do not have a default investment fund or lifestyle strategy. The S&amp;P managed pension fund is the most commonly used fund. This has a high charge levied.</p> <p>There is a committee structure to review investment funds.</p>		<p>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.</p> <p>No lifestyling 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.</p> <p>The S&amp;P managed fund has a high charge and has delivered strong investment performance net of this charge in most recent years.</p>																														
<b>Investment – Fund range available</b>																																
<p>The main unit linked funds available on the Schemes are:</p> <table border="1"> <thead> <tr> <th><b>City of Westminster</b></th> <th><b>Irish Life</b></th> <th><b>S&amp;P</b></th> </tr> </thead> <tbody> <tr> <td>Adventurous Managed</td> <td>Balanced Managed</td> <td>Cautious Managed</td> </tr> <tr> <td>Balanced Managed</td> <td>Deposit</td> <td>Equity</td> </tr> <tr> <td>Conservative Managed</td> <td>Fixed Interest</td> <td>Gilt</td> </tr> <tr> <td>Equity</td> <td>International Equity</td> <td>Global Equity</td> </tr> <tr> <td>European</td> <td>Opportunity Managed</td> <td>High Interest</td> </tr> <tr> <td>Fixed Interest</td> <td>Property</td> <td>Managed</td> </tr> <tr> <td>International</td> <td>Security Managed</td> <td>With-profits</td> </tr> <tr> <td>Secure Growth</td> <td>UK Equity</td> <td></td> </tr> <tr> <td>Fund Manager: Irish Life Investment Managers</td> <td>Fund Manager: Irish Life Investment Managers</td> <td>Fund Manager: JP Morgan</td> </tr> </tbody> </table>		<b>City of Westminster</b>	<b>Irish Life</b>	<b>S&amp;P</b>	Adventurous Managed	Balanced Managed	Cautious Managed	Balanced Managed	Deposit	Equity	Conservative Managed	Fixed Interest	Gilt	Equity	International Equity	Global Equity	European	Opportunity Managed	High Interest	Fixed Interest	Property	Managed	International	Security Managed	With-profits	Secure Growth	UK Equity		Fund Manager: Irish Life Investment Managers	Fund Manager: Irish Life Investment Managers	Fund Manager: JP Morgan	<p>We believe that a good range of funds is available for policyholders, in particular the S&amp;P policies constituting the majority of the membership.</p> <p>The S&amp;P With-Profits funds offer valuable guarantees in exchange for a higher level of charges.</p>
<b>City of Westminster</b>	<b>Irish Life</b>	<b>S&amp;P</b>																														
Adventurous Managed	Balanced Managed	Cautious Managed																														
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European	Opportunity Managed	High Interest																														
Fixed Interest	Property	Managed																														
International	Security Managed	With-profits																														
Secure Growth	UK Equity																															
Fund Manager: Irish Life Investment Managers	Fund Manager: Irish Life Investment Managers	Fund Manager: JP Morgan																														

**Description of arrangements**

**GAA assessment and opinion**

<p>Countrywide Assured believe that policyholders who originally purchased a S&amp;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, whilst noting that other investment managers would potentially offer lower cost funds.</p>	
<p><b><i>Investment - How investment performance of the fund range is reviewed and any changes made</i></b></p>	
<p>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.</p> <p>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.</p> <p>The Investment Committee adopt a RAG analysis to monitor individual funds. LIPPER statistics are also used for the purposes of external comparison.</p> <p>The Investment Committee reports quarterly to the Board, and also meet face-to-face with investment managers quarterly. Investment performance is monitored net of transaction costs.</p> <p>Additional oversight is applied to with-profits (or unitised managed funds with guarantees) via the with-profits committee.</p> <p>Countrywide Assured has developed and implemented a new investment governance structure. It is also developing a Product Governance Framework to review, amongst other things, fairness to customers.</p>	<p>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.</p> <p>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&amp;P unit-linked policies in this year’s report.</p> <p>The LIPPER statistics are not perfect as a benchmark although they do provide a guide.</p>

<p><b><i>Communications and Support - Statement of aims and objectives of investment strategies</i></b></p>	
<p>The investment fund factsheets provide detail on the investments held. The investment objectives are described in one sentence.</p>	<p>There is a fair 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.</p>
<p><b><i>Communications and Support – Overall quality of written communications, including education on pension saving</i></b></p>	
<p>Sample policyholder communications have been provided including an annual benefit statement, pre-retirement wake up letter or pack, and retirement option packs. Details of telephone scripts have been provided.</p>	<p>In our opinion, policyholder communications and telephone support are of a reasonable quality overall.</p>
<p><b><i>Communications and Support - Other support, including telephone and online</i></b></p>	
<p>Telephone support is available from a dedicated pensions team, free of charge 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.</p> <p>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.</p> <p>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 carrying out a review of its website to identify improvements that can be made.</p> <p>Service levels are monitored monthly and Countrywide Assured meet monthly with the administrators.</p>	<p>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.</p> <p>Whilst the administration monitoring is detailed, the service is outside Countrywide Assured’s immediate control and is geographically distant. Nonetheless, statistics would suggest good standards are being maintained.</p>

<p><b><i>Communications and Support - When choosing retirement options</i></b></p>	
<p>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.</p> <p>There are a series of letters sent at different periods before selected retirement date.</p>	<p>The communication materials are clear and give detail on the options available.</p> <p>There may be benefit to policyholders if the process started more than one year before retirement age. We understand that this will be considered as part of the current review of all correspondence.</p>
<p><b><i>Risk Management – operational and financial</i></b></p>	
<p>Security of IT systems is the responsibility of the Head of Operations.</p> <p>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.</p> <p>There is independent assurance of internal controls as part of the annual audit by Deloitte LLP.</p> <p>A regular process of internal product review is being established which will ensure that products continue to provide good outcomes for policyholders.</p>	
<p><b><i>Administration service and core financial transactions</i></b></p>	
<p>Countrywide Assured have a philosophy of outsourcing day-to-day activity.</p> <p>On 4 October 2016 we met with representatives of Countrywide Assured who manage the third party administrators.</p>	<p>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.</p>

<b><i>Other governance or support arrangements</i></b>	
<p>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 are being worked on now to deliver over the course of 2017, and the complete strategy will be embedded within the next two to three years. This development follows the FCA thematic review of closed savings portfolios.</p>	
<b><i>Retirement options</i></b>	
<p>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.</p> <p>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.</p> <p>Countrywide Assured makes available to its policyholders an “annuity desk” service, which assists in purchasing an annuity from a panel of insurers which is selected by Countrywide Assured, either with or without financial advice. Countrywide Assured do not receive any fee for this service.</p> <p>The annuity service is to cease before the end of April 2017. Policyholders will be directed to the Hargreaves Lansdown website in the future if they are interested in annuity purchase.</p>	<p>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.</p>
<b><i>Charges and direct and indirect costs borne by policyholders</i></b>	
<p>The Annual Management charge (AMC) for the S&amp;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.</p> <p>The charging structure for the S&amp;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.</p>	<p>Some of the S&amp;P unit linked charges are at the higher end of market practice for policies of this nature. 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.</p>

**Description of arrangements**

**GAA assessment and opinion**

<p>Irish Life policies have an AMC of 0.75% per annum plus policy fees and capital units. Some policies have bonuses applied.</p>	<p>This threshold is on total charges, including transaction costs. Total charges for some Countrywide Assured policies exceed this 1% threshold. As noted elsewhere in this report, in most recent years investment performance net of these charges has been strong for the most commonly chosen investment fund.</p> <p>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.</p>
<p><b>Transaction costs</b></p>	
<p>Initial transaction data is under review. Further analysis and data will be sought before any meaningful conclusions can be reached.</p>	<p>Whilst initial transaction cost data has been provided, further analysis and data is required to draw any meaningful conclusions.</p>

### Overall assessment of value for money

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

- City of Westminster – reasonable value for money
- Irish Life – reasonable value for money
- S&P (with profit policies) – reasonable to good value for money
- S&P (unit linked policies) – reasonable to poor 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 policyholder 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. However, Countrywide Assured are of the opinion that actual investment performance should be a critical factor of the value for money assessment.

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. However, the GAA assessment of value for money (which doesn't give explicit allowance for past recognise the actual investment performance) rates these policies as "reasonable to poor value for money". Policyholders already retired are likely to have received good value for money.

## Appendix 3

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

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 [www.ptluk.com](http://www.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 <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 <http://www.deanwettonadvisory.com/consultants/index.html>.

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” means 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” means 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” means 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”).*

*“Capital units” are 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” means 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” means 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.*

*“Exit charges” means a charge taken when you leave an investment option / provider.*

*“Flexible drawdown” or “Flexi Access Drawdown” means an option for an individual to receive payments from their pension fund as they choose.*

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

*“With Profits” means 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.*