



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

Utmost Life and Pensions Ltd Investment Pathways – Utmost Drawdown

- | Year ended 31 December 2021
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2022



Executive summary

This report on the Investment Pathways policies provided by Utmost Life and Pensions Ltd (‘the Firm’), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement (‘the GAA’) and sets out our assessment of the value delivered to pathway investors and our view of the adequacy and quality of the Firm’s policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices B and C respectively. The GAA works under Terms of Reference, agreed with Utmost Life and Pensions Ltd, the latest version of which is dated 15 March 2022 and are publicly available (see Appendix C).

This is our 2nd annual report on Investment Pathways policies provided by the Firm. Investment Pathways were launched by the Firm on 11 March 2020 and initially made available to pension plan policyholders who had transferred to Utmost Life and Pensions Ltd in January 2020 from Equitable Life. 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.

As Chair of the GAA, I am pleased to deliver this value assessment of the Utmost Drawdown. The GAA has conducted a rigorous assessment of the Value for Money delivered to [pathway investors](#) over the period 1 January 2021 to 31 December 2021. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to pathway investors against what they pay for those services and investment performance. Further details are set out on page 7.

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

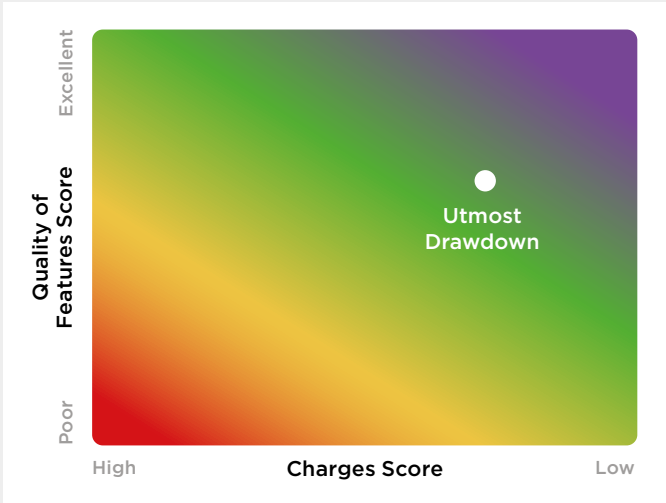
	Weighting toward VfM assessment*	Utmost Drawdown
1. Product strategy design and investment objectives	13%	●
2. Investment performance and risk	13%	●
3. Communication	20%	●
4. Firm governance	3%	●
5. Financial security	7%	●
6. Administration and operations	7%	●
7. Engagement and innovation	3%	●
8. Cost and charge levels	33%	●
Overall value for money assessment	100%	●

* May not add to 100% due to rounding

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

VALUE FOR MONEY SCORING



The overall conclusion is that Utmost Life and Pensions Ltd Investment Pathways (Utmost Drawdown) provide **good** value for money.

Product strategy design and investment objectives

- | The GAA would expect to see ongoing review of the underlying fund choices used for each of the Investment Pathways and their suitability for **pathway investors** to ensure they remain appropriate funds to the time horizon expected from them by the pathway investors.
- | The GAA would expect to see continued progress on the integration of **ESG** financial considerations within the investment options, appreciating that this is still an evolving area.

Investment performance and risk

- | The GAA would expect to see ongoing review of the underlying fund choices used for each of the Investment Pathways and their suitability for pathway investors and for this to continue to be considered at the Investment Committee level.

Communication

- | The GAA have noted that Utmost Life and Pensions Ltd are currently building an online portal for its policyholders and investors. The GAA hope this will be made available to pathway investors and will form part of the next annual review.

Firm governance

- | 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 solutions.

Administration and operations

- | The GAA expect Utmost Life and Pensions Ltd to continue to monitor service levels to ensure these are met and to take action where appropriate.

Engagement and innovation

- | 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.

Details of the numbers of pathway investors and their funds were supplied to ZEDRA Governance Limited for the assessment and are summarised in Appendix E.

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

The FCA has introduced new requirements this year. One of these new changes require us to undertake a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification this year. Our view on each Feature we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix A.

The GAA has not raised any concerns with Utmost Life and Pensions Ltd during the year. In our previous report we identified that further improvements could be made in some areas of the Strategy Design and Investment Objectives and are pleased to be able to report that the Firm has made progress in addressing the points we raised last year.

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

Clare James

Chair of the ZEDRA Governance Advisory Arrangement

September 2022



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

Utmost Life and Pensions, Walton Street, Aylesbury, Bucks HP21 7QW

Telephone: **0330 159 1530**

enquiries@utmost.co.uk

www.utmost.co.uk/about-us/governance-advisory-arrangement/

Alternatively, you can contact the GAA directly at zgl.gaacontact@zedra.com



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Overview of the value assessment

The GAA has assessed the Value for Money delivered by the Firm to its pathway investors by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.

Regulatory changes

The Framework used for this year's assessment has been updated to reflect changes to the Conduct of Business Sourcebook ([COBS](#)) in effect from the 2021 assessment year. This has included an explicit assessment of [net investment performance](#), and the assessment of any charges the [pathway investors](#) might need to pay in operating their policy which are in addition to any annual management charges and [transaction costs](#). Our framework already included assessment of communications and processing of [core financial transactions](#). These changes have been reflected in the assessments reported on in sections 2. Investment Performance and Risk, 3. Communication, 6. Administration and Operations and 8 Cost and Charge Levels.

In addition, the regulatory changes introduced a requirement to undertake comparisons of the Firm's product offering against a suitable comparator group of providers products across net investment performance, communications, processing of core financial transactions, and costs & charges. We have included comments on these comparisons in each relevant section of the report. Details of how the comparator group was selected and a consolidated view of the comparison outcomes are included in Appendix A.

Our approach

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

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

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

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including net investment performance, as well as full information on all costs and charges, including transaction costs.
- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.
- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA.
- | 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 eight different Features covering Quality of Service, Investment Performance and Strategy, and the Costs and Charges borne by the pathway investors. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

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

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

The GAA then went on to consider the value 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 platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the pathway investors pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1

to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for investment pathways providers in the marketplace.

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

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

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

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



1. Product strategy design and investment objectives

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect to see an investment strategy for the default that is designed and managed taking the characteristics of [pathway investors](#) into account, that there is clear rationale for the selection of each fund used to support the investment pathways, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon and age profile of the pathway investors.

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.

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

Whilst policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 25, we expect to see evidence of how these matters are taken into account in the design of the investment pathways strategies and in investment decision making.

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 were originally only offered to pension plan policyholders who had transferred to Utmost Life and Pensions Ltd in January 2020 from Equitable Life. The Investment Pathways were also offered to ex-Reliance policyholders during 2021.

The Investment Pathways were originally designed by Utmost Life and Pensions Ltd based on the characteristics of the original group of policyholders from Equitable Life, but an end of year review was used to check that they were still fit for purpose. Utmost Life and Pensions Ltd were provided with feedback from external consultants when originally developing their Investment Pathways.

Utmost Life and Pensions Ltd (in conjunction with JPMAM) 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.

Last year, the GAA challenged Utmost Life and Pensions Ltd on the suitability of the underlying fund used for Pathway II as the evidence provided did not fully demonstrate how Utmost Life and Pensions Ltd met the objectives of this pathway. As noted above, an end of year review of the Investment Pathways was undertaken in January 2022, to ensure they were fit for purpose and this review considered the suitability of the underlying fund choices.

Although there has been no change to Pathway II, Utmost Life and Pensions Ltd provided additional evidence to the GAA in their review to support their view that the underlying fund for Pathway II was appropriate.

Finally, Utmost Life and Pensions Ltd have been reviewing ESG with the fund manager and have looked at ESG more closely during the year than had been evidenced in the previous year. However, the fund range has not been changed.

The Firm's strengths

Each pathway is defined as per the regulations and the aims and objectives are stated reasonably clearly and Utmost Life and Pensions Ltd have decided on the appropriate investment fund for each of these pathways.

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 responsibility for the oversight 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), reviews of the fund will need to take into account the different characteristics of each group of pathways investors separately, unless the fund used by a Pathway is changed.

Areas for improvement

GAA observations

The GAA would expect to see ongoing review of the underlying fund choices used for each of the Investment Pathways and their suitability for pathway investors to ensure they remain appropriate funds to the time horizon expected from them by the pathway investors.

The GAA would expect to see continued progress on the integration of ESG financial considerations within the investment options, appreciating that this is still an evolving area.



2. Investment performance and risk

Value score: Excellent Good Satisfactory Poor

What are we looking for?

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

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

The Firm's approach

Utmost Life and Pensions Ltd review performance monthly and compare against benchmark. A detailed explanation of the review has been provided to the GAA by Utmost Life and Pensions Ltd. Fund managers provide RAG rating which are considered by the Fair Customer Outcomes Committee and investment team.

The monthly investment pack includes

- | Investment objectives
- | Benchmark

- | Performance against benchmark tracked
- | Volatility measure in place and monitored

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.

Improvements since last year

Last year, we had noted that we would expect Utmost Life and Pensions Ltd to specifically consider pathway investors at the Investment Committee level and we have seen some evidence of this being considered.

Net investment performance

The returns net of fees have been significantly over benchmarks for the 12 month period to 31 December 2021.

The [net investment performance](#) of the investment pathways strategies and, where available, the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table. The figures shown are before taking into account Utmost Life and Pensions Ltd's Annual Management Charge.

Investment performance is measured at the underlying fund level. Pathway III uses the Investing by Age Strategy 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. Therefore, net investment performance cannot be set out specifically for Pathway III. Due to the nature of the Money Market fund, performance data is not available for this fund.

Investment Pathway	Net Investment Performance	Benchmark
Pathway I		
Multi-Asset Growth	17.3%	13.5%
Pathway II		
Multi-Asset Cautious	5.7%	3.6%
Pathway III		
Multi-Asset Moderate	13.2%	10.2%
Multi-Asset Cautious	5.7%	3.6%
Pathway IV		
Multi-Asset Cautious	5.7%	3.6%

Note that past performance may not be a reliable guide to future performance.

Comparator results

We have attempted to assess how the net investment performance provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. The GAA has faced some challenges in identifying suitable comparator information for the purpose of comparing investment performance since different firms have adopted different investment [pathway investment](#) solutions with significantly different levels of risk exposure. In addition the risk and return performance relates to different periods depending on when the firm launched investment pathways.

The comparison of risk adjusted net investment returns has therefore been limited this year and we have therefore focused on whether the return has been below, broadly in line or ahead of an appropriate benchmark taking into account the nature and risk profile of the investment pathway solution.

The GAA's conclusion for each investment pathway solution is set out in the table below:

Investment Pathway	Investment Performance
Pathway I	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution
Pathway II	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution
Pathway III	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution
Pathway IV	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution

Areas for improvement

GAA observations

The GAA would expect to see ongoing review of the underlying fund choices used for each of the Investment Pathways and their suitability for pathway investors and for this to continue to be considered at the Investment Committee level.



3. Communication

Value score: Excellent Good Satisfactory Poor

What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account [pathway investors'](#) characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications in place suitable for pathway investors, and which enable them to choose the relevant investment pathways.

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

Additionally, we would expect pathway investors to be able to switch investment pathways online and to have support and financial guidance available if they wish to leave or switch from their current investment pathway. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to ensure there is clear signposting to pathway investors on where they can obtain additional guidance and advice on their drawdown and retirement options.

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.

There have been some improvements on the call handling framework during the year which has been reflected in this the review. However, there is currently no online functionality available for pathway investors, although GAA note that the firm intends to launch an online facility during 2022.

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

The Firm's strengths

A comprehensive call handling framework was provided to the GAA that showed the suitability of Investment Pathways were clearly explained to potential pathway investors. The scripts show there are numerous points where potential pathway investors would be told that the Utmost Drawdown would not be suitable for them if their 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.

Comparator results

We have assessed how the communication materials provided to the Firm's pathway investors compare to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's pathway investors over 2021 were average relative to the comparator group.

Areas for improvement

GAA observations

The GAA have noted that Utmost Life and Pensions Ltd are currently building an online portal for its policyholders and investors. The GAA hope this will be made available to pathway investors and will form part of the next annual review.



4. Firm governance

Value score:

Excellent

Good

Satisfactory

Poor

What are we looking for?

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

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 SLAs are monitored regularly and are fit for purpose.

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.

The GAA has been provided with the product review Terms of Reference and assessment criteria and are satisfied that this is a robust process.

Areas for improvement

GAA observations

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 solutions.





5. Financial security

Value score: Excellent Good Satisfactory Poor

What are we looking for?

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

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

We are looking for evidence of a clear process to warn [pathway investors](#) about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

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

Utmost Life and Pensions Ltd is authorised by the PRA and regulated by the PRA and the FCA. Policies in the scope of the GAA review are subject to relevant FSCS protections should Utmost Life and Pensions Ltd, or the Investment Manager be in default.

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. Many of these incorporate staff procedures, requirements, and training.

The Pension Scams Industry Group code forms the basis of Utmost Life and Pensions Ltd's

process for assessing and dealing with cases where further information is deemed necessary to assess whether the transaction could be fraudulent, a scam or high risk investment.

The Firm's strengths

The 2021 Solvency and Financial Condition Report ('SFCR') for Utmost Life and Pensions shows a solvency ratio of 184% at 31 December 2021.

As an insurer, pathway investors would be protected in the unlikely event of bankruptcy. As the accounts with investment 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.

The likelihood of fraud is low especially for scams in subsequent transfers out of Investment Pathways. The Utmost Life and Pensions Ltd customer service 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. There was no detected fraud in 2021.

Customer Service have followed the DWP regulations introduced on 30 November 2021 for statutory transfers which further strengthens policyholder protection against the risk of scams.

Areas for improvement

The GAA did not identify any specific areas for improvement.



6. Administration and operations

Value score: Excellent Good Satisfactory Poor

What are we looking for?

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

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

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business during the COVID-19 pandemic.

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

The Firm's approach

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

The service levels dropped during the mid part of 2021 due to the introduction of a new image and workflow system.

Utmost Life and Pensions Ltd prioritised what needed to be done first (financial transactions) to address the backlog. Service levels for payments fell below the internal SLA measure of dealing with 95% of payments within 5 days to 92% in March and 85% in April before recovering and remaining above the 95% for the remainder of the year. Service levels fell further in other areas and remained low for a few months longer due to this prioritisation but had recovered by October 2021.

Payments are treated as a priority. Payments out are valued on the date of receipt of the final item required to make payment.

Utmost Life and Pensions Ltd had a very low level of complaints and dealt with these satisfactorily.

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.

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.

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 five complaints over the year and these were resolved satisfactorily.

The GAA believe that the process for complaints is robust.

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

Comparator results

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's pathway investors compare to other sufficiently similar investment pathway arrangements.

This assessment identified that the administration services provided to the Firm's pathway investors over 2021 were average relative to the comparator group.

Areas for improvement

GAA observations

The GAA expect Utmost Life and Pensions Ltd to continue to monitor service levels to ensure these are met and to take action where appropriate.



7. Engagement and innovation

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect to see evidence that the investment pathways product is reviewed at least annually, with new products or services being developed taking into account [pathway investors](#)' characteristics, needs and objectives.

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 approach

Utmost Life and Pensions Ltd carried out a year-end review of Investment Pathways in January 2022.

Utmost Life and Pensions Ltd have also introduced a new image and workflow system as well as simplified tracing of members using electronic means.

Utmost Life and Pensions Ltd are currently building an online portal which should be available to members during 2022.

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

The Firm's strengths

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

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

Utmost Life and Pensions Limited provided details of compliments received across all products (not limited to the Investment Pathways products).

Areas for improvement

GAA observations

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.





8. Cost and charge levels

Value score:

Low

Moderately Low

Moderately High

High

What are we looking for?

The GAA has considered the overall level of charges borne by [pathway investors](#) over the year. This included assessing:

- | The fund annual management charges, administration charges and [transaction costs](#) being borne by pathway investors.
- | Any other charges being paid by pathway investors to manage, access and invest their drawdown funds.
- | The process for collecting and monitoring overall member charges, including transaction costs.
- | How the Firm monitors charges.
- | Whether the overall level of charges is reasonable, bearing in mind the nature of the investment, level of performance, and degree of risk management.
- | The distribution of charges across pathway investors.

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

The Firm's approach

Most pathway investors are charged an [Annual Management Charge](#) ('AMC') of 0.75%. For Pathway III, this reduces to 0.5% as money is transitioned into the Money Market fund).

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.

Transaction charges for active funds are low ranging from 0.09% to 0.13%.

Utmost Life and Pensions Ltd's Investment Pathways product is not designed for very frequent changes of instruction. Utmost Life and Pensions Limited will allow Investment Pathways members to change regular income levels and request adhoc withdrawals free of charge up to a limit but will charge after that. This is set out in the guide given to pathway investors.

For most pathway investors, the annual management charge and transaction charges are expected to be the only charges they will pay.

The Firm's strengths

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

Transaction costs are reviewed when received each quarter from the Investment Managers. Any queries are raised with the Investment Manager and the Finance area manage this with updates to the Asset and Liability Committee ('ALCO').

The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including transaction costs.

The GAA rating reflects the charges applied for the investment pathways made available by the Firm, and we believe that the Firm offers appropriate charges to pathway investors. The GAA considers the charges to be moderately low.

Comparator results

We have assessed the overall cost and charge levels payable by the Firm's pathway investors in comparison to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider and each investment pathway solution.

This assessment identified that the overall cost and charge level paid by the Firm's pathway investors over 2021 were average relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.



ESG financial considerations, non-financial matters and stewardship

What are we looking for?

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

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

- a) Sufficiently characterises the relevant risks or opportunities;
- b) Seeks to appropriately mitigate those risks and take advantage of those opportunities;
- c) Is appropriate in the context of the expected duration of the investment; and
- d) Is appropriate in the context of the main characteristics of the actual or expected pathway investors.

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

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

where relevant, when scoring the area of Product 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 Firm's approach

Utmost Life and Pensions Ltd has provided a copy of Utmost Group Ltd's policy (incorporating ESG financial considerations, non-financial matters and stewardship) to the GAA.

This policy was finalised in 2021 and adopted by Utmost Life and Pension Ltd. This clearly explains the Firm's approach to ESG financial considerations and stewardship. Utmost Life and Pensions Ltd continue to work with their Investment Managers to monitor, review and understand the ESG approach of Companies in which they invest. The Firm has embedding ESG financial considerations, non-financial matters and stewardship into an updated investment policy reflecting Utmost Group Ltd's ESG policy.

Utmost Life and Pensions Ltd is continuing to review its approach to ESG and the underlying investment funds used and is looking at various options. ESG (and climate risk) are regularly discussed in meetings.

The Firm's strengths

Utmost Life and Pensions Ltd have been reviewing ESG with the fund managers and looking at ESG more closely during the year when compared to the previous year. However, no changes have been made to the fund range to date.

The GAA considers the policies to be adequate and of good quality.

Areas for improvement

GAA observations

Utmost Life and Pensions Ltd's approach to ESG is still evolving and the GAA would expect to see ongoing developments in this area.



Appendix A: Comparison report

Commencing with the 2021 year assessments the FCA introduced a requirement that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm's offering against a selected group of other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, we must inform the pension provider.

As this is the first year when these disclosures are required the availability of public information relating to the sub-features that need to be compared is limited prior to the publication of this year's reports. ZEDRA Governance Limited's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings in order to improve the meaningfulness of the comparisons undertaken this year. This is done on an anonymised basis.

How the comparators were selected

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

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

- | Similar membership cohort, for example staff schemes for staff of the provider

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the [pathway investors](#) of the Firm.

Comparison of net investment performance

We have attempted to assess how the [net investment performance](#) provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. The GAA has faced some challenges in identifying suitable comparator information for the purpose of comparing investment performance since different firms have adopted different investment [pathway investment](#) solutions with significantly different levels of risk exposure. In addition, the risk and return performance relates to different periods depending on when the firm launched investment pathways. The comparison of risk adjusted net investment returns has therefore been limited this year and we have therefore focused on whether the return has been below, broadly in line or ahead of an appropriate benchmark taking into account the nature and risk profile of the investment pathway solution.

The GAA's conclusion for each investment pathway solution is set out in the table below:

Investment Pathway	Investment Performance
Pathway I	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution
Pathway II	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution
Pathway III	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution
Pathway IV	Performance exceeding benchmark, suggesting performance is better than that expected from a comparable investment solution

Comparison of Communication provided to pathway investors

We have assessed how the communication materials provided to the Firm's [pathway investors](#) compares to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's pathway investors over 2021 were average relative to the comparator group.

Comparison of Administration Services

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's pathway investors compares to other sufficiently similar investment pathway arrangements.

This assessment identified that the administration services provided to the Firm's pathway investors over 2021 were average relative to the comparator group.

Comparison of costs and charges

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

- | Annual administration charge
- | Transaction costs
- | Other costs and charges

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

This assessment identified that the overall cost and charge level paid by the Firm's pathway investors over 2021 were average relative to the comparator group.



Appendix B: GAA activity and regulatory matters

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

GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in late 2021.

Members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd to kick off the Value for Money assessment process for the 2021 calendar year and to discuss and agree timescales.

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, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. In some cases given COVID 19 considerations, this meeting was virtual.

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 Utmost Life and Pensions Ltd [pathway investments](#).

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.

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. Some of these changes were made in response to regulatory amendments relating to the Value for Money assessment criteria.

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. The key dates are:

Item	Date
Issue data request	17/12/2021
Kick off meeting	14/01/2022
Site visit	03/03/2022
GAA panel review meeting	03/05/2022
Discuss provisional scoring	21/06/2022
Comparators discussion	27/06/2022

Concerns raised 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.

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 its website: www.utmost.co.uk/about-us/governance-advisory-arrangement/
- | 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 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 zgl.gaacontact@zedra.com so that pathway investors can make representation to the GAA direct. Utmost Life and Pensions Ltd have included details of this contact e-mail address on its website: www.utmost.co.uk/about-us/governance-advisory-arrangement/



Appendix C: ZEDRA GAA credentials

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

- | Act solely in the interests of the [relevant policyholders](#) of those pension plans, and to
- | Assess the “value for money” delivered by the pension plans to those relevant policyholders.

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

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

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

The ZEDRA Governance Advisory Arrangement (‘the GAA’) was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA Governance Limited 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 ZEDRA Governance Limited can be found at www.zedra.com/pension-schemes/

The members of the GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience, and independence to act in the interests of relevant policyholders or pathway investors.

The Board of ZEDRA Governance Limited has appointed ZEDRA Governance Limited to the GAA, including as Chair. All of ZEDRA Governance Limited’s Client Directors act as representatives of ZEDRA Governance Limited on the GAA and Clare James currently represents ZEDRA Governance Limited in the capacity of Chair. More information on each of ZEDRA Governance Limited’s Client Directors, their experience and qualifications can be found at www.zedra.com/zedra-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 ZEDRA Governance Limited. 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 ZEDRA Governance Limited or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

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



Appendix D: Glossary

Active management

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

Annual management charge (AMC)

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

Annuity

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

COBS

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

Core financial transactions

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

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

Decumulation

The process of converting pension savings to retirement income.

Environmental, social and governance (ESG)

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

Flexible access

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

Life-styling

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

Net investment performance

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

Pathway investor

A retail client investing in a Firm's pathway investment offering.

Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

Relevant policyholder

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

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.



Appendix E: Data Table

	Number of policies		Number of policies sold		Total purchase price of policies sold	
	31 December 2021	2021	2020	2021	2020	
I. I have no plans to touch my money in the next 5 years	271	160	124	£9.4m	£7.3m	
II. I plan to use my money to set up a guaranteed income (annuity) within the next 5 years	25	13	17	£0.9m	£0.9m	
III. I plan to start taking my money as a long-term income within the next 5 years	245	125	137	£10.2m	£11.2m	
IV. I plan to take out all my money within the next 5 years	258	155	112	£7.7m	£5.9m	
Total	799	453	390	£28.1m	£25.4m	

Notes:

The above table shows the number of inforce Investment Pathways policies at 31 December 2021 and the number of policies sold during the years ending 31 December 2020 and 2021 with the total purchase price paid for the policies i.e. this shows the amount of money invested into an Investment Pathways policy and not the amount remaining invested at 31 December 2021.



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