



ZEDRA

DO MORE. ACHIEVE MORE.

# Chair's annual report

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## Utmost Life and Pensions Ltd Investment Pathways – Utmost Drawdown

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

September  
2023



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## Executive summary

**This report on the Investment Pathways provided by Utmost Life and Pensions Ltd ('the Firm'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA'). The report 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, and are publicly available (see Appendix D).

This is our 3rd annual report on Investment Pathways provided by the Firm. Investment Pathways were launched by the Firm on 11 March 2020 and originally made available to pension plan policyholders who had transferred from Equitable Life to Utmost Life and Pensions Ltd in January 2020. 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 ('VfM') delivered to pathway investors over the period 1 January 2022 to 31 December 2022. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to pathway investors against what they pay for those services and investment performance. Further details are set out on page 6.

### A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

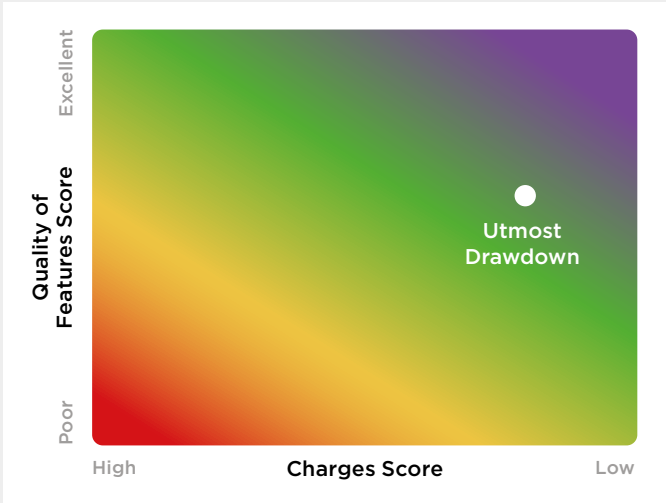
	Weighting toward VfM assessment*	Utmost Drawdown
1. Product strategy design and investment objectives	13%	●
2. Investment performance and risk	13%	●
3. Communication	20%	●
4. Firm governance	3%	●
5. Financial security	7%	●
6. Administration and operations	7%	●
7. Engagement and innovation	3%	●
8. Cost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

\* May not add to 100% due to rounding

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

### VALUE FOR MONEY SCORING



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

There are no specific areas identified where the GAA has challenged Utmost Life and Pensions Ltd to make improvements, but has made the following observations:

- | The GAA would like to see further development in the functionality of the 'MyUtmost' portal.
- | The GAA would like Utmost Life and Pensions Ltd to further develop its work with the investment managers on ESG.

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

We also concluded that the Firm's policies in relation to **Environmental, Social and Governance** (ESG) risks, non-financial considerations and stewardship were well documented but further work is needed to properly embed them into business processes.

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

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

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

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

### Dean Wetton

Chair of the ZEDRA Governance Advisory Arrangement for Utmost Life and Pensions

September 2023



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

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**[www.utmost.co.uk/about-us/governance-advisory-arrangement/](http://www.utmost.co.uk/about-us/governance-advisory-arrangement/)**

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



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# Overview of the value assessment

**The GAA has assessed the Value for Money delivered by 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.**

## 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 meets to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA. We also undertake comparisons of the Firm's product(s) against a suitable comparator group of providers for certain Quality of Service and Investment Features and the Cost and Charges.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

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

The Quality of Service and Investment Features have been determined and are 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 and Investment Features considered have been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years. This includes 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 and Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see to achieve each numerical score. The scores for each sub-feature are then aggregated to the feature level based on the GAAs view of the relative value of the sub-feature to the pathway investors.

The GAA will then 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 any 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 which have been identified in the regulations relevant to forming this value assessment. 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. We have not needed to make this notification this year. 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 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 covering both qualitative and quantitative objectives against which investment performance outcomes can be measured against objectively. 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 [pathway investment](#) options, and evidence if necessary, 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 23, 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 from Equitable Life to Utmost Life and Pensions Ltd in January 2020. 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. End of year reviews check that they are 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	<b>I have no plans to touch my money in the next 5 years</b>	<b>Multi-Asset Growth</b>
II	<b>I plan to use my money to set up a guaranteed income (annuity) within the next 5 years</b>	<b>Multi-Asset Cautious</b>
III	<b>I plan to start taking my money as a long-term income within the next 5 years</b>	<b>Investing by Age Strategy</b>
IV	<b>I plan to take out all my money within the next 5 years</b>	<b>Multi-Asset Cautious</b>

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

Pathways were reviewed again in January 2022, to ensure they were still fit for purpose and no changes were made. In 2021 the GAA challenged the firm on funds used for pathway II. The Firm provided support for that decision last year and the experience behind that has not changed.

Utmost Life and Pensions Ltd confirmed there was no established need to amend the funds used to support any of the pathways in 2022. The firm challenged JPMAM during the 2022 about fund performance with clear evidence of this provided to the GAA.

## The Firm’s strengths

Each pathway is defined as per the regulations and the aims and objectives are stated reasonably clearly. 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 changes specifically to reflect the characteristics of the pathway investors.

All funds have factsheets which include a clearly displayed risk rating. 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 (limited in extent in Pathway III), reviews of the fund will need to take into account the different characteristics of each group of pathway investors separately, unless the fund used by a Pathway is changed.

ESG is inherent within the management of the funds and forms part of Utmost’s regular reviews with investment managers. Utmost have an Investment, and Market Risk policy together with a Responsible Investment policy which governs how ESG is incorporated into investment decision making.

Utmost review the Investment Stewardship Reports that JPMAM produce as signatories to the UK Stewardship Code. Utmost also review the regular reports and updates JPMAM provide on engagement and voting activity, and discuss investment principles with them so these are taken into account in their stewardship activity. Utmost have confirmed that the investment

principles taken by ULP are taken on board by JPMAM and these carry through to their stewardship. Utmost have been happy with the voting activity.

During 2023, Utmost will be requesting their asset managers and fund houses complete a questionnaire which, among other areas, covers voting, engagement and broader stewardship activities through an ESG lens.

## **Areas for improvement**

### **GAA observations**

The GAA would expect to see continued progress on the integration of ESG financial considerations within the investment options within Utmost Drawdown, appreciating that this is 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 reviewed 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 it against relevant benchmarks. 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, Investment Committee and Asset and Liability Committee.

The monthly investment pack includes:

- | Investment objectives
- | Benchmark
- | Performance tracked against benchmark
- | 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.

Regular meetings are held with the fund managers where they are challenged on fund performance. Outside of Assets and Liability Committee and Investment Committee meetings, the Firm regularly meet with fund managers and challenges performance.

### Net investment performance

The [net investment performance](#) over the twelve months to 31 December 2022 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.

Investment Pathway	Net Investment Performance	Benchmark
1	-10.60%	-8.43%
2	-13.80%	-11.87%
3 *	-13.80%	-11.87%
4	-13.80%	-11.87%

\* Pathway 3 uses the Investing by Age strategy. Between ages 55 and 65, assets move from Multi Asset Moderate to Multi Asset Cautious, and between ages 75 and 85 move to 100% Money Fund. We have shown the results here for the Multi Asset Cautious Fund as that is where the majority of the policyholders sit.

## Comparator results

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

This assessment of the one year net investment performance, when considered against the fund benchmark for the Firm's

pathway investors over 2022 and relative to the comparator group for each investment pathway solution, is set out in the table below.

Investment Pathway	Investment Performance
1	average
2	above average
3	below average
4	significantly below average

## Areas for improvement

### GAA observations

The GAA would expect to see continued review of the funds used to provide the investment pathways to ensure they remain appropriate funds to the time horizon expected from them by the [pathway investors](#).



## 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, 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 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 communications to Pathways Investors are clear and remain appropriate.

Utmost Life and Pensions Ltd has a telephone Framework that runs through options and highlights red flags.

There have been no pathway specific newsletters or updates outside of Annual Statements during 2022. Information of note to investment pathways investors is published on the website. There was no change to pensions legislation or taxation during 2022 that affected pathway investors in the Utmost book.

A reminder to Pathways Investors to review their investments forms part of the annual statement.

The requirement to issue a five yearly reminder to pathway investors to check the pathway still meets their needs will start in 2024/25.

There is no questionnaire to determine a pathway. There are case studies and details of each pathway contained within the guide issued.

### The Firm's strengths

Utmost have a newly created online portal 'MyUtmost' which investment pathway investors can join. Pathway investors can communicate via the portal and view policyholder information.

The call handling guide used by the Contact

Centre when discussing Utmost Drawdown has not changed since last year (reviewed by GAA)

A pathway switch can be completed by telephone and a downloadable form can be accessed from the website.

Alternatively, a pathway investor can request assistance by telephone.

All other transactions need to be completed in writing but if the pathway investor is registered for online access, this written instruction can be submitted via the portal.

The GAA has also seen the cash payment form and Confirmation of guidance or advice form. This payment form covers part of the stronger nudge to take Pension Wise guidance and includes the claims survey. The Confirmation of guidance or advice form allows pathway investors to provide Utmost with details of the time of their Pension Wise or IFA appointment.

## **Improvements since last year**

Utmost have a newly created online portal ('MyUtmost') which pathway investors can now log on to and various communications have been put onto the website.

## **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 2022 were average relative to the comparator group.

## **Areas for improvement**

### **GAA observations**

Following the creation of the 'MyUtmost' online portal, the GAA would like to see further development in this area.



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

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

### The Firm's approach

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.

A third party database is held and used to monitor supplier reviews and whether the contract is strategic, material, or non-material. This sets the depth and regularity of the reviews.

## Areas for improvement

### GAA observations

The GAA would like to see ongoing evidence of good governance practices.



## 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 and 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 Policy. 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.

A copy of the regulators' pension scam leaflet is enclosed with all transfer and retirement policyholder output. Key triggers to consider are built into Customer Service process flows and Customer Service teams are all experienced in processing pension transactions. When a potential scam is detected, further investigation is undertaken through a policyholder questionnaire and detailed due diligence of the receiving arrangement.



The DWP pension scams regulations are followed so providing a fall back to refuse a transfer on statutory grounds if certain conditions are not met.

Transfers are only permitted to UK authorised Schemes with the relevant FCA permissions or, for GROPS, to schemes on HMRC's ROPS list.

New starters in Customer Service are given training during induction on identifying vulnerability and the assistance available. All staff undergo at least annual training regarding the firm's processes for and identifying and supporting vulnerable customers. A working group meets quarterly to review developments, discuss cases and put in place processes to ensure new and existing vulnerable customers are always treated appropriately.

Utmost also have a Vulnerable Customer policy in place.

## The Firm's strengths

The 2022 Solvency and Financial Condition Report ('SFCR') for Utmost Life and Pensions shows a solvency ratio of 227% at 31 December 2022.

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 were no instances of detected fraud during 2022.

## 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 drawdown payments, transfers out 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.

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, with SLAs achieved at 99% for payments and 97% for general servicing.

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.

There were four processing breaches and five complaints over the year to 31 December 2022, one of which was upheld.

All complaints are handled within a dedicated team. In the event that a complaint is escalated, it is reviewed by the Customer Services Director and sometimes by the CEO.

Complaint decisions are reviewed by the Fair Customer Outcomes Group. In addition, the Head of Customer Services Operations completes a quarterly assessment of a random sample of complaint responses to ensure the complaint has been dealt with fairly.

In the event of a trend being found in the complaints being received, this is raised with the Customer Services Director.

When Utmost believe that events are likely to cause significant levels of policyholder activity or possible complaints, they proactively prepare responses or processes to deal with this. Utmost addressed this during 2022 when fund performance was adversely affected by the Russian invasion of Ukraine. Utmost realised that policyholders were likely to question fund performance further on receipt of their 2023 Annual Statement so Utmost developed a Q&A sheet that explained unit-linked funds, how they work and actions policyholders can take.

A general cyber penetration test was completed in January 2022. Further to that, in May 2022, before the launch of the online policyholder portal “MyUtmost”, Utmost carried out focussed penetration testing on both its infrastructure and web application. Appropriate remedial actions were taken in response to the small number of findings.

An independent penetration tester has been engaged to conduct the next test in May/June 2023.

There is a core annual training pack and regular training regime for staff including ad-hoc reminders sent to staff during the year to be mindful of risks.

The GAA has had sight of the Business Continuity Plan (BCP). The BCP is reviewed quarterly and different elements of the BCP get frequently tested throughout the year

In November 2022, there was a full disaster recovery test carried out by Utmost Life and Pensions Ltd and Atos, the IT outsourcer. This was successful and all data was recovered.

### 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 2022 were average relative to the comparator group.

## Areas for improvement

The GAA did not identify any specific areas for improvement.



## 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 have a product review timetable which is covered in the Product Review Group Terms of Reference. The timetable was reviewed and updated to take account of the FCA new Consumer Duty which came into force on 31 July 2023.

The online portal, 'MyUtmost', was launched in Q3 2022. Investment pathway investors are able to register so they can access a current fund value, update personal details, switch investments, obtain detailed product information and send secure messages to Utmost.

### The Firm's strengths

The development of the 'MyUtmost' online portal was a result of policyholder feedback. Since launch in Q3 -2022, over 20,000 policyholders have registered. This is roughly 1/5th of the eligible population.

A selection of policyholder compliments to Customer Services and the Contact Centre have been provided to the GAA.

Utmost are now using 'MyUtmost' to issue surveys to investment pathways investors. The expectation is the ease with which people can respond will prompt them to complete the survey.

### Improvements since last year

The introduction of the 'MyUtmost' portal during 2022 provides investment pathways investors with access to a range of information online and will be used to issue surveys to both workplace and investment pathways investors.

### Areas for improvement

The GAA did not identify any specific areas for improvement.



## 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 pathway investor 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.

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 3, 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 0.02% (money market) to 0.37%. The average is 0.26%.

Utmost Life and Pensions Ltd's Investment Pathways product is not designed for very frequent changes of instruction. Utmost Life and Pensions Ltd will allow Investment Pathways investors 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.

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

We observed a range of charges across the investment pathways offered with the average charge applied being as follows:

Investment Pathway	
1	0.75%
2	0.75%
3	0.50% to 0.75%
4	0.75%

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 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 2022 were below 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 and stewardship. The GAA will consider how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

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

- (a) sufficiently characterises the relevant risks or opportunities;
- (b) seeks to appropriately mitigate those risks and take advantage of those opportunities;
- (c) is appropriate in the context of the expected duration of the investment; and
- (d) is appropriate in the context of the main characteristics of the actual or expected 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 8, 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 PLC's policy (incorporating ESG financial considerations, non-financial matters and stewardship) to the GAA.

This policy 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 embedded ESG financial considerations, non-financial matters and stewardship into an updated Investment Policy reflecting Utmost Group PLC ESG policy.

Utmost Life and Pensions PLC 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 PLC 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**

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

The Firm's approach to ESG is still evolving and the GAA would expect to see ongoing developments in this area.







# Appendix A: Comparison report

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

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

## How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products 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 assessed how the [net investment performance](#) provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance, when considered against the fund benchmark for the Firm's pathway investors over 2022 and relative to the comparator group for each investment pathway solution, is as set out in the table below.

Investment Pathway	Investment Performance
1	average
2	above average
3	below average
4	significantly below average

## 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 2022 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 2022 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 management 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 2022 was below 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 investment pathways provided by the Firm in early 2023.

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 2022 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 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 our Value for Money assessment framework and scoring methodology to ensure this continued to be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, significant work has taken place reviewing and developing the data request and the approach for Firms to provide information in response to the data request, to make the process more efficient.

The GAA documents all formal meetings with 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	13/02/23
Kick off meeting	16/02/23
Site visit	24/04/23
GAA panel review meeting	24/05/23
Discuss provisional scoring	19/06/23

## 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.

## 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](http://www.utmost.co.uk/about-us/governance-advisory-arrangement)
- | 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 [zjl.gaacontact@zedra.com](mailto:zjl.gaacontact@zedra.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 [www.utmost.co.uk/about-us/governance-advisory-arrangement](http://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.

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

The ZEDRA Governance Advisory Arrangement ('the GAA') was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. More information on ZEDRA can be found at as [www.zedra.com/GAA](http://www.zedra.com/GAA)

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise,

experience, and independence to act in the interests of relevant policyholders or pathway investors.

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

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

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

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

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

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

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

## Relevant Scheme

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

## Transaction costs

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



## Appendix E: Data table

Number of Pathway Investors	Pathway Type	Size of assets
434	1	£26,032,783.31
27	2	£1,311,423.26
325	3	£21,315,249.32
358	4	£12,516,949.96





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