


Chair's Annual Report

Year ended 31 December 2020

The PTL Governance Advisory
Arrangement (GAA)

A large, stylized graphic on the right side of the cover features several concentric, overlapping circles. The circles are composed of thick, curved segments in shades of teal, white, and magenta, creating a dynamic, layered effect. The text is centered within the innermost white circle.

Utmost Life
and Pensions Ltd
Workplace Personal
Pension Plans
(Accumulation only)

July
2021



Introduction and Executive Summary

This report on the workplace personal pension plans provided by Utmost Life and Pensions Ltd ('the Firm'), has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders.

Further background and details of the credentials of the GAA can be found in Appendix 2. The GAA works under Terms of Reference, agreed with Utmost Life and Pensions Ltd, the latest version of which is dated 5 January 2021 and are publicly available (see Appendix 2).

As Chair of the GAA, I am pleased to deliver this value assessment of the Utmost Life and Pensions Ltd workplace personal pension plans. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2020 to 31 December 2020. The GAA has developed a Framework to assess Value for Money and further details are set out on page 7.

This is our first annual report covering these policies with Utmost Life and Pensions Ltd. The policies were transferred to Utmost Life and Pensions Ltd at 12:02am on 1 January 2020 from Equitable Life Assurance Society. Any Equitable Life workplace pension [With-Profits](#) policies were converted to [Unit-Linked](#) policies at 12:01am on 1 January 2020 before being transferred. In addition to the policies transferring to Utmost Life and Pensions Ltd, most of the staff who dealt with these policies also transferred to Utmost Life and Pensions Ltd resulting in a continuity of support and knowledge.

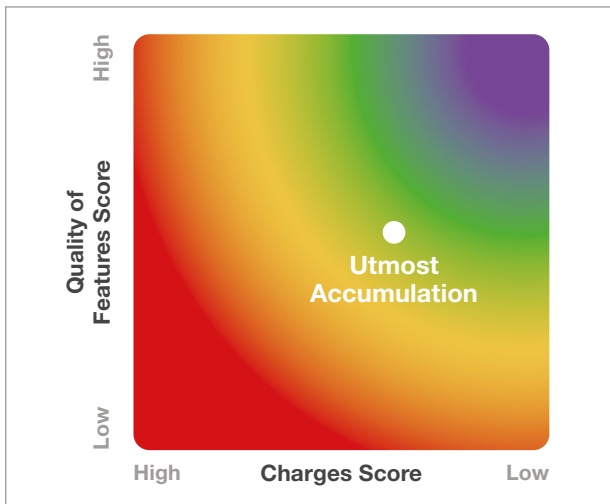
The GAA previously issued five annual reports covering the policies when they were provided by Equitable Life. Our Value for Money assessment is based on the period that the policies have fallen under Utmost Life and Pensions i.e. from 12:02am on 1 January 2020, when the policies transferred to Utmost Life and Pensions Ltd.

Policies that were converted from [With-Profits](#) to [Unit-Linked](#) policies received an uplift of at least 75% of their policy value in exchange for the investment guarantees that were removed. The conversion was subject to member voting and court approval, which were both passed.

A colour coded summary of the GAA assessment is shown below:

	Weighting toward VfM assessment	Utmost Life and Pensions Workplace Personal Pension Plans
Strategy Design and Investment Objectives	20%	●
Investment Performance and Risk	20%	●
Communication	30%	●
Firm Governance	5%	●
Financial Security	10%	●
Administration and Operations	10%	●
Engagement and Innovation	5%	●
Overall Quality of Features	100%	●
Overall Cost and Charge Levels	100%	●
Overall Value for Money Assessment		●

Value for Money Scoring



The Overall Value for Money rating is determined on a rating scale based on the product of the Quality of Features score and the Charge Levels score and is visually represented by the heatmap opposite.

The overall conclusion is that Utmost Life and Pensions Ltd workplace personal pension plans provide good value for money.

The following item has been identified as part of our Value for Money assessment as an area that the GAA has challenged Utmost Life and Pensions Ltd to improve the workplace personal pension plan for policyholders:

» **Strategy Design and Investment Objectives**

- The default investment strategy was put in place for any Equitable Life policyholders who did not make an active fund choice upon conversion from [With-Profits](#) to [Unit-Linked](#) and subsequent transfer to Utmost Life and Pensions Ltd. While we recognise it is too early to undertake a review of the default investment strategy, we recommend a specific review should take place to establish if it remains appropriate for the demographics of the workplace personal pension plan policyholders now invested in the default strategy. We consider this is an area of improvement for 2021.

The GAA also made the following observations:

» **Strategy Design and Investment Objectives**

- Fund factsheets could benefit from being made clearer and be better signposted for policyholders on the website.
- The GAA would also expect to see continued progress on the integration of [ESG](#) financial considerations. We recognise that during 2021 Utmost Life and Pensions Ltd implemented a Sustainability Strategy and continue to work with their Fund Managers on [ESG](#) matters.

» **Investment Performance and Risk**

- All policyholders who are in the default investment strategy were in a Secure Cash Fund with an underlying guarantee that the price of the fund would not fall to below its opening price on 1 January 2020. Monies were then transferred from the Secure Cash Fund from July. Therefore, these policyholders benefited from both being in cash in the first 6 months of 2020 and from rising returns as markets recovered in the second half of 2020. Customers who were not in the default investment strategy would have seen some impact from reducing returns due to the COVID-19 pandemic. Utmost Life and Pensions Ltd appropriately challenged their investment managers through their Governance process and investment performance improved during the latter part of 2020.

» **Communications**

- Utmost Life and Pensions Ltd did not survey policyholders during 2020 other than an exit survey but is putting plans in place for further ongoing engagement of policyholders.
- Access over the internet is limited and therefore an area that could be improved upon albeit this may not be considered feasible for a legacy portfolio.

Details of the numbers of policyholders and their funds were supplied to the GAA for the assessment and are summarised in Appendix 4.

The FCA has introduced a new requirement this year for the disclosure of costs and charges and further details can be found in Appendix 5.

The GAA has not raised any concerns with Utmost Life and Pensions Ltd during the year.

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

Clare James

Chair of the PTL Governance Advisory Arrangement

July 2021



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:

Utmost Life and Pensions

Walton Street, Aylesbury
Bucks, HP21 7QW

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Email: enquiries@utmost.co.uk

Alternatively, you can contact the GAA directly at:

gaacontact@ptluk.com

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Overview of the Value Assessment

The GAA has assessed the Value for Money delivered by Utmost Life and Pensions Ltd to its workplace personal pension policyholders by looking at cost versus 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 benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the benefits and services provided to policyholders. We have attempted to make appropriate comparisons with other relevant pension providers, although there is limited information available in the public domain.

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 areas or quality features, 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 the information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA.
- » 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 7 different overarching quality features. These quality features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, 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 innovation, culture and service, and a wider overview of the administration quality and processes, not confined to just the processing of [core financial transactions](#).

Within each of the 7 quality features are a number of sub-features and these 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.

Each set of score descriptors set out what the GAA would expect to see to achieve each numerical score. These scores are then combined to produce an overall score for each of the 7 quality features, as well as an overall score for the quality features combined. The Framework incorporates relative weightings for this purpose as shown in the table in the Executive Summary.

In making our overall assessment of the Quality of Features the GAA has, where possible, taken into account the likely needs and expectations of this group of policyholders, based on the information made available.

The GAA then went on to consider the Value for Money 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 and administration, but the GAA does also consider [transaction costs](#) in isolation and how they are controlled. The Cost and Charge Levels are rated on a scale of Low to High, taking into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The Quality of Features score and the Cost and Charge Level rating are then combined to determine an Overall Value for Money rating.

In the sections on the following pages, we have described each of the Firm's 7 quality features, the rating the GAA has awarded, together with any areas for improvement we have identified. There is also a separate section on Costs and Charges and 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.



Where we have used technical pensions terms or jargon, these are explained in the [Glossary](#) in Appendix 3.

Strategy Design and Investment Objectives

Value score: Good



The Firm's approach

Utmost Life and Pensions Ltd has a default investment strategy which has been designed in conjunction with JP Morgan Asset Management ('JPMAM'). It is, however, not a conventional default in that as a legacy book, nearly all policyholders have made a fund selection already. The use of the default is restricted to those legacy Equitable Life [With-Profits](#) policyholders who did not make a choice regarding their future investments when the [With-Profits](#) policies were converted to [Unit-Linked](#) policies and transferred to Utmost Life and Pensions Ltd. These policyholders' funds were initially invested in cash before being invested in the default investment strategy. The default strategy consists of a series of risk graded funds where the strategy de-risks by age of the policyholder. The underlying funds are managed by JPMAM.

There is a reasonable range of [Unit-Linked](#) funds for policyholders to choose from. These cover both single asset classes and some multi-asset managed funds. Prior to 2020, these funds were managed by Aberdeen Standard Investments ('ASI'), from 1 January 2020 JPMAM were introduced into the Utmost Life and Pensions Ltd funds and the investments with ASI will be diluted over time.

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 workplace pension 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 investment strategy, 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 24, 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 strengths

There is a reasonable process for designing the investment strategy.

It had not been possible to model the demographics of the policyholders in the default investment strategy prior to investments being made as Utmost Life and Pensions Ltd did not know who would make an active fund choice and therefore had to consider the demographics of all policyholders. The phased investment of the legacy [With-Profits](#) policyholders into the default investment strategy from cash benefited policyholders greatly as they were in cash during the worst of the market crash due to the COVID-19 pandemic and were gradually reinvested during the subsequent recovery.

All funds have a risk rating displayed clearly on their factsheets. All investment options have relevant aims/objectives which are communicated on the fund factsheets although these could be made measurable and time-specific.

The Utmost Life and Pensions Ltd Investment Committee has ultimate responsibility for the management of the funds. The GAA has seen a copy of the Terms of Reference and copies of meeting minutes which provide evidence of regular reviews taking place, with changes being implemented where appropriate to ensure alignment with the interests of policyholders including adding more fund choices over the year. The GAA found clear evidence of the process for implementing several changes prior to the year, including the introduction of JPMAM into the Utmost Life and Pensions Ltd funds and the development of the funds used in the default investment strategy. There was little change in the year to existing funds as this was not required although there was a review of the de-risking mechanism applied by JPMAM during the COVID-19 market crisis.

The GAA saw evidence that Utmost Life and Pensions Ltd's policy on [ESG](#) financial considerations, stewardship and non-financial matters are now considered as part of the investment strategy design as these have been incorporated into a revised investment policy after the period under review. After the year end, Utmost Group Ltd has produced a policy on [ESG](#) and sustainable funds which has been adopted by Utmost Life and Pensions Ltd.

Areas of improvement



GAA challenge

The default investment strategy was designed with all [With-Profits](#) policyholders taken into account and has not been revisited to reflect the demographics of those workplace personal pension plan policyholders who are now invested in the default strategy as they did not make an active investment choice. This should be revisited by Utmost Life and Pensions Ltd in 2021 to ensure the default strategy remains appropriate for these policyholders.

GAA observations

Although the fund factsheets are available on the Utmost Life and Pensions Ltd website, the GAA considered that they could be better signposted from other relevant pages.

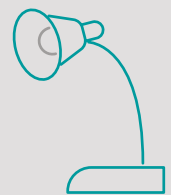
In addition, although the fund factsheets have relevant aims/objectives, these could be made measurable and time-specific.

The GAA would expect to see continued progress on the integration of [ESG](#) financial considerations beyond aspirations and what the managers had already implemented.

Investment Performance and Risk

Value score: Satisfactory

Excellent
 Good
 Satisfactory
 Poor



The Firm's approach

All Utmost Life and Pensions Ltd workplace personal pension plans are [Unit-Linked](#). The funds are Utmost Life and Pensions Ltd funds, but managed by ASI and JPMAM with [Unit-Linked](#) charges ranging from 0.5% to 1% pa.

Performance and risk are evaluated by the Investment Committee on a regular basis.

Net performance and risk are reviewed monthly for JPMAM and bi-monthly for ASI.

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 benchmark.

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.

The Firm's strengths

Utmost Life and Pensions Ltd have demonstrated there is a robust governance framework in place and have provided clear evidence of the monitoring undertaken during the year. The GAA saw evidence of Utmost Life and Pensions Ltd's process for implementing changes just before 2020 with the introduction of JPMAM at the beginning of the year.

The Risk Management Framework was created in January 2020 and applied from March 2020. This only applies to the JPMAM investments but is a good example of risk management. Back testing indicated the framework would work, but a reactive review was required after the COVID-19 market crisis. As a result the framework was adjusted to make it more dynamic.

Areas of improvement – GAA observations



All policyholders who are in the default investment strategy were in a Secure Cash Fund with an underlying guarantee that the price of the fund would not fall to below its opening price on 1 January 2020. Monies were then transferred from the Secure Cash Fund in 24 weekly instalments from July. Therefore, the policyholders benefited from both being in cash in the first 6 months of 2020 and from rising returns as markets recovered in the second half of 2020. Customers who were not in the default investment strategy would have seen some impact from reducing returns due to the COVID-19 pandemic.

We also recognise that Utmost Life and Pensions Ltd appropriately challenged their investment managers through their Governance process and investment performance improved during the latter part of 2020. From October last year the majority of funds were performing in 2nd or 3rd quartile. The Managed Pension Fund is now performing above benchmark over both 1 year, 2 year and 5 years.

Communication

Value score: Good



The Firm's approach

Utmost Life and Pensions Ltd has built on the core communication offering from the legacy Equitable Life and improved it somewhat.

The main support is the telephone helpline which is managed by experienced operators who are empowered to assist policyholders. Forms are available on the website and can be emailed but must be followed up by post.

Utmost Life and Pensions Ltd offer guidance on drawdown; when this was offered by Equitable Life it was relatively open as there was no internal drawdown offering. Utmost Life and Pensions Ltd do not offer annuities for workplace personal pension plans but point policyholders towards Canada Life and the open market option. Members have access to a help line and are also pointed to Pension Wise too.

Equitable Life surveyed members regularly, especially in the run up to demutualisation. Utmost Life and Pensions Ltd surveyed exiting policyholders in May 2020 (i.e. those policyholders leaving Utmost Life and Pensions Ltd either at or before retirement).

What are we looking for?

We would expect communications to be 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.

We would expect the online offering to be substantial, 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 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.

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 strengths

The GAA has been provided with a range of sample communications to review. Written communications are clear and engaging for members to take any action necessary and they are supported by the telephone helplines.

Recent updates to content had been made following the change of Equitable Life policies from [With-Profits](#) to [Unit-Linked](#) and the subsequent transfer to Utmost Life and Pensions Ltd and also as a result of COVID-19.

Equitable Life had used policyholder focus groups since 2014 to test reaction to proposed changes to communications.

Although policyholders cannot log onto the website to see their fund value, they can obtain this information over the phone during weekday working hours.

A previous site visit to Equitable Life included meeting the telephone support teams. This showed particular commitment to a high-quality service for policyholders including resourcing and re-allocation of resourcing to deal with varying work demands, together with a high level of management monitoring.

Areas of improvement GAA observations



Utmost Life and Pensions Ltd did not survey policyholders during 2020 but is putting plans in place for further ongoing engagement of policyholders. This will be an area for the GAA to review once completed.

Access over the internet is limited and therefore an area that could be improved upon albeit this may not be considered feasible for a legacy portfolio.

Firm Governance

Value score: Satisfactory



The Firm's approach

Utmost Life and Pensions Ltd have put in place a governance framework for appointing and monitoring internal and external service providers, including external investment managers.

Administration and IT operations are carried out in house and internal service level agreements are monitored regularly and fit for purpose.

During 2020, HSBC were appointed as the provider of accounting and fund custody services after a tender process to rationalise the providers across Utmost Life and Pensions Ltd following the transfer of policies from Equitable Life.

The firm applied a reasonable due diligence process when appointing the most recent investment manager. The GAA have reviewed the tender process and final decision documentation, as well as discussed the decision with the investment team. There is, however, limited scope for action with regard to the firms' other fund manager as the terms of the contract mean Utmost Life and Pensions Ltd do not have unfettered freedom to change this arrangement until 2022.

What are we looking for?

We would expect to see a comprehensive governance structure in place, with evidence of regular reviews being undertaken and active changes being made as required.

The Firm's strengths

Utmost Life and Pensions has a reasonable governance framework in place to appoint and monitor internal and external service providers.

Areas of improvement GAA observations



The GAA did not identify any specific areas for improvement.

Where Utmost Life and Pensions Ltd have been able to, they have applied reasonable due diligence, but are somewhat constrained by the contract with one of the firm's investment managers. This will be reviewed at the end of the current contract in 2022.



Financial Security

Value score: Good



The Firm's approach

Utmost Life and Pensions Ltd is part of the Utmost Group of Companies, a specialist life assurance group. The workplace personal pension plans were transferred from heritage Equitable Life policies.

The financial strength of Equitable Life was constantly considered as a central element of all decisions. While it did not have the depth of a large growing insurer, its financial position was carefully managed, and issues of policyholder fairness were embedded in its structure – because some decisions which benefited some policyholders could have been at the expense of other policyholders. As a result, its resources were carefully managed.

There was a significant change with the conversion of the [With-Profits](#) book to [Unit-Linked](#) policies and the business transfer to Utmost Life and Pensions Ltd.

The GAA have had sight of the Utmost Life and Pensions Ltd Enterprise Risk Management Framework. All key matters of risk are the responsibility of the Chief Risk Officer.

Significant security measures are in place and were discussed with the GAA on our virtual site visit. Many of these incorporate staff procedures, requirements, and training.

Cyber security is reviewed at quarterly meetings and includes testing of security at various levels. Outsourced IT suppliers are vetted after a comprehensive tendering process.

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 look for evidence of regular internal and external assurance audits on controls and 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 are looking for evidence of a clear process to warn policyholders about fraud and scams and to identify possible scamming activity.

The Firm's strengths

Utmost Life and Pensions Ltd had a high solvency ratio prior to the acquisition of Equitable Life. The 2020 Solvency and Financial Condition Report ('SFCR') shows a solvency ratio of 176% at 31 December 2020.

As a ringfenced insurer policyholders would be protected in the unlikely event of bankruptcy. As the accounts with asset managers are held in pooled funds Utmost Life and Pensions Ltd is relatively protected from fraud at the asset managers. Utmost Life and Pensions Ltd has appropriate fraud controls in place.

Utmost Life and Pensions Ltd have strong security systems, especially with regard to cyber security, where external penetration testing is regularly carried out.

The likelihood of fraud is low especially for pension scams in transfers because the Utmost Life and Pensions Ltd team are experienced and well trained and Utmost Life and Pensions have a stable policyholder base.

Areas of improvement



The GAA did not identify any specific areas for improvement.



Administration and Operations

Value score: Good



The Firm's approach

Administration is carried out in house and evidence has been provided of performance against service standards of 5 and 10 working days.

If the agreed service standards are met, core financial transactions will be processed promptly and accurately.

What are we looking for?

We are looking for evidence of strong administration processes with appropriate service standards in place and regular reporting evidencing adherence to those service standards. In particular, we are seeking evidence that [core financial transactions](#) are processed promptly.

We are looking for a comprehensive business continuity plan and evidence of its effectiveness in maintaining business continuity during COVID-19.

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

The Firm's strengths

The GAA have reviewed the annual customer service levels and we therefore believe the administration service provided to policyholders is of a good standard and that [core financial transactions](#) are processed promptly and accurately. Service levels are high and closely monitored. Although service levels dropped somewhat during the start of the COVID-19 pandemic, they recovered quickly afterwards. Employees were supported to work remotely. High standards of administration are maintained with strong management from administration team leaders.

Utmost Life and Pensions Ltd provided details of complaints to the GAA in respect of the workplace personal pension plans and the outcome of the complaints. For 2020, these were modest, other than those that were specifically in relation to action following the changes to the [With-Profits](#) book which coincided with delays due to COVID-19 disruption. Complaints did increase in 2020, but are rare, reflecting good service standards and the GAA has been provided with evidence to show that complaints are dealt with appropriately. A few complaints were upheld, but these related to delayed administration.

The restructure from Equitable Life to Utmost Life and Pensions Ltd has been handled well, a good combination of longstanding staff have been retained facilitating 'corporate memory' with a new senior management team from the combined business and significant changes have been made to accommodate the now growing business.

Areas of improvement



The GAA did not identify any specific areas for improvement.



Engagement and Innovation

Value score: Good

Excellent
 Good
 Satisfactory
 Poor



The Firm's approach

These policies only came into Utmost Life and Pensions Ltd's remit at the beginning of 2020 but the overall teams now supporting the policies are a product of a merger of a very experienced organisation (Equitable Life) combined with the support from the Utmost Life and Pensions Ltd team. Much thought was given to the organisational structure and product prior to the merger and the result has been a good blend, retaining the best of both worlds.

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.

The Firm's strengths

The organisational culture is still settling, there is a combination of heritage with the former Equitable Life team's long experience combined with new support for this book of business from the existing Utmost Life and Pensions Ltd team.

As an organisation it is quite cautious but is making changes.

Utmost Life and Pensions Ltd has a robust product review process which includes consideration of improving the offering to policyholders.

Whilst no fundamental changes were made to the product over the year, Utmost Life and Pensions Ltd was able to evidence a number of new developments in the prior year, as well as the introduction of funds in the default investment strategy to moderate risk for policyholders.

In 2020, a flexible drawdown policy which includes Investment Pathways has been successfully introduced giving policyholders an additional option at retirement. The product review process for Investment Pathways is discussed in a separate report.

Utmost Life and Pensions Ltd demonstrated a reasonable culture of innovation to the GAA.

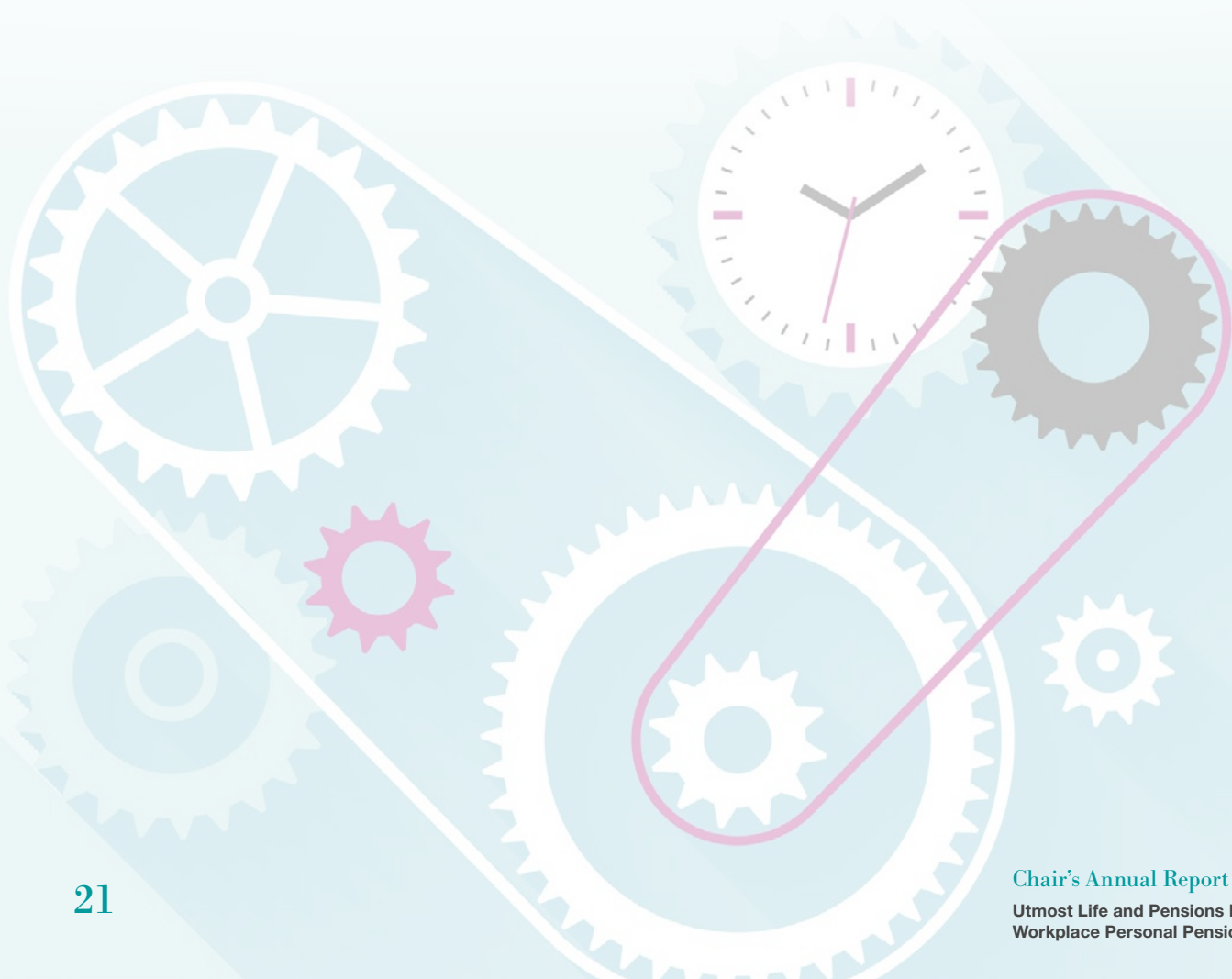
Historically, client satisfaction surveys were carried out by Equitable Life that regularly reported good levels of satisfaction. An exit survey was carried out by Utmost Life and Pensions Ltd in May 2020 which also reported good levels of satisfaction on communications and the overall level of service provided.

Areas of improvement GAA observations



The GAA did not identify any specific areas for improvement.

The GAA noted that other than the exit survey carried out in May 2020 that client satisfaction surveys had not been carried out under Utmost Life and Pensions Ltd to the extent they had under Equitable Life. The GAA would expect more client satisfaction surveys to be carried out going forwards. Utmost Life and Pensions Ltd is putting plans in place for further ongoing engagement of policyholders



Overview of Policyholder Charges

Charges: Moderately Low

High charges



Low charges



The Firm's approach

The GAA's assessment of the costs and charges was Moderately Low. Most policyholders are charged 0.75%, it is lower at 0.5% for cash or tracker funds and higher at 1% for property funds.

The fund charges have been provided to us, together with an explanation of the principles of the pricing model.

Charges are set for each product and vary by investment strategy.

Risk of high charges for legacy products

While aspects of the products are legacy based, when [With-Profits](#) policies converted to [Unit-Linked](#), all aspects were well reconsidered and charges adjusted accordingly on the transfer to Utmost Life and Pensions Ltd.

GAA comment and view



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

- » 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; and
- » the distribution of charges across policyholders.

The GAA was provided with comprehensive details of policyholder charges including [transaction costs](#) calculated on the DC workplace methodology.

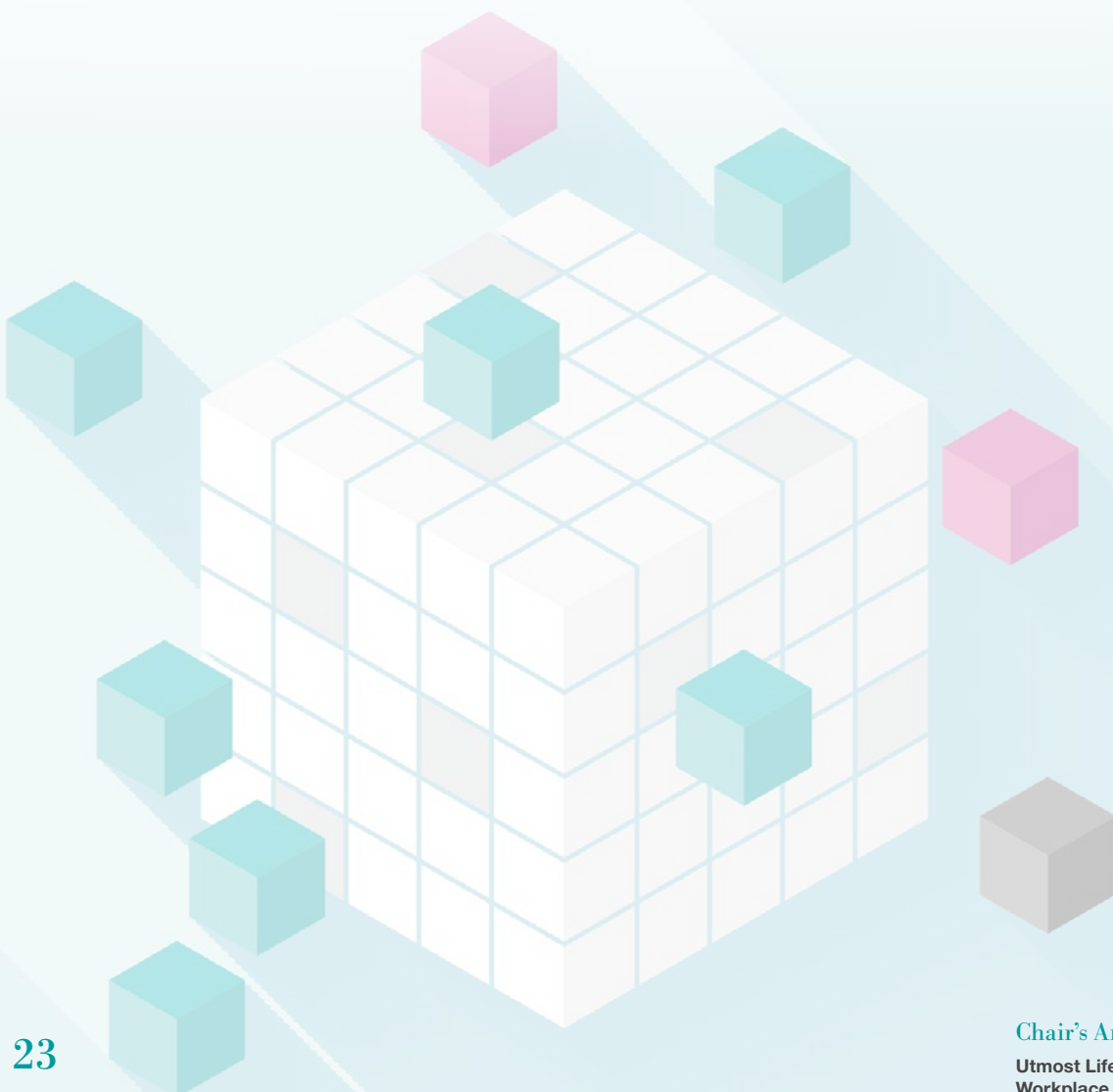
GAA comment and view (continued)



The AMC is 0.5% pa for cash funds and 0.75% pa for other [Unit-Linked](#) funds, except Property, which is 1% pa.

The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including [transaction costs](#) and how that process could escalate into a decision to make changes to the fund.

The FCA has introduced new requirements that the administration charges and transactions costs information, in relation to each relevant scheme, must be published by 31 July each year, 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. For this year, the requirement only applies to default arrangements but in subsequent years this is extended to all self-select fund options as well. Further details can be found in Appendix 5.



ESG, Non-Financial Matters and Stewardship

What are we looking for?

The FCA requirements set out in COBS 19.5.5 state that where a firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA should assess the adequacy and quality of the firm's policy in relation to; [ESG](#) financial considerations, and non-financial matters. The GAA should also assess how these are taken into account in the firm's investment strategy or investment decision making, and assess the adequacy and quality of the firm's policy in relation to stewardship. 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 the area of Strategy Design and Investment Objectives on page 9, how the Firm has integrated [ESG](#) financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

The GAA expected the Firm to be able to provide a clear explanation of the Firm's approach to taking into account [ESG](#) financial considerations, non-financial matters and stewardship, together with evidence of how these are implemented in practice. The GAA expected any policies to take into account the expected investment duration and be aligned with the interests of policyholders.

GAA comment and view



Utmost Life and Pensions Ltd has provided a copy of Utmost Group Ltd's policy to the GAA. This policy was finalised in 2021 and has now been adopted by Utmost Life and Pension Ltd. This clearly explains the Firm's approach to [ESG](#) financial considerations and stewardship although the GAA note that this was only finalised after the end of the period under review. Utmost Life and Pensions Ltd work with their Investment Managers who continue to work with Companies in which they invest, to improve [ESG](#) scores. The Firm is embedding [ESG](#) financial considerations, non-financial matters and stewardship into an updated investment policy reflecting Utmost Group Ltd's [ESG](#) policy although this was developed after the period under review.

The GAA considers the policies to be adequate. This is an area which is evolving and the GAA will continue to monitor developments in this area.

Appendix 1:

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 on 25 September 2020.

Members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd on 9 October 2020 to start the Value for Money assessment process for the 2020 calendar year and to discuss and agree timescales.

On 16 December 2020, members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd 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 the default investment strategy, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. Given government restrictions in light of COVID-19, this meeting was virtual.

On 21 May 2021, members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd to discuss the GAA's provisional scoring of Value for Money of the in-scope workplace pensions and the approach for meeting the new cost and charges disclosure requirements in COBS 19.5.13.

Additional formal meetings and engagement by e-mail has taken place between the GAA and Utmost Life and Pensions Ltd on the design of Investment Pathways but this falls outside the scope of this report.

As part of the Value for Money assessment process, Utmost Life and Pensions Ltd has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit. In particular, the GAA has seen evidence of [ESG](#) integration within Utmost Life and Pensions Ltd investment decision process, although this is limited to supporting the manager initiatives rather than leading the managers.

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 and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. The GAA documents all formal meetings with Utmost Life and Pensions Ltd and maintains a log which captures any concerns raised by the GAA with Utmost Life and Pensions Ltd, whether informally or as formal escalations.

Concerns raised, and challenges made with the Provider by the GAA and their response

The GAA has not raised any concerns with Utmost Life and Pensions Ltd during the year covered by this report on the workplace personal pension plans.

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 the Utmost Life and Pensions Ltd website.
- » Utmost Life and Pensions Ltd 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 Utmost Life and Pensions 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 gaacontact@ptluk.com so that policyholders can make representation to the GAA direct. Utmost Life and Pensions Ltd will include details of this contact e-mail address on their website.

Appendix 2:

PTL 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 ('IGC') 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 IGC and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

The PTL Governance Advisory Arrangement ('the GAA') 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

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 [relevant policyholders](#) or pathway investors.

The Board of PTL has appointed PTL Governance Ltd to the GAA. All of PTL's Client Directors act as representatives of PTL Governance Ltd on the GAA and Clare James currently represents PTL Governance Ltd in the capacity of Chair. More information on each of PTL's Client Directors, their experience and qualifications can be found at www.ptluk.com/Our-Team

Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, is also appointed to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of PTL. Information on Dean's experience and qualifications can be found at 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 PTL Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of [relevant policyholders](#).

The terms of reference agreed with the Firm can be found at: www.utmost.co.uk/about-us/governance-advisory-arrangement

Appendix 3:

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').

Core financial transactions

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

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

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.

Lifestyling

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

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 their employer in respect of that relevant scheme.

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 4:**Summary of Workplace Personal Pension Plan Data at 30 October 2020**

Number of employers:	
Non-qualifying for auto-enrolment	2,013
Total number of policyholders	14,424
Contributing	85
Non-contributing	14,339
Total value of assets (market value)	£306.8m

Notes:

Some employers have more than one policy and therefore there may be some double counting of employers.

The workplace personal pension plans are not used for auto-enrolment purposes.

Appendix 5:

Cost and Charges Disclosure

The FCA has introduced a new requirement for the publication and disclosure of costs and charges as set out in COBS 19.5.13. This year, the requirement only applies to default investment arrangements. Utmost Life and Pensions Ltd has provided the GAA with the following disclosures in respect of the period 1 January 2020 to 31 December 2020. In addition, these disclosures are provided on a publicly accessible website at www.utmost.co.uk

The default investment strategy known as 'Investing by Age' was designed to aim to protect a policyholder's money by gradually transitioning from the Multi-Asset Moderate fund to the Multi-Asset Cautious fund between the ages of 55 to 65 and then transitioning to the Money Market between the ages of 75 to 85. The costs and charges set out below have been provided by Utmost Life and Pensions Ltd for the three underlying funds used by the default strategy.

Fund	Annual Management Charge %	OEIC Transaction costs %	Stocklending %	Utmost Life and Pensions Fund Transaction Cost %	Total Annual Charges %
Multi-Asset Moderate	0.75	0.526100	0.000600	0.000001	1.28
Multi-Asset Cautious	0.75	0.625400	0.000400	0.000001	1.38
Money Market	0.50	0.001048	0.000000	0.000000	0.50

The following table shows the impact of charges for the default fund. The fund is projected over several years and shown before and after cost and charges have been deducted.

Term	Default Investment Strategy	
	Before Charges £	After Costs and Charges Deducted £
1	1,007	998
3	1,021	995
5	1,035	992
10	1,060	973
15	1,060	925
20	1,045	863
25	1,030	805
30	998	744
35	928	668
40	841	590

Notes:

- 1) Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- 2) The starting pot size is assumed to be £1,000.
- 3) Inflation is assumed to be 2.5% p.a. in line with specified assumptions used in Statutory Money Purchase Illustrations.
- 4) Values shown are estimates and are not guaranteed.
- 5) The projected growth rate for before inflation is taken into account, based on Utmost Life and Pensions Ltd's expectations of return before expenses or charges, are as follows:
 - Multi-Asset Moderate 3.2% p.a.
 - Multi-Asset Cautious 2.2% p.a.
 - Unit-Linked Cash 0.5% p.a. (Money)

ptl

Personal
Pragmatic
Professional

