


Chair's Annual Report

Year ended 31 December 2020

The PTL Governance Advisory
Arrangement (GAA)

A large, decorative graphic on the right side of the cover features several concentric, overlapping circles. The circles are rendered in various shades of teal, light blue, white, and magenta, creating a dynamic, layered effect. The circles are not perfectly aligned, giving the impression of movement or depth.

Utmost Life
and Pensions Ltd
Investment Pathways
(Utmost Drawdown)

July
2021



Introduction and Executive Summary

This report has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA') on the [Investment Pathways](#) policies provided by Utmost Life and Pensions Ltd ('the Firm') which are referred to by the Firm as Utmost Drawdown. This report sets out our assessment of the value delivered to pathway investors.

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 dated 16 February 2021 and are publicly available (see Appendix 2).

As Chair of the GAA, I am pleased to deliver this value assessment of the Utmost Drawdown.

This is our first report covering these policies. [Investment Pathways](#) were launched by Utmost Life and Pensions Ltd on 11 March 2020 and made available to pension plan policyholders who had transferred to Utmost Life and Pensions Ltd in January 2020 from Equitable Life. Most of the staff who dealt with these policies also transferred to Utmost Life and Pensions Ltd resulting in a continuity of support for these pathway investors and a knowledge of the existing policies and options before [Investment Pathways](#) was launched as a new option for pathway investors at retirement. This report covers [Investment Pathways](#) i.e. the decumulation phase of the products only; there is a separate Chair's Annual Report which covers the accumulation phase of the workplace personal pension plans.

Utmost did not engage the GAA to carry out an assessment of [Investment Pathways](#) prior to launch although this requirement only came into effect in COBS 19.5 from April 2020. Therefore, it was not a requirement at the time of launch in March 2020.

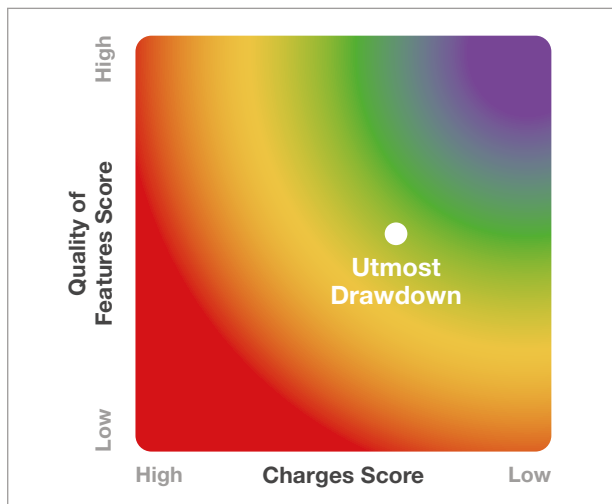
The GAA has conducted a rigorous assessment of the Value for Money delivered to pathway investors over the period from launch to 31 December 2020. The GAA has developed a Framework to assess Value for Money and further details are set out on page 7.

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



	Weighting toward VfM assessment	Utmost Drawdown
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 the Utmost Life and Pensions Ltd [Investment Pathways](#) (Utmost Drawdown) provide good value for money.

The following items have been identified as part of our Value for Money assessment as areas that the GAA has challenged Utmost Life and Pensions Ltd to improve the [Investment Pathways](#) for pathway investors:

» **Strategy Design and Investment Objectives**

- Utmost Life and Pension Ltd's view is that the policyholder's investment into the Utmost Drawdown would in the majority of cases not be their main source of retirement income. As this will not be the case for all pathway investors, the GAA expect this assumption to be reviewed in practice reflecting the demographics of those who elect to use [Investment Pathways](#). The suitability of the investment funds would also need to be reconsidered if [Investment Pathways](#) are offered more widely.
- The evidence that GAA has seen regarding Pathway II (where pathway investors plan to use their money to set up a guaranteed income ([annuity](#)) within the next 5 years) does not fully demonstrate how Utmost Life and Pensions Ltd reached their expectations of policyholder behaviour which informed the underlying fund choice. Policyholder behaviour, fund performance and [annuity](#) price movement are important considerations for managing the risk well under this pathway. The GAA expect Utmost Life and Pensions Ltd to continue to monitor the suitability of the underlying fund used for this pathway and provide evidence to support this decision when it becomes available.

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 pathway investors 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**

- Policyholders using [Investment Pathways](#) were not affected by the reduction in investment returns due to COVID-19 as pathways were not used until April 2020. The underlying funds are used outside of [Investment Pathways](#) within Utmost Life and Pensions Ltd. While we recognise Utmost Life and Pensions Ltd appropriately challenged their investment managers through their Governance process and investment performance improved during the latter part of 2020, we would expect Utmost Life and Pensions Ltd to specifically consider pathway investors at the Investment Committee level. We consider this is an area of improvement for 2021.

» **Communications**

- Utmost Life and Pensions Ltd have carried out regular reviews of the communications since launch and we expect this to continue particularly as the product develops. The GAA will consider how improvements suggested by the reviews have been actioned or considered further in the next annual report. The GAA expect further ongoing engagement of pathway investors. The GAA hope that Utmost Life and Pensions Ltd will continue to seek and act on feedback from pathway investors.
- Access over the internet is limited and therefore an area that could be improved upon albeit this may not be considered feasible for a group of pathway investors that has come from a legacy portfolio. The GAA would expect this to develop if the Utmost Life and Pensions Ltd [Investment Pathways](#) are offered to a wider audience.

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

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 pathway investor 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

Telephone: 0330 159 1530

Email: enquiries@utmost.co.uk

Alternatively, you can contact the GAA directly at:

gaacontact@ptluk.com

Contents

Overview of the Value Assessment	7
<hr/>	
Assessment of Quality of Features	
<hr/>	
Strategy Design and Investment Objectives	9
<hr/>	
Investment Performance and Risk	12
<hr/>	
Communication	14
<hr/>	
Firm Governance	16
<hr/>	
Financial Security	17
<hr/>	
Administration and Operations	19
<hr/>	
Engagement and Innovation	21
<hr/>	
Overview of Policyholder Charges	22
<hr/>	
ESG, Non-Financial Matters and Stewardship	24
<hr/>	
Appendices	
<hr/>	
GAA Activity and Regulatory Matters	25
<hr/>	
PTL GAA Credentials	27
<hr/>	
Glossary	28
<hr/>	
Summary of Investment Pathways data	29
<hr/>	

Overview of the Value Assessment

The GAA has assessed the Value for Money delivered by Utmost Life and Pensions Ltd to its pathway investors 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 in assessing value for money. Our fundamental approach has therefore been to compare all the costs paid by pathway investors against the benefits and services provided to pathway investors. We have attempted to make appropriate comparisons with other relevant providers of [Investment Pathways](#), although there is limited information available in the public domain as this review also covers the period when [Investment Pathways](#) were launched.

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 pathway investors 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 for workplace personal pension plans over the past several years, such as the Firm's governance structure, the financial security for pathway investors, 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 pathway investors, 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 pathway investors 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, 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 [Investment Pathways](#) 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.

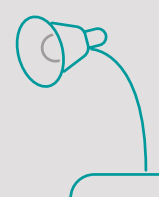
In the sections on the following pages, we have described each of the Firm's 7 quality features, the rating the GAA has awarded, together with any areas for improvement we have identified. There is also a separate section on Costs and Charges and a section setting out the GAA's views on the adequacy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



The Firm's approach

Utmost Life and Pensions Ltd has designed an investment strategy for [Investment Pathways](#) in conjunction with JP Morgan Asset Management ('JPMAM').

The [Investment Pathways](#) are presently only offered to pension plan policyholders who had transferred to Utmost Life and Pensions Ltd in January 2020 from Equitable Life. They were designed by Utmost Life and Pensions Ltd based on the characteristics of these policyholders. Utmost Life and Pensions Ltd were provided with additional feedback from external consultants in developing their [Investment Pathways](#).

In conjunction with JPMAM, Utmost Life and Pensions Ltd designed three multi-asset funds which hold varying proportions of equity investment. The equity holding in the Multi-Asset Growth fund is designed to be 75%, the Multi-Asset Moderate fund 60% and the Multi-Asset Cautious fund 30%. In situations where the funds would be expected to benefit, the equity proportions can be higher or lower than those indicated.

The [Investment Pathways](#) options use these multi-asset funds, and each pathway is invested as follows:

I	I have no plans to touch my money in the next 5 years	Multi-Asset Growth
II	I plan to use my money to set up a guaranteed income (annuity) within the next 5 years	Multi-Asset Cautious
III	I plan to start taking my money as a long-term income within the next 5 years	Investing by Age Strategy
IV	I plan to take out all my money within the next 5 years	Multi-Asset Cautious

The Investing by Age Strategy was designed to aim to protect a pathway investor's money by gradually transitioning from a Multi-Asset Moderate fund to the Multi-Asset Cautious fund between the ages of 55 to 65 and then transitioning to the Money Market fund between the ages of 75 to 85.

What are we looking for?

We expect to see an investment strategy for each pathway that sufficiently reflects the FCA's objectives and is designed and managed taking the characteristics of the pathway investors likely to be using each pathway into account, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon.

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 pathway investors and their chosen pathway.

We are also looking for evidence of a robust ongoing review process for all pathways and evidence that the Firm has taken steps to implement changes, where appropriate, to ensure alignment with pathway investors' interests and their chosen pathway.

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

Each pathway is defined the same as the regulation and this is reasonably clear and Utmost Life and Pensions Ltd have decided on the appropriate investment fund for each of these pathways.

The pathway strategies are somewhat differentiated by pathway. These reasonably meet the FCA requirements, perhaps except for Pathway II (where a pathway investor expects to buy an [annuity](#)). The fund used for Pathway II was designed to give capital growth with low to moderate levels of price fluctuation rather than try to match [annuity](#) pricing. Utmost Life and Pensions Ltd considered the suitability of the fund in detail at the design stage and this was also reviewed by external consultants (along with the design of the other pathways). Pathway II has not been taken up by many pathway investors, but the limited number of exits show a mix of annuities bought and a transfer to another drawdown policy.

Utmost Life and Pensions Ltd consider that the majority of their pathway investors hold other larger retirement investments elsewhere and their investments with Utmost Life and Pensions Ltd are not their main retirement asset. Utmost Life and Pensions Ltd provided a survey of their personal pension plan policyholders to support this, although these do show that there are still a reasonable proportion of personal pension plan policyholders who have stated their investment with Utmost Life and Pensions Ltd was most of their retirement investment.

It is positive that the investment strategies are the same as those used elsewhere within Utmost Life and Pensions Ltd, such as for the accumulation stage, however this reduces the opportunity to make further changes specifically to reflect the characteristics of the pathway investors.

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 pathway investors. The GAA expect the funds to be regularly reviewed and changes to be made where necessary.

As three of the pathways use the Multi-Asset Cautious fund (to some extent in Pathway III), a review of the fund will need to take into account the different characteristics unless the fund used by a Pathway is changed.

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

Areas of improvement



GAA challenges

Utmost Life and Pension Ltd's view is that the policyholder's investment into the Utmost Drawdown would in the majority of cases not be their main source of retirement income. As this will not be the case for all pathway investors, the GAA expect this assumption to be reviewed in practice reflecting the demographics of those who elect to use [Investment Pathways](#). The suitability of the investment funds would also need to be reconsidered if [Investment Pathways](#) are offered more widely than to pension plan policyholders who transferred from Equitable Life.

The evidence that GAA has seen regarding Pathway II does not fully demonstrate how Utmost Life and Pensions Ltd reached their expectations of policyholder behaviour which informed the underlying fund choice. Policyholder behaviour, fund performance and [annuity](#) price movement are important considerations for managing the risk well under this pathway. The GAA expect Utmost Life and Pensions Ltd to continue to monitor the suitability of the underlying fund used for this pathway to ensure the fund is appropriate for these pathway investors who have indicated they are likely to purchase an [annuity](#).

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.

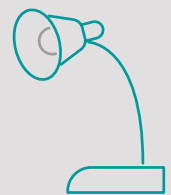
In addition, although the fund factsheets have relevant aims/objectives, these could be made measurable and time-specific.

The GAA would expect to see continued progress on the integration of [ESG](#) financial considerations, beyond current aspirations and what the managers have already implemented, in line with the rapid evolution in the marketplace.

Investment Performance and Risk

Value score: Satisfactory

Excellent
 Good
 Satisfactory
 Poor



The Firm's approach

The funds are Utmost Life and Pensions Ltd [Unit-Linked](#) funds managed by JPMAM.

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

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 pathways funds.

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 by providing committee minutes.

The Risk Management Framework was created in January 2020 and applied from March 2020. This 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

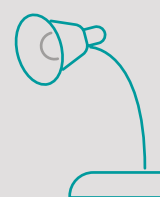


Policyholders using [Investment Pathways](#) were not affected by the reduction in investment returns due to COVID-19 in March 2020 as [Investment Pathways](#) were not used until April 2020. The underlying funds are used outside of [Investment Pathways](#) within Utmost Life and Pensions Ltd and JPMAM were pressed regarding the dynamic active risk process following the COVID-19 market disruption and required to make some changes in the process.

While we recognise Utmost Life and Pensions Ltd appropriately challenged their investment managers through their Governance process and investment performance improved during the latter part of 2020, we would expect Utmost Life and Pensions Ltd to specifically consider pathway investors at the Investment Committee level. We consider this is an area of improvement for 2021.

Communication

Value score: Good



The Firm's approach

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

Utmost Life and Pensions Ltd has built on the core communication offering from the legacy Equitable Life and improved it somewhat incorporating [Investment Pathways](#) into the retirement options available to legacy Equitable Life personal pension plan policyholders and developing a new suite of communications specific to [Investment Pathways](#) along with telephone helpline scripts.

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).

The communications are of a good standard, and are generally clear and complete.

What are we looking for?

We would expect communications to be clear and engaging and to be tailored to take into account pathway investors' characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications providing details of the different [Investment Pathways](#) as pathway investors consider their options and clear annual benefit statements once pathway investors are in their chosen pathway.

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 pathway investors to be able to switch [Investment Pathways](#) 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 give clear signposting to pathway investors on where they can obtain guidance and advice on their retirement options and the suitability of [Investment Pathways](#).

We are looking for evidence of regular, proactive engagement with pathway investors 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 such as initial letters including illustrations, a mock-up of an annual statement, and the Drawdown Guide. Written communications are clear and engaging for members to take any action necessary and they are supported by the telephone helplines.

A comprehensive call handling framework was provided that showed the suitability of [Investment Pathways](#) were clearly explained to potential pathway investors. The scripts show there are numerous points where pathway investors would be told that [Investment Pathways](#) would not be suitable for them if the potential pathway investor's answers raised specific red flags on suitability.

Although pathway investors cannot log onto a 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 as part of the GAA's review of workplace personal pension plans included meeting the telephone support teams. This showed particular commitment to a high-quality service for workplace personal pension plan policyholders including resourcing and re-allocation of resourcing to deal with varying work demands, together with a high level of management monitoring.

As [Investment Pathways](#) are a new option on retirement, Utmost Life and Pensions Ltd are keeping them under review and have carried out regular reviews including of the communications. A review of the first nine months of [Investment Pathways](#) noted some improvements which could assist policyholder understanding and Utmost Life and Pensions Ltd is acting on these. The call handling framework has developed to assist call handlers answer policyholder questions which arise as pathways use increases.

A survey was undertaken for Utmost Drawdown customers early on which led to some changes in processes.

Utmost Life and Pensions Ltd have noted that they will continue to keep the communications under review.

Areas of improvement GAA observations



Utmost Life and Pensions Ltd have carried out regular reviews of the communications since launch and we expect this to continue particularly if the product develops. The GAA will consider how improvements suggested by the reviews have been actioned or considered further in the next annual report.

The GAA expects further ongoing engagement with pathway investors. The GAA hopes that Utmost Life and Pensions Ltd will continue to seek and act on feedback from pathway investors.

Access over the internet is limited and therefore an area that could be improved upon albeit this may not be considered feasible for a group of pathway investors that has come from a legacy portfolio. The GAA would expect this to develop if the Utmost Life and Pensions Ltd [Investment Pathways](#) are offered to a wider audience.

Firm Governance

Value score: Good



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 managers. The GAA have reviewed the tender process and final decision documentation, as well as discussed the decision with the investment team.

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 Ltd 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.

The GAA would like to see ongoing evidence of good governance practices with changes being made as appropriate particularly with any changes to investment managers and governance of the pathways.



Financial Security

Value score: Good



The Firm's approach

Utmost Life and Pensions Ltd is part of Utmost Group Limited, a specialist life assurance group.

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 the first virtual site visit the GAA held with Utmost Life and Pensions Ltd. Many of these incorporate staff procedures, requirements, and training. These measures apply equally to the [Investment Pathways](#) policies.

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 pathway investors about fraud and scams and to identify possible scamming activity.

The Firm's strengths

The 2020 Solvency and Financial Condition Report ('SFCR') for Utmost Life and Pensions shows a solvency ratio of 176% at 31 December 2020.

As a ringfenced insurer, pathway investors 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 scams in subsequent transfers out of [Investment Pathways](#) because the Utmost Life and Pensions Ltd team are experienced and well trained and Utmost Life and Pensions Ltd have had a stable policyholder base as the pathway investors have all transferred into the Utmost Drawdown from existing pension plans held with Utmost Life and Pensions Ltd.

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 has reviewed the annual customer service levels and we believe the administration service provided to pathway investors is of a good standard and that [core financial transactions](#) are processed promptly and accurately. Service levels are high and closely monitored, although these are not monitored separately for [Investment Pathways](#). 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.

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 and launch of [Investment Pathways](#).

Utmost Life and Pensions Ltd provided details of complaints to the GAA in respect of [Investment Pathways](#) and the outcome of the complaints.

There were nine complaints received in respect of [Investment Pathways](#) during 2020. Most of these were specifically in relation to the time taken to process a query. These occurred when Utmost Life and Pensions Ltd were experiencing high levels of enquiries generally, and this along with adjusting to dealing with the COVID-19 pandemic impacted on overall delivery response times. The other two complaints related to; an overseas customer who was unhappy that they were not eligible for the Utmost Drawdown and; a policyholder who was unhappy that the launch date was not earlier.

The process for complaints is robust.

Areas of improvement

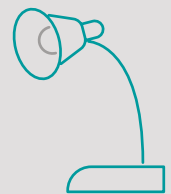


The GAA did not identify any specific areas for improvement.



Engagement and Innovation

Value score: Good



The Firm's approach

These policies were launched in March 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, taking into account pathway investors' characteristics, needs and objectives, including direct feedback from pathway investors. We expect to see consideration of new services being provided to pathway investors.

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 pathway investors. The first review of Utmost Drawdown is scheduled to be carried out in December 2021.

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

Utmost Life and Pensions Ltd have surveyed the pathway investors on a number of issues to test their understanding of the product, their views on charges, tax implications and their future plans to inform product governance and development.

Areas of improvement GAA observations



The GAA did not identify any specific areas for improvement.

The GAA expects further client satisfaction surveys to be carried out going forwards. Utmost Life and Pensions Ltd is putting plans in place for ongoing engagement of pathway investors.

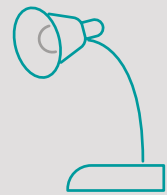
Overview of Policyholder Charges

Charges: Moderately Low

High charges



Low charges



The Firm's approach

The GAA's assessment of the costs and charges was Moderately Low with most pathway investors charged an AMC of 0.75%.

Policies with a value of over £250,000 at the start of a month receive a rebate which brings the AMC down to 0.3% for the amount over £250,000.

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

There are no contribution charges applied and no bid/offer spread. The allocation rate is 100% and there are no policy charges, entry or exit fees, or platform fees. Changes can be made to the level of income taken from a pathway and these changes are free for up to four changes a year with a small charge applying to any subsequent changes. Two further ad hoc withdrawals can be made for free with a higher charge applied for further ad hoc withdrawals.

GAA comment and view



The GAA has considered the overall level of charges borne by pathway investors 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 pathway investors.

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

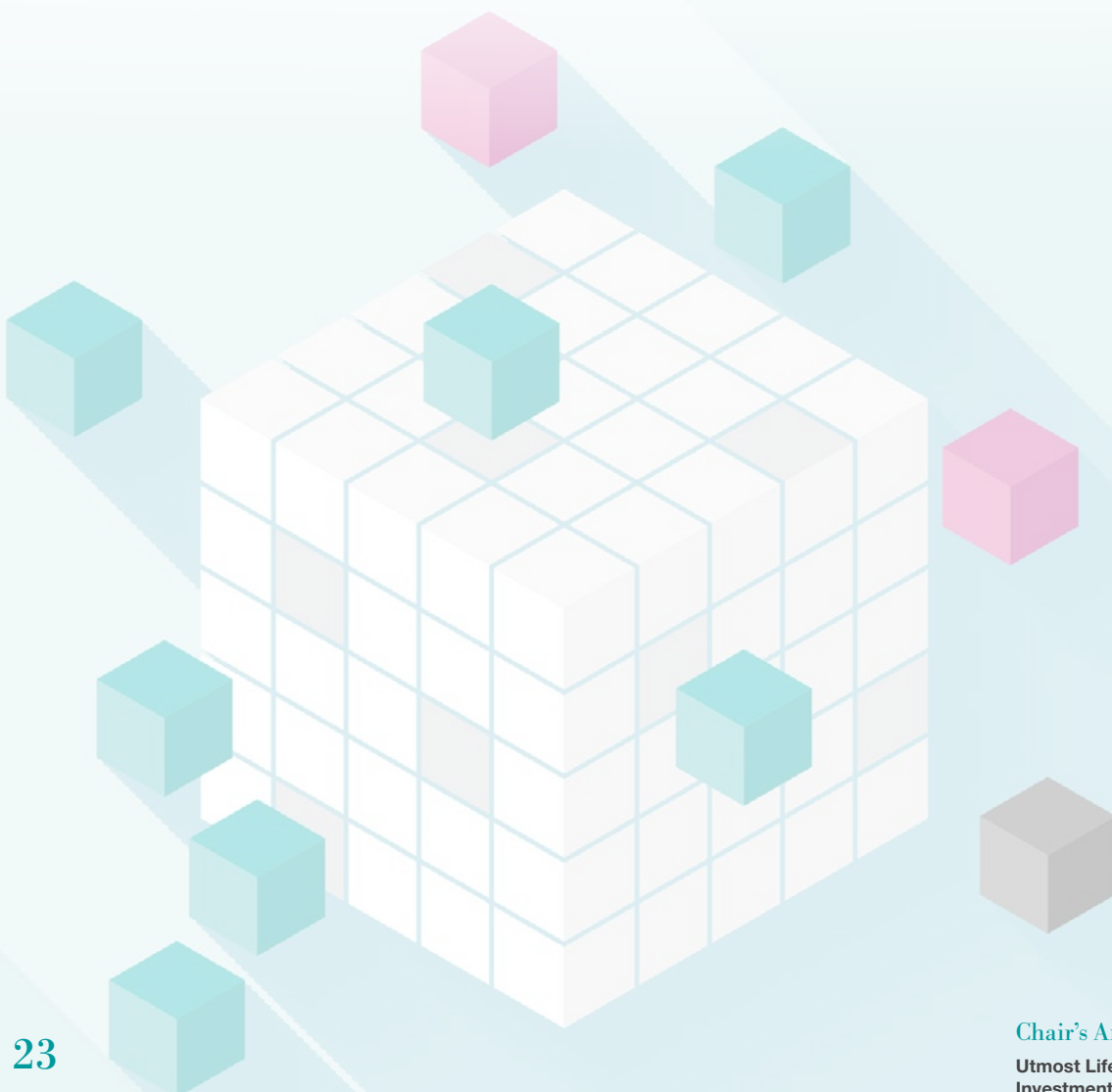
GAA comment and view (continued)



The AMC is 0.75% pa for all Investment Pathway funds, except for larger fund values when the amount over £250,000 receives a rebate which reduces the AMC to 0.3% pa.. The AMC was set at this level to be comparable to the charges in the pension plans that pathway investors were in before buying an Investment Pathway policy.

At present there are very few pathway investors with funds large enough to benefit from the rebate, but this may change over time. The GAA expect Utmost Life and Pensions Ltd to keep the level of fees charged to pathway investors under review to ensure they remain fair. The GAA will be looking more closely at the level of charges for pathway investors compared to competitor's products as part of our review next year and may need to see an improvement in the level of charges made by Utmost Life and Pensions Ltd to maintain a rating of 'Moderately low' next year.

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 a pathways fund.



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 pathway investors' 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 pathway investors.

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

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 for the accumulation phase of its workplace personal pension plans. This was an opportunity for members of the GAA to meet key personnel within Utmost Life and Pensions Ltd with responsibility in the various different areas that covered both the accumulation phase of the workplace personal pension plans and the [Investment Pathways](#). The relevant areas to [Investment Pathways](#) include aspects of the investment strategy, the funds used, 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.

We prepared and issued a request for data on the [Investment Pathways](#) policies on 3 February 2021.

Members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd on 17 February 2021 to start the Value for Money assessment process for [Investment Pathways](#) for the 2020 calendar year and to discuss and agree timescales.

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 for the accumulation phase of the workplace personal pension plans. Some aspects of the Value for Money assessment for [Investment Pathways](#) apply to both the accumulation phase and the [Investment Pathways](#) and were therefore discussed at this meeting. Members of the GAA had a meeting with the representatives of Utmost Life and Pensions Ltd on 5 July 2021 to discuss the other areas of provisional scoring for [Investment Pathways](#) that were not covered in the meeting on the accumulation phase.

Additional engagement by e-mail has taken place between the GAA and Utmost Life and Pensions Ltd with Utmost Life and Pensions Ltd providing additional information and explanations in relation to a number of follow up queries from the GAA.

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 the way that we assess Value for Money for [Investment Pathways](#) and report on this.

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 [Investment Pathways](#).

The arrangements put in place for pathway investors' representation

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

- » The role of the GAA and the opportunity for pathway investors to make representations direct to the GAA has been and will continue to be communicated to pathway investors via the Utmost Life and Pensions Ltd website.
- » Utmost Life and Pensions Ltd will receive and filter all pathway investor 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 pathway investor or group of pathway investors. Where Utmost Life and Pensions Ltd determine that a communication from a pathway investor 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 pathway investors 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](#).

In 2020, these rules were extended to cover [Investment Pathways](#) after they were introduced by the FCA for non-advised drawdown customers.

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, including as Chair. 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 pathway investors.

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.

Investment Pathways

A non-advised investment that is intended to be used for drawdown in retirement. There are four options under Investment Pathways:

- I. I have no plans to touch my money in the next 5 years.
- II. I plan to use my money to set up a guaranteed income (annuity) within the next 5 years.
- III. I plan to start taking my money as a long-term income within the next 5 years.
- IV. I plan to take out all my money within the next 5 years.

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.

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 Investment Pathways Data

Pathway	Number of policies sold during 2020	Total purchase price
I. I have no plans to touch my money in the next 5 years	124	£7.3m
II. I plan to use my money to set up a guaranteed income (annuity) within the next 5 years	17	£0.9m
III. I plan to start taking my money as a long-term income within the next 5 years	137	£11.2m
IV. I plan to take out all my money within the next 5 years	112	£5.9m
Total	390	£25.3m

Notes:

The above table shows the number of [Investment Pathways](#) policies sold during the year ending 31 December 2020 and the purchase price paid for the policy i.e. this shows the amount of money invested into an [Investment Pathways](#) policy and not the amount remaining invested at 31 December 2020.

During the year, there were 6 exits from [Investment Pathways](#) policies resulting in 384 policies in force at 31 December 2020.

ptl

Personal
Pragmatic
Professional

