



ZEDRA

DO MORE. ACHIEVE MORE.

# Chair's annual report

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**Scottish Friendly Assurance Society Limited  
Workplace Personal Pension Plans**

- | Year ended 31 December 2022
- | The ZEDRA Governance Advisory Arrangement (GAA)

September  
2023



## Executive summary

**This report covers the following workplace personal pension and stakeholder arrangements provided by Scottish Friendly Assurance Society ('the Firm'): The Investment Solutions Group Personal Pension Plan ('ISGPP'), The Investment Solutions Stakeholder Pension Plan ('ISSPP'), Ex-Canada Life Workplace Pension Plan, and Scottish Friendly Staff Pension Scheme. This report has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.**

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D respectively. The GAA works under Terms of Reference, agreed with the Firm, the latest version of which is dated 18th August 2022 and are publicly available (see Appendix D).

This is our 2nd annual report. As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of ISGPP, ISSPP, Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. The GAA has conducted a rigorous assessment of the Value for Money ('VfM') delivered to policyholders over the period 1 January 2022 to 31 December 2022. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to policyholders against what they pay for those services and investment performance. Further details are set out on page 7.

## A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

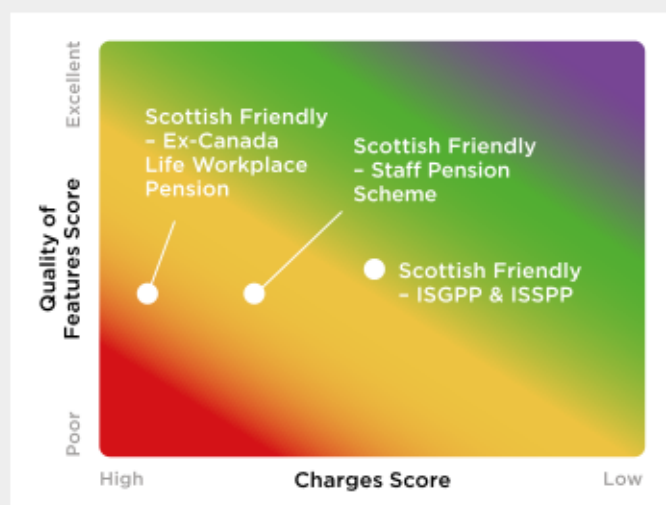
	Weighting toward VFM assessment*	ISGPP & ISSPP	Ex-Canada Life Workplace Pension Plan	Scottish Friendly Staff Pension Scheme
1. Product strategy design and investment objectives	7%	●	●	●
2. Investment performance and risk	20%	●	●	●
3. Communication	13%	●	●	●
4. Firm governance	3%	●	●	●
5. Financial security	7%	●	●	●
6. Administration and operations	13%	●	●	●
7. Engagement and innovation	3%	●	●	●
8. Cost and charge levels	33%	●	●	●
<b>Overall Value for Money assessment</b>	<b>100%</b>	●	●	●

\* May not add to 100% due to rounding

<p><b>Quality and investment features (1-7)</b></p> <p>● Excellent ● Good ● Satisfactory ● Poor</p>	<p><b>Cost and charge levels (8)</b></p> <p>● Low ● Moderately Low ● Moderately High ● High</p>
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The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual features and the weightings shown in the above table. The Quality of Service and Investment Features combined (i.e. 1 to 7 in the table above) representing two-thirds of the overall score and the Cost and Charge Level (i.e. 8 in the table above) representing one-third of the overall score. It is visually represented by the heatmap below.

### VALUE FOR MONEY SCORING



**The overall conclusion is that ISGPP and ISSPP, Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme all provide **satisfactory** value for money, although it is important to note that for the Ex-Canada Life policyholders this is only marginally above poor value.**

The GAA has challenged the Firm in a number of areas. Some of these points were raised in the GAAs 2021 report and we have indicated accordingly below. We understand that work is ongoing to address these points through the **Unit-linked** Fund Rationalisation Project and Consumer Duty related work but we have seen no evidence of this being implemented in 2022 and accordingly we have raised these again for attention:

Our challenges are summarised below:

- | The GAA expects the Firm to complete a strategic review of the ISGPP and ISSPP default investment options to assess their ongoing suitability for policyholders for our next report.
- | The GAA notes the work of the Unit Linked Funds Rationalisation Project in delivering a comprehensive review of investment options due in 2024, for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme and expects to see substantive progress for our next report.
- | In 2021 the GAA challenged the Firm to provide fund fact sheets for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme to the GAA and to make them accessible to the policyholders. To date, the Firm has not indicated when these will be made available to policyholders.
- | We have not seen any evidence that the Management has provided governance oversight to the ISGPP and ISSPP default options. This suggests many policyholders have been in default options that haven't been reviewed for many years. Our review has also indicated that the Management was not aware there were schemes being used for auto-enrolment within the ISGPP and ISSPP arrangements.
- | In 2021, the GAA challenged the Firm to provide more detail on administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme such that **core financial transactions** can be individually identified and reported on.
- | The Scottish Friendly administration performance of 78% on a 5 day turn around is poor and this represents a significant deterioration from 2021.
- | In 2021 the GAA challenged the Firm to review the charges for members of the Ex-Canada Life Workplace Pension Plan which for the 5 largest funds range from 1.3% to 1.51% and which for the Scottish Friendly Staff Pension Scheme are 1%. We understand that fund charges are being considered as part of the Unit Linked Funds Rationalisation Project although this is not due until 2024. A Product Review is also underway looking at overall product charges. However, we would urge the Firm to take more targeted steps to address these high overall charges.

Other areas of improvement the GAA has observed and which the Firm may wish to consider, include:

- | The GAA has noted that many of the funds have underperformed their benchmarks during the 12-month assessment period to 31 December 2022 and specifically a number of passive funds which is surprising.
- | The ISGPP and ISSPP fact sheets provided by Mobius don't include performance comparison, risk or ESG ratings which means members have limited fund information.
- | Retirement options remain limited for all members unless they transfer their benefits away. The Firm may wish to explore whether it could provide more solutions in this area.
- | The GAA would expect there to be continuing product developments by the Firm for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.
- | The ongoing lack of policyholder feedback is also disappointing.

We also concluded that the Firm's policies in relation to [Environmental, Social and Governance \(ESG\)](#) risks, non-financial considerations and stewardship were adequate and of good quality.

The FCA introduced new requirements last year requiring a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. We have made a notification to Scottish Friendly this year. Our view on each feature that we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix B.

A consultation was launched in early 2023 between the FCA, the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR). This consultation set out a transformative framework of metrics and standards to assess value for money across Defined Contribution (DC) pension schemes including the workplace pensions

reviewed by the GAA. The consultation seeks to improve retirement outcomes and encourage greater transparency and standardisation across the entire market offering DC pensions. This should result in a more consistent Value for Money review for policyholders irrespective of where their DC pension originated. This consultation does not affect this year's review but may mean a change in the way that Value for Money is assessed for policyholders in the future, if the consultation prescribes a standard way of measuring Value for Money which differs from the approach used by the GAA.

Where we have used technical pensions terms or jargon, these are explained in the glossary in Appendix E.

Details of the numbers of policyholders and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix F.

I hope you find this value assessment interesting, informative and constructive.

## Sam Burden

Chair of the ZEDRA Governance Advisory Arrangement for Scottish Friendly Assurance Society Limited

September 2023



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

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Email [enquiries@scottishfriendlypensions.co.uk](mailto:enquiries@scottishfriendlypensions.co.uk)  
Email [www.scottishfriendly.co.uk/contact-us](http://www.scottishfriendly.co.uk/contact-us)

Alternatively, you can contact the GAA directly at [ZGL.gaacontact@zedra.com](mailto:ZGL.gaacontact@zedra.com)



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# Overview of the value assessment

The GAA has assessed the Value for Money delivered by ISGPP, ISSPP, Ex-Canada Life Workplace Pension Plan, and Scottish Friendly Staff Pension Scheme to its workplace personal pension policyholders by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.

## Our approach

The GAA believes that value for money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the investment performance and quality of services provided to policyholders.

The key steps for the GAA in carrying out the Value for Money assessment are:

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including [net investment performance](#), as well as full information on all costs and charges, including [transaction costs](#).

- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.
- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA and to undertake comparisons of the Firm's product against a suitable comparator group of providers for certain Quality of Service and Investment Features and Cost and Charges.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against eight different features covering Quality of Service, Investment Performance and Strategy (the 'Quality of Service and Investment Features'), and the Costs and Charges borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

The Quality of Service and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in [COBS 19.5.5](#), in particular services relating to communications with policyholders and processing of [core financial transactions](#). The Quality of Service and Investment Features considered have been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement and innovation, and a wider overview of the administration quality and processes.

Within each of the Quality of Service and Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see to achieve each numerical score. The scores for each sub-feature are then aggregated to the feature level based on the GAA's view of the relative value of the sub-feature to the policyholders.

The GAA will then consider the value represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and any platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the policyholders pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1 to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The scores for each feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAA's views of the relative importance to the policyholders of each feature. The weightings are tilted towards the features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of policyholders, based on the information made available by the Firm.

In the sections on the following pages, we have described the Firm's approach to delivering each of the features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

In addition, there is a section setting out the GAA's views on the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial considerations, and stewardship. Whilst this is a largely qualitative assessment the GAA has considered the Firm's policies in comparison to others the GAA has knowledge of.

An assessment has also been made of the net investment performance, quality of communication and quality of the administration service including processing of core financial transactions, and costs and charges relative to a suitable comparator group of product providers. Comments on the outcome of these assessments is included in the sections for the relevant Features. We have also considered whether an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and products were determined is set out in Appendix B.





# 1. Product strategy design and investment objectives

**ISGPP and ISSPP Value score:**

Excellent  Good  Satisfactory  Poor

**Ex-Canada Life Workplace Pension Plan Value score:**

Excellent  Good  Satisfactory  Poor

**Scottish Friendly Staff Pension Scheme Value score:**

Excellent  Good  Satisfactory  Poor

## What are we looking for?

We expect to see an investment strategy for the default that is designed and managed taking the needs and interests of policyholders into account, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon and age profile of the membership.

We want to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that these objectives link back to the needs of policyholders.

We are also looking for evidence of a robust ongoing review process for all investment options, including the default, and evidence that the Firm has taken steps to implement changes to investment options, where appropriate, to ensure alignment with policyholders' interests.

Whilst policies on ESG financial considerations and non-financial matters are considered separately on page 30, we expect to see evidence of how these matters are taken into account in the design of the investment strategy and in investment decision making.

## The Firm's approach

The Firm has separate business books administered by Aegon and the Firm and so we have commented on these separately below.

The Firm's pension business represents c.£327m of a £4.5 billion portfolio, the majority of which consists of savings and investment products.

### **ISGPP and ISSPP (Administered by Aegon)**

The ISGPP and ISSPP comprise assets of c.£257.9m, provided through 49 different investment funds.

The plans are closed to employers setting up new schemes, but existing employers can continue to add new members to their existing plans.

A number of the schemes have a default option, but no review process or monitoring is currently in place.

Members of ISGPP and ISSPP arrangements are advised by Independent Financial Advisers and hence the Firm, working with the external administration service provider, liaise with the IFAs to remind them of their responsibilities. The Firm only provides information to members and no guidance or advice.

Fund fact sheets are available which include the stated objectives of the different funds. However, the objectives are communicated in a qualitative manner without specific quantitative investment return targets. Specific benchmarks are used internally within the fund review process.

### **Ex-Canada Life and Scottish Friendly Staff Pension Scheme (Administered by Scottish Friendly)**

The Scottish Friendly Staff Pension Scheme has assets of c£20.9m and is open to new members. The Scheme offers five funds to members, is not used for auto enrolment and does not include a default option.

The Ex-Canada Life Workplace Pension Plan book has assets of around £47.7m invested through 35 different funds and is a closed book. None of the schemes in this book of business include a default option.

No fund fact sheets are available to the Ex-Canada Life Workplace Pension Plan or Scottish Friendly Staff Pension Scheme policyholders. Policyholders are referred to searching for fund details on-line using MorningStar. This approach means that fund information is hard for policyholders to obtain current and appropriate information on fund objectives.

### **Investment governance**

The Fund Monitoring Framework is used to assess different design and performance characteristics of the **unit-linked** funds underlying all of the Firm's workplace pension arrangements on a quarterly basis. Some aspects such the size of funds and ESG ratings are taken into account and reviewed on an annual basis.

The Firm has an ongoing project, the Unit Linked Funds Rationalisation Project, which is undertaking a comprehensive review of the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme investment options to provide a fit-for-the-future range that offers customers value for money. The project which started in 2021 aims to deliver in 2024 and will take account of how members are taking their benefits so that suitable investment options are available to members.

The Investment Governance framework provided details of the governance structure that is required to ensure all actions and processes are followed appropriately regarding investment objectives, selection process as well as the review process.

### **The Firm's strengths**

The Investment Committee sets policies in relation to ESG considerations for investments.

Funds monitored via the watchlist mentioned above also include those requiring actions due to ESG-related metrics.

The Firm's general view is that ESG is an important risk factor and should be incorporated within investment decision making by the Fund Managers.

## Areas for improvement

### GAA challenge

The GAA expects the Firm to complete a strategic review of the ISGPP and ISSPP default investment options to assess their ongoing suitability for policyholders for our next report.

The GAA notes the work of the Unit Linked Funds Rationalisation Project in delivering a comprehensive review of investment options due in 2024, for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme and expects to see substantive progress for our next report.

In 2021 the GAA challenged the Firm to provide fund fact sheets for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme to the GAA and to make them accessible to the policyholders. To date, the Firm has not indicated when these will be made available to policyholders.



## 2. Investment performance and risk

### ISGPP and ISSPP Value score:

Excellent  Good  Satisfactory  Poor

### Ex-Canada Life Workplace Pension Plan Value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme Value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable and stated benchmark. Performance should be net of fees. In addition to the stated benchmark comparison risk adjusted returns should also be considered.

Where there are any concerns over investment performance, we expect to see evidence of appropriate action being taken, which may include engagement with investment managers and/or implementing changes to fund options. We also expect to see evidence that the strategies are effective and take into account the policyholders' attitudes to risk.

### The Firm's approach

The Unit Linked Fund Committee meets quarterly to review performance of investment funds against their benchmarks using the Fund Monitoring Framework which includes metrics such as size of fund, benchmark performance, fees, liquidity, [ESG](#) rating and other factors.

Active and passive funds are marked on a RAG rating and added to a Green Light list, a Watch list, or an Action List. The Action list is intended to highlight funds where it is deemed necessary to take action on a certain [unit-linked](#) fund.

This may include:

- | further investigation of the possible actions to take;
- | raising questions or concerns with the fund manager, and
- | ratification of proposed action by the Unit Linked Fund Committee to close or merge with a similar fund.

The Watch list is intended to highlight funds for closer monitoring. No immediate action for the fund is required. The Unit Linked Fund Committee may request the fund to be moved to the Action list for exploratory action to be taken.

Quarterly reports and recommendations are provided to the Investment Committee for approval.

## The Firm's strengths

The process for reviewing performance and other characteristics of the funds operates within a robust governance framework including whereby different aspects of the performance are looked at over different time horizons.

There is a clear process when concerns are identified and can be escalated and addressed via the Watch list and Action list.

The Unit Linked Funds Rationalisation Project is reviewing the Ex Canada Life and Scottish Friendly investment funds currently on offer.

## Net investment performance

The **net investment performance** of the most significant funds available to policy holders and, where available, the performance of the benchmarks against which those funds are measured are set out below.

Specifically, a number of Scottish Friendly's passive funds have underperformed against their benchmark indices and these should be reviewed to understand whether the cause is due to a pricing differences or something more fundamental.

## ISGPP and ISSPP

There are 49 funds with total AUM of £257.9m of which 8 funds constitute around 84% of the Assets Under Management (AUM). The **net investment performance** of these funds is listed below:

Fund Name	Net Investment Performance	Benchmark
Diversified_Global_Equity_Fund	-11.90%	-3.13%
M&G_PP_Global_Equity_Fund	-8.90%	-5.27%
Passive_60/40_Global_Equity_Fund	-5.70%	-2.56%
Passive_UK_Equity_Fund	-3.80%	0.30%
Retirement_Builder	-13.10%	12.24%
Managed_Fund	-27.90%	-8.78%
Passive_Long-dated_Fixed_Interest_Gilt_Fund	-35.50%	-40.10%
Sterling_Liquidity_Fund	0.70%	1.40%

*A total of 34 funds (69%) out of the 49 funds available failed to beat their benchmark.*

## Ex-Canada Life Workplace Pension Plan

There are 35 funds with total AUM of £47.7m of which 5 funds constitute around 84% of the AUM. The net investment performance of these funds is listed below:

Fund Name	Net Investment Performance	Benchmark
SF CL Managed Pen SE	-6.44%	-8.78%
SF CL UK Equity Pen S4	-1.64%	-2.72%
SF CL European Pen S4	-7.01%	-8.13%
SF CL Multiple Investment Pen S4	-6.69%	-8.78%
SF CL Managed Pen S2	-6.43%	-8.78%

*A total of 12 funds (34%) out of the 35 funds available failed to beat their benchmarks.*

## Scottish Friendly Staff Pension Scheme

There are 5 funds with total AUM of £20.9m. The net investment performance of these funds, excluding the With-profits fund is set out below:

Fund Name	Net Investment Performance	Benchmark
Pension Managed Fund	-2.20%	-8.78%
Pension UK Equity Fund	-4.38%	-2.72%
Pension Fixed Interest Fund	-24.33%	-24.32%
Pension Cash Fund	-1.29%	0.74%

*Two funds (50%) out of the 4 funds with a benchmark have failed to beat their benchmarks.*

For all the books, performance data is net of fees.

## Comparator results

We have assessed how the net investment performance provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one-year net investment performance relative to benchmark for the Firm's policyholders over 2022, weighted by the size of funds invested for ISGPP and ISSPP was significantly below average relative to the comparator group for the underlying funds.

The one year net investment performance for the Firm's policyholders over 2022 for Ex-Canada Life Workplace Pension Plan was above average relative to the comparator group for the underlying funds.

The one year net investment performance for the Firm's policyholders over 2022 for Scottish Friendly Staff Pension Scheme was above average relative to the comparator group for the underlying funds.

## Areas for improvement

### GAA observations

The GAA has noted that many of the funds within the workplace pension books have underperformed their benchmarks during the 12-month assessment period to 31 December 2022. The proportion is higher than in 2021 particularly within the ISGPP and ISSPP arrangements where 69% have failed to match their benchmark.

Specifically, a number of Scottish Friendly's passive funds have markedly underperformed their benchmark indices. These should be reviewed to understand whether the cause is due to a pricing differences or something more fundamental.



## 3. Communication

### ISGPP and ISSPP Value score:

Excellent  Good  Satisfactory  Poor

### Ex-Canada Life Workplace Pension Plan Value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme Value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account policyholders' characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications including annual benefit statements, pre-retirement wake-up letters and retirement option packs.

Information on administration charges and **transaction costs** should be made available to policyholders on a publicly available website annually, including illustrations of the compounding effect of the administration charges and transaction costs on an annual basis.

In a high-quality communication service offering we would expect a substantial online offering, with a range of online support materials such as online calculators to enable personalised calculations with various selectable options. We would expect telephone support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we would expect policyholders to be able to switch investment options online and to have support available to help them make appropriate decisions. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to be able to offer a range of different retirement options for policyholders, as well as clear signposting to policyholders on where they can obtain guidance and advice on their retirement options.



## The Firm's approach

The ISGPP and ISSPP, administered by Aegon, and Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme, administered in-house by the Firm each have their own communication suites, member portals and on-line offerings. We have therefore evaluated these separately.

At retirement all members can take an UFPLS or transfer out. There are no drawdown or **annuity** options available except for the annuity option offered to ex-Canada Life members. No guidance is provided, and members are signposted to an IFA or PensionWise for support.

## ISGPP and ISSPP

A full suite of communications materials is provided through Aegon. Policyholders also have access to on-line functionality through a member portal.

Statutory member communications are reviewed at least annually by Aegon.

The investment fact sheets are provided by Mobius. The online switch process has adequate risk warnings and member support is available.

## Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme

The range of communications for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme is limited. Member communications include a transfer pack, switch form and wake up letters, which are satisfactory, but there is no member guide or investment guide.

Costs and charges are hosted on a spreadsheet and publicly available.

Policyholders can request a form to switch investments but there is no on-line option.

ExCanada Life members have the option of a Canada Life annuity.

## The Firm's strengths

The communications for ISGPP and ISSPP policyholders are clear and easy to follow and benefit from the Firm's (through Aegon) wider communications expertise and functionality. These policyholders have on-line functionality and a member portal which includes Aegon's TargetPlan modeller. The on-line functionality is well developed.

## Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2022 for ISGPP, ISSPP were average relative to the comparator group. The Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme were below average relative to the comparator group.

## Areas for improvement

### GAA observations

The ISGPP and ISSPP fact sheets provided by Mobius don't include performance comparison, risk or ESG ratings which means members have limited fund information.

Retirement options remain limited for all members unless they transfer their benefits away. The Firm may wish to explore whether it could provide more solutions in this area.

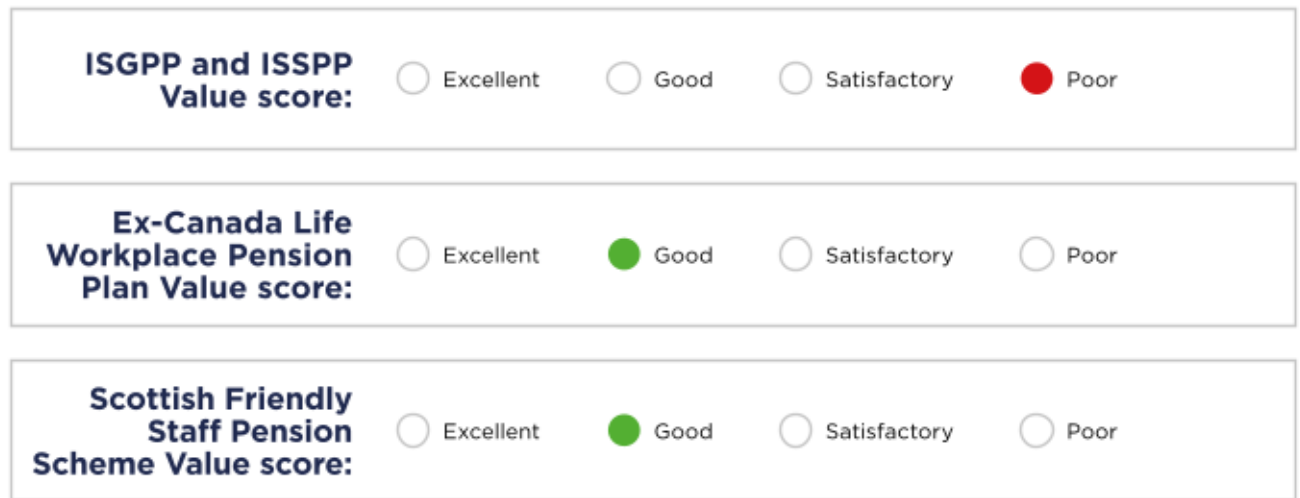
The GAA is aware that an extensive project is underway to review the Firm's communications used by the Scottish Friendly administration team and any changes are due to be implemented by July 2023.

### GAA challenge

There are limited member communication materials available to policyholders in the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. We would expect to see greater member support including member guides and up to date investment fund information.



## 4. Firm governance



### What are we looking for?

We would expect to see a comprehensive governance structure in place where, for example, Terms of Reference are provided for key committees, reviewed on a regular basis, with clearly defined scope. We would expect to see evidence of the key committees operating during the year with minutes or meeting packs demonstrating that the key scope elements of the committee remit have been adequately covered.

There should be a transparent and documented process for appointing and monitoring service providers, with evidence of regular reviews being undertaken and changes being made as required.

### The Firm's approach

The overall governance for all the books of business is done in house and overseen by the Executive Committees through regular reporting.

The Firm holds quarterly service review meetings with Aegon which includes the monitoring of

Aegon's regular Service Level Agreement (SLA) reports and reports into the Executive Committee.

The Executive Committee also receives regular reports in respect of the internal servicing of the Firm's business book covering the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme policyholders.

The Outsourcing Committee is responsible for reviewing all new outsourcing arrangements and material third party services and for ensuring that internal and regulatory requirements are being met for each arrangement reporting to the Executive Committees. Assessment of Data and IT security providers and Administration service providers are conducted by the Outsourcing Committee.

The Firm also operates an Investment Governance Committee, a Unit Linked Funds Committee and the Products, Partnership and Process Approval Group.

The Operations and Audit Committee reviews the Firm's internal controls and liaises with external auditors.

## Areas for improvement

### GAA challenge

We have not seen any evidence that the Management has provided governance oversight to the ISGPP and ISSPP default options. This suggests many policyholders have been in default options that haven't been reviewed for many years. Our review has also indicated that the Management was not aware there were schemes being used for auto-enrolment within the ISGPP and ISSPP arrangements.



## 5. Financial security

### ISGPP and ISSPP Value score:

Excellent  Good  Satisfactory  Poor

### Ex-Canada Life Workplace Pension Plan Value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme Value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We look for information about the financial position of the Firm supported by evidence such as accounts as well as ratings from third party rating agencies, where available.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

We are looking for evidence of a clear process to warn policyholders about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

### The Firm's approach

The Firm is one of the largest UK mutual life offices, is regulated by the PRA and, as of April 2022, had assets worth more than £4.5 billion and an estimated 814,000 members.

The Firm has clear capital management objectives, which include:

- protecting the Firm's financial strength, providing security to policyholders;
- complying with the PRA's capital requirements; the Firm has not breached these requirements at any point in 2022; and
- ensuring that the Firm's capital position is sufficient to enable it to invest in the development of the business in order to fulfil its stated core strategic objectives as determined by the Board Committees.

The capital position of the Firm is monitored on a regular basis and reviewed formally by the Board Committees. The With-profits fund is monitored by the With-profits Committee.

Capital Management Policy is in place, which aims to protect the Firm's financial strength and security for policyholders.

## The Firm's strengths

The solvency position (as measured by Solvency II Pillar 1 capital) of the Firm remains strong with a solvency ratio of 204% as of 31 December 2022, up by 30% from the previous year and is significantly above minimum regulatory requirements.

As all funds offered by the Firm are [unit-linked](#) funds wrapped by a life insurance policy these are covered in full by the Financial Services Compensation Scheme.

Administration Staff for all the books of business in scope of the GAA are provided with extensive training to remain up to date on key investor protection measures such as pension scams and phishing.

## Areas for improvement

The GAA did not identify any specific areas for improvement.



## 6. Administration and operations

### ISGPP and ISSPP Value score:

Excellent  Good  Satisfactory  Poor

### Ex-Canada Life Workplace Pension Plan Value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme Value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that **core financial transactions** are processed promptly and accurately, such as processing contributions, transfers processing and death benefit payments.

We look for evidence of regular internal and external assurance audits on controls and administration processes. In particular, we are looking for a robust risk control framework around the security of IT systems, data protection and cyber-security. We would expect to see evidence that cyber-security is considered as a key risk by the Firm's relevant risk governance committee and that appropriate monitoring, staff training and penetration testing is put in place.

We expect Firms to have a comprehensive business continuity plan and evidence of its

effectiveness through appropriate testing or in maintaining continuity of business during the COVID-19 pandemic.

We would expect to see a low level of substantive complaints and demonstration of a clear process for resolving complaints.

### The Firm's approach

The Firm has an Information Security Policy and has established an Information Security Management System to create an effective operational security framework. Objectives are agreed on an annual basis and reported to the Information Security and Business Continuity Committee (ISBCC). There is an extensive set of operational policies including patch management and regular penetration testing.

The Business Continuity Policy (BCP) aims to ensure that, in the event of a disruption to its normal business, it can restore its critical activities with a minimum of disruption. Key components of the Business Continuity Management System are tested annually to ensure the Firm's BCP will work as

anticipated. The Firm's Business Continuity Exercise Programme was reviewed in September 2022.

The Firm's separate business books have separate SLAs and reporting mechanisms. We have therefore considered these separately.

### ISGPP and ISSPP

Comprehensive monthly and quarterly reporting is provided by Aegon against a detailed SLA which includes details of breaches and complaints.

Aggregated core financial transactions over the assessment year were broadly in line with targets (Aegon achieved an average SLA performance of 95% relative to an average target level of 97% for core financial transactions).

There were 23 upheld complaints within the year which the GAA deemed to be reasonable given the size of membership.

### Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme

Administration reporting is provided but is not at a sufficiently granular to assess the extent to which the Firm met the SLAs for core financial transactions.

All pensions-related transactions are assessed using the same five-day SLA target.

Over the assessment year, 78% of pensions-related transactions were completed within the 5-day target which was materially lower than last year's 91%. The GAA would expect core financial transactions to be individually identifiable with more refined targets in-line with those of ISGPP and ISSPP.

The Firm couldn't identify complaints that were specific to the products that were in scope for this report.

### Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2022 for ISGPP and ISSPP were average relative to the comparator group. The administration services provided to the Firm's policyholders over 2022 for Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme were below average relative to the comparator group.

## Areas for improvement

### GAA challenge

In 2021, the GAA challenged the Firm to provide more detail on administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme such that core financial transactions can be individually identified and reported on.

The Scottish Friendly administration performance of 78% on a 5 day turn around is poor and this represents a significant deterioration from 2021.





## 7. Engagement and innovation

### ISGPP and ISSPP Value score:

Excellent  Good  Satisfactory  Poor

### Ex-Canada Life Workplace Pension Plan Value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme Value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We expect to see evidence that the product is reviewed at least annually, with new products or services being launched on a regular basis, that have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

We are looking for evidence of regular, proactive engagement with policyholders to obtain feedback and for this feedback to be taken into account when reviewing the product offering.

### The Firm's approach

We understand the Firm is not actively seeking new pensions business except for policy contribution increases or new members to existing schemes.

While no engagement and innovation was undertaken over 2022 for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme, there is wider work as part of the fund rationalisation project which will impact these books of business. The expected implementation date for this is 2024 and is likely to result in developments across the pension product range.

No feedback is obtained from any of the policyholders in these blocks of business within scope of the GAA.

## **The Firm's strengths**

Aegon has an ongoing development programme to improve the functionality and member experience of its administration and platform as part of its master trust development, which improves the service and experience of the ISGPP and ISSPP policyholders,

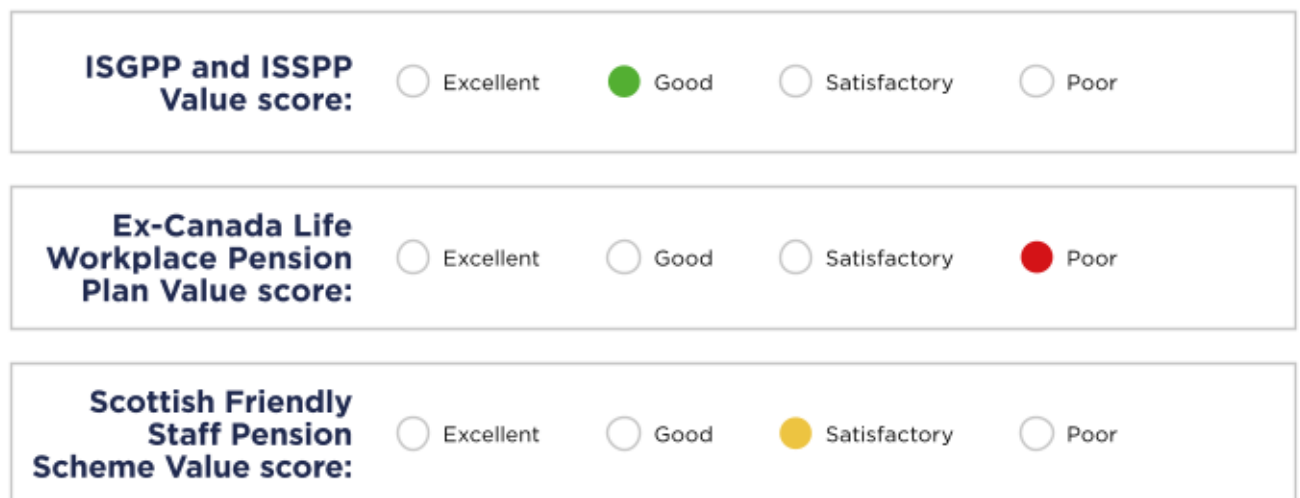
## **Areas for improvement**

### **GAA observations**

The GAA would expect there to be continuing product developments by the Firm for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.

The ongoing lack of policyholder feedback across all three business books is disappointing.

## 8. Cost and charge levels



### What are we looking for?

The GAA has considered the overall level of charges borne by policyholders over the year. This included assessing:

- | the fund **annual management charges**, administration charges and **transaction costs** being borne by policyholders
- | any other charges being paid by policyholders to manage and administer their workplace pensions
- | the process for collecting and monitoring overall member charges, including transaction costs
- | how the firm monitors charges
- | whether the overall level of charges is reasonable, bearing in mind the nature of the investment, level of performance, and degree of risk management,

| the distribution of charges across policyholders.

Whilst we have considered the average total costs and charges payable by policyholders we have noted where there may be notable outliers such as high charges for small pots.

Required disclosures relating to costs and charges payable by the Firm's policyholders can be found in Appendix A.

### The Firm's approach

Below we describe the charges for the different books of business for the Firm which are in scope of the GAA VfM assessment during the assessment period:

## ISGPP and ISSPP

The annual management charges borne by members within the 8 largest funds (representing 84% of the AUM) for these products range between 0.57% and 0.82%.

The transaction costs for the largest 8 funds range from 0.04% to 0.19%. There are no other charges.

## Ex-Canada Life Workplace Pension Plan

The Ex-Canada Life policies have a complex charging structure which includes loyalty bonuses. The GAA understands that:

- | after the first anniversary of each policy, a group loyalty bonus applies each year to each individual policy and is equal to 0.25% p.a. of the value of the units.
- | After the tenth policy anniversary, a loyalty bonus is added each year and is equal to 0.875% p.a. of the value of units on the policy.

However, these charges cease if a policy is contributions cease and so most members will not be benefiting from these charge reductions.

The annual management charges borne by members in the five largest funds (representing 84% of the AUM) range between 1.3% and 1.51%, ignoring the impact of loyalty bonuses.

## Scottish Friendly Staff Pension Scheme

The 5 funds within the Scottish Friendly Staff Pension Scheme have administration charges of 1% p.a.

The 5 funds have transaction charges ranging from 0% to 0.52%. There are no other charges.

## Improvements since last year

The Firm's Unit Linked Funds Rationalisation Project aims to rationalise the **unit-linked** fund range to ensure the funds provide a fit-for-future range that offers customers value for money. We have seen evidence that progress has been made with this project which should in part address our concerns regarding costs and charges, however implementation is not due until 2024.

The GAA understands a Product Review is also underway to assess the overall level of policyholder charges. This work is urgently required to address the high charges that policyholders in the Scottish Friendly Staff Pension Scheme and Ex-Canada Life Workplace Pension Plan are subject to.

## Comparator results

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 for ISGPP and ISSPP and Scottish Friendly Staff Pension Scheme were average relative to the comparator group. The overall cost and charge level paid by the Firm's policyholders over 2022 for Ex-Canada Life Workplace Pension Plan were above average relative to the comparator group.

## Areas for improvement

### GAA challenge

In 2021 the GAA challenged the Firm to review the charges for members of the Ex-Canada Life Workplace Pension Plan which for the 5 largest funds range from 1.3% to 1.51% and which for the Scottish Friendly Staff Pension Scheme are 1%.

We understand that fund charges are being considered as part of the Unit Linked Funds Rationalisation Project although this is not due until 2024. A Product Review is also underway looking at overall product charges. However, we would urge the Firm to take more targeted steps to address these high overall charges.



# ESG financial considerations, non-financial matters and stewardship

## What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to **ESG** financial considerations, non-financial matters and stewardship. The GAA will consider how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

We expect the Firm's policy in relation to these considerations:

- a) sufficiently characterises the relevant risks or opportunities;
- b) seeks to appropriately mitigate those risks and take advantage of those opportunities;
- c) is appropriate in the context of the expected duration of the investment; and
- d) is appropriate in the context of the main characteristics of the actual or expected **relevant policyholders**.

We also expect that the firm's processes have been designed to properly take into account the risks or opportunities presented.

Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account, where relevant, when scoring

1) Product Strategy Design and Investment Objectives, how the Firm has integrated ESG financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

## The Firm's approach

The GAA has received a copy of the Firm's ESG policy which is reviewed annually. The Investment Committee has overall responsibility for monitoring and implementing the Firm's ESG Policy.

Input is provided from the **Unit-Linked Funds Committee (ULFC)** which is responsible for monitoring and implementing the ESG Policy in respect of underlying funds used for unit-linked fund offerings and reporting the outcome of monitoring and compliance.

Additionally, the GAA understands that work to integrate climate risk into the risk management framework and appetites, and underlying policies has been undertaken.

ESG factors, and particularly climate change risk, are considered in the Firm's Own Risk and Solvency Assessment (ORSA).

## The Firm's strengths

The Firm's general view is that ESG is an important risk factor and should be incorporated within investments.

A comprehensive ESG strategy is embedded within the investment strategy. The review process is built into the Fund Monitoring Framework which requires the ESG rating to be monitored annually.

The Firm selects fund managers that are current signatories of the UN PRI principles or conform to a similar standard. Fund managers annually present the ESG performance and ratings to the Board and the Investment Committee.

Funds monitored via the watchlist mentioned above also include those requiring actions due to ESG-related metrics.

The GAA considers the policies in relation to ESG risks, non-financial considerations, and stewardship to be adequate and of good quality.



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## Appendix A: Cost and charge disclosures

The FCA requires that administration charges and transactions costs, in relation to each [Relevant Scheme](#) must be published by 30 September, in respect of the previous calendar year: These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a member is able to select. They should also include an illustration of the compounding effect of the administration charges and [transaction costs](#), on a prescribed basis and for a representative range of fund options that a policyholder is able to select.

The Firm has compiled these disclosures and compounding illustrations, which are provided on a publicly accessible website at [www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement)





## Appendix B: Comparison report

The FCA requires that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm's offering against a selected group of other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, we must inform the pension provider.

ZEDRA's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to carry out the required comparisons this year. This is done on an anonymised basis.

### How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products so as to be comparable to those provided by the Firm for this purpose. The selection was based on the following broad criteria:

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension
- | Products where Firms provide similar services, for example in the case of a SIPP whether the provider has responsibility for setting and monitoring the investment strategy
- | Similar membership cohort, for example staff schemes for staff of the provider

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of ISGPP, ISSPP, Ex-Canada Life Workplace Pension Plan, and Scottish Friendly Staff Pension Scheme.

### Comparison of Net Investment Performance

We have assessed how the [net investment performance](#) provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance for the Firm's policyholders over 2022 for Ex-Canada Life Workplace Pension Plan was above average relative to the comparator group for the underlying funds. The one year net investment performance for the Firm's policyholders over 2022 for Scottish Friendly Staff Pension Scheme was above average relative to the comparator group for the underlying funds

### Comparison of Communication provided to policyholders

We have assessed how the communication materials provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2022 were for ISGPP, ISSPP were average relative to the comparator group. The Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme were below average relative to the comparator group.

## Comparison of Administration Services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2022 for ISGPP and ISSPP were average relative to the comparator group. The administration services provided to the Firm's policyholders over 2022 for Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme were below average relative to the comparator group.

## Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | [Annual management charge](#)
- | [Transaction costs](#)
- | Other Costs and Charges

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 for ISGPP and ISSPP and Scottish Friendly Staff Pension Scheme were average relative to the comparator group. The overall cost and charge level paid by the Firm's policyholders over 2022 for Ex-Canada Life Workplace Pension Plan were above average relative to the comparator group.



## Appendix C: 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.

### GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in early 2023.

Members of the GAA had a meeting with representatives of the Firm to kick off the Value for Money assessment process for the 2022 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of the Firm to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, fund range including design of defaults, investment governance, approach to ESG, non-financial matters and stewardship, administration and communications and risk management. In some cases, this meeting was virtual.

Members of the GAA had a meeting with representatives of the Firm to discuss the GAA's provisional scoring of Value for Money of the in-scope the Firm workplace pensions and the approach for meeting the cost and charges disclosure requirements in COBS 19.5.13.

As part of the Value for Money assessment process, the Firm has provided the GAA with most of the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

The GAA held several meetings during the year to review and discuss the information we received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, significant work has taken place reviewing and developing the data request and the approach for Firms to provide information in response to the data request, to make the process more efficient.

The GAA documents all formal meetings with Scottish Friendly and maintains a log which captures any concerns raised by the GAA with Scottish Friendly, whether informally or as formal escalations. The key dates are:

Item	Date
Issue data request	14/02/23
Kick off meeting	28/02/23
Site visit	22/05/23
GAA panel review meeting	30/05/23
Discuss provisional scoring	13/06/23

### Concerns raised, and challenges made with the Scottish Friendly by the GAA and their response

The GAA has not raised any concerns with the Firm during the year covered by this report.

## 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 and will continue to be communicated to policyholders via [www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement)
- | The Firm 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 Scottish Friendly determine 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.

In addition, the GAA has established a dedicated inbox at [zgl.gaacontact@zedra.com](mailto:zgl.gaacontact@zedra.com) so that policyholders can make representation to the GAA direct. The Firm will include details of this contact e-mail address on [www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement)



## Appendix D: ZEDRA GAA credentials

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.

These requirements were then extended to Firms providing investment pathways in respect of pathway investors from 1 February 2021.

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 ZEDRA Governance Advisory Arrangement ('the GAA') was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA 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. More information on the ZEDRA GAA can be found at [www.zedra.com/services/pensions-sponsoring-employer-services/professional-trustee-governance/contract-based-pensions-governance/](http://www.zedra.com/services/pensions-sponsoring-employer-services/professional-trustee-governance/contract-based-pensions-governance/)

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. 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 relevant policyholders or pathway investors.

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. The majority of ZEDRA Governance Ltd's Client Directors act as representatives of ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

The Board of ZEDRA Governance Ltd has appointed either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act in the capacity of Chair of the GAA in respect of each Firm.

More information on each of ZEDRA's Client Directors, their experience and qualifications can be found at [www.zedra.com/people/](http://www.zedra.com/people/)

Information on Dean's experience and qualifications can be found at [www.deanwettonadvisory.com](http://www.deanwettonadvisory.com)

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of Zedra Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

The terms of reference agreed with the Firm can be found at: [www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement)



## Appendix E: Glossary

### Active management

The investment of funds where the skill of the fund manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question

### Annual management charge (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').

### COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

### 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 [life-styling](#) processes.
- | Settlement of benefits - whether arising from transfer out, death or retirement.

### Decumulation

The process of converting pension savings to retirement income.

### Environmental, social and governance (ESG)

These are the three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company.

## Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

## Life-styling

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.

## Net investment performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

## Relevant policyholder

A member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme.

## Relevant scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.

## 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.

## 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.

## Unit-Linked

A type of investment where the investments of a number of people are pooled together and divided into units of equal value. The value, or price, of each unit depends on the value of the assets of the unit linked fund. The unit price determines the number of units the policyholder receives when they invest money in the fund, and the sum they receive when they sell their units.



## Appendix F: Summary of Workplace Personal Pension Plan Data as of 31 December 2022

Workplace Personal Pension and Stakeholder In-Scope arrangements	Number of Policyholders	Assets Under Management
The Investment Solutions Group Personal Pension Plan ('ISGPP') and The Investment Solutions Stakeholder Pension Plan ('ISSPP')	9,511	£257.9m
Ex-Canada Life Workplace Pension	2,218	£47.7m
Scottish Friendly Staff Pension Scheme	1,662	£20.9m





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