



ZEDRA

DO MORE. ACHIEVE MORE.

# Chair's annual report

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

- | Year ended 31 December 2023
- | The ZEDRA Governance Advisory Arrangement (GAA)

September  
2024



## Executive summary

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

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

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the ISGPP & ISSPP funds (including default funds), Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. The GAA has conducted a rigorous assessment of the Value for Money (“VfM”) delivered to policyholders over the period 1 January 2023 to 31 December 2023. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to policyholders against what they pay for those services and investment performance. Further details are set out on page 7.

## A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

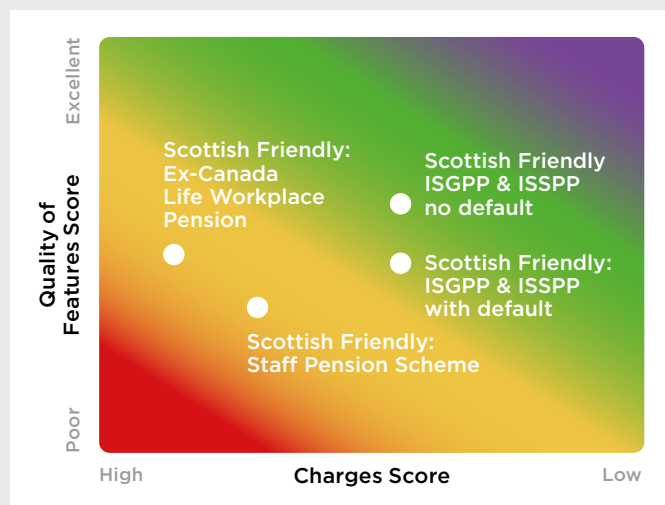
	Weighting toward VfM assessment*	ISGPP & ISSPP (without default ('no default'))	ISGPP & ISSPP	Ex-Canada Life Workplace Pension Plan	Scottish Friendly Staff Pension Scheme
1. Product strategy design and investment objectives	7%	●	●	●	●
2. Investment performance and risk	20%	●	●	●	●
3. Communication	13%	●	●	●	●
4. Firm governance	5%	●	●	●	●
5. Security of policyholder benefits	7%	●	●	●	●
6. Administration and operations	13%	●	●	●	●
7. Engagement and innovation	3%	●	●	●	●
8. Cost and charge levels	33%	●	●	●	●
<b>Overall Value for Money assessment</b>	<b>100%</b>	●	●	●	●

\* May not add to 100% due to rounding

Quality and investment features (1-7)				Cost and charge levels (8)			
● Excellent	● Good	● Satisfactory	● Poor	● Low	● Moderately Low	● Moderately High	● High

How we determine our Value for Money rating is set out on page 7 of this report. The overall Value for Money is visually represented by the heatmap below.

### VALUE FOR MONEY SCORING



**Our conclusion is that the ISGPP & ISSPP (without default) (“no default”) and the ISGPP & ISSPP (with default) provide good value for money and the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme provide satisfactory value for money.**

The GAA challenged the Firm in relation to the following areas in 2022 and these remain areas of challenge as follows:

- | Complete a strategic review of the ISGPP and ISSPP default investment options to assess their ongoing suitability for policyholders.
- | Complete a comprehensive review of investment options for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.
- | Provide governance oversight to the ISGPP and ISSPP default options.
- | To provide more detail on administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme such that **core financial transactions** can be individually identified and reported on.

The GAA notes that the Firm has made some progress against these challenges as follows: undertaken a review of the investment options for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme and reviewed administration performance for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.

However, the GAA notes that none of these challenges has been implemented and would expect to see changes implemented by our next report.

In addition, the GAA raised four formal concerns with the Firm in our previous report. These concerns and the work the Firm has confirmed is underway to address each concern, are as follows:

- | Provide fund fact sheets for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme and to make them accessible to the policyholders. In response, fund fact sheets are to be offered from Q1 2025 for the new investment options pending the completion of the investment review.

- | To improve and expand the member communication materials available to policyholders in the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. In response, an external review of communications has been completed although this is still to be fully implemented. The GAA expects the improvements to member communications to be completed by our next report.

- | Improve administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. In response, a review of SLAs has been undertaken to ensure these are realistic and achievable and the intention is to support this with appropriate signposting and improved reporting. The GAA expects to see a clear plan as to how this will be addressed.

- | To complete the review of the charging structure and level of charges for members of the Ex-Canada Life Workplace Pension Plan which for the 6 largest funds range from 1% to 1.51%, noting a 0.5% rebate applies and for the Scottish Friendly Staff Pension Scheme which are 1%. In response, the Ex-Canada Life Workplace Pension products are being reviewed against the Product Review Framework. Work is expected to conclude in Q1 2025.

The GAA welcomes the progress being made by the Firm in relation to the concerns and challenges although much of this still represents work in progress and will be monitoring progress. Whilst these concerns are repeated in this report no additional new concerns or challenges have been raised this year. Accordingly, we will defer making further representation to the Board until our next report when we expect to see these matters more fully addressed.

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

The FCA requires a comparison of your pension products with other similar options available in the market. If an alternative scheme appears to offer better value, we must inform the pension provider. We have made a notification to the Firm 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 is set out in Appendix B.

A joint consultation was launched in early 2023 by the Financial Conduct Authority (FCA), the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) on the framework for assessing Value for Money. This consultation set out a transformative framework of metrics and standards to assess value for money across all Defined Contribution (DC) pension arrangements including the workplace pensions reviewed by the GAA. The regulators' overarching aim is to improve the value savers get from their DC pension by increasing comparability, transparency, and competition across defined contribution (DC) pension schemes, regardless of whether regulated by the FCA or TPR. The consultation does not affect this year's review but may mean a change in the way that Value for Money is assessed in the future.

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

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

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

## Sam Burden

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

September 2024



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

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[www.scottishfriendly.co.uk/contact-us](http://www.scottishfriendly.co.uk/contact-us)

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



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# Overview of the value assessment

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

## Our approach

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

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

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

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

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

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

The Quality of Service and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in [COBS 19.5.5](#), including services relating to communications with policyholders and processing of [core financial transactions](#). The assessment also includes other aspects the GAA considers important based on our experience of conducting Value for Money assessments over many years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement, innovation and service improvement, 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 numeric scoring system. 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 outlining what the GAA would expect to see to achieve the relevant numeric score. The scores for each sub-feature are then aggregated to the feature level based on our view of the relative value of the sub-feature to the policyholders ranging from Poor to Excellent.

The GAA will then consider the value represented by the costs and charges which policyholders bear. The assessment of costs and charges is primarily driven by the level of ongoing charges for investment management, administration, and any platform fees. The GAA also considers the underlying transaction costs incurred by the funds invested in and how they are controlled, and any additional costs the policyholders have to pay in managing their policies. The costs and charges are also rated on a scale from Low to High. This rating takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

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

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.

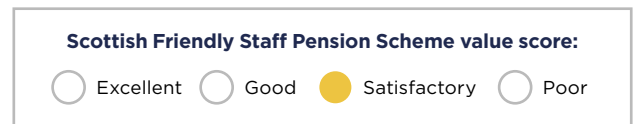
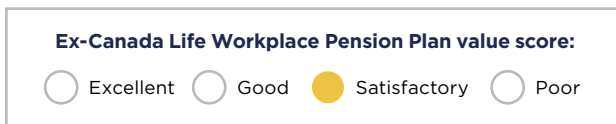
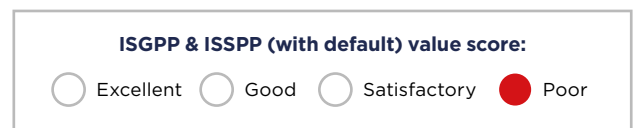
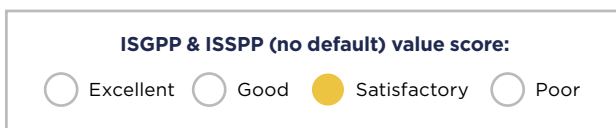
In addition, there is a section setting out the GAA's views on the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial considerations, and stewardship. Whilst this is a largely qualitative assessment the GAA has considered the Firm's policies in comparison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

A comparative assessment of the Firm's pension product has also been made of the net investment performance, quality of communication and quality of the administration service including processing of core financial transactions, and costs and charges relative to a suitable comparator group of product providers. Comments on the outcome of these assessments is included in the sections for the relevant Features. We have also considered whether overall 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 how the comparator providers and products were determined is set out in Appendix B.





# 1. Product strategy design and investment objectives



## What are we looking for?

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

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

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

Whilst policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 29, we expect to see evidence of how these matters are taken into account in the design of the investment strategy and in investment decision making.

## The Firm's approach

The Firm's pension business represents c.£343m of a £4.6 billion portfolio, the majority of which consists of savings and investment products.

## ISGPP schemes and ISSPP schemes

The ISGPP and ISSPP comprise assets of c.£274.9m, provided through 49 different investment funds.

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

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

## No default option

Members of the ISSPP and ISGPP arrangements are advised by Independent Financial Advisers and hence the Firm liaises with the IFAs to remind them of their responsibilities to advise policyholders on their choice of funds. There

is no default investment option offered to policyholders in these arrangements.

### With default option

Nine ISGPP and ISSPP schemes have a default option, but no review process or monitoring is currently in place.

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

The Ex-Canada Life Workplace Pension Plan book has assets of around £46m invested through 40 different funds and is closed to new policyholders. None of the schemes in this book of business include a default option.

The Scottish Friendly Staff Pension Scheme has assets of c£21.8m and is no longer open to new members. The Scheme offers five funds to members, is not used for auto enrolment and does not include a default option.

No fund fact sheets are available to the Ex-Canada Life Workplace Pension Plan or Scottish Friendly Staff Pension Scheme policyholders. Policyholders are referred to searching for fund details on-line using Morningstar. This approach means that it is more difficult for policyholders to obtain current and appropriate information on fund objectives and performance than if Scottish Friendly fact sheets and links were available.

The Firm has an ongoing project to update the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme investment options and to provide a fit-for-the-future range that offers customers value for money. The project which started in 2021 aims to deliver in early 2025 and will take account of how members are taking their benefits so that suitable investment options are available to members. The GAA understands that the Firm has now appointed a new fund manager to manage these assets and an update will be provided in our next report.

## Areas for improvement

### GAA challenges

The GAA maintains the prior year challenges, as follows:

- | Complete a strategic review of the ISGPP and ISSPP default investment options to assess their ongoing suitability for policyholders.
- | Complete a comprehensive review of investment options for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.

### GAA concerns

The GAA maintains the prior year Concern, as follows:

- | Provide fund fact sheets for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme and to make them accessible to the policyholders.

In relation to the fund fact sheets the Firm confirmed that this would be provided for the new investment options pending the completion of the investment review.



## 2. Investment performance and risk

### ISGPP & ISSPP (no default) value score:

Excellent  Good  Satisfactory  Poor

### ISGPP & ISSPP (with default) value score:

Excellent  Good  Satisfactory  Poor

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

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

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

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

### The Firm's approach

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

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

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

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

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

The Investment Governance framework provides an overarching governance structure to ensure all actions and processes are followed appropriately regarding investment objectives, fund selection process as well as the review process.

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

## Net investment performance

The [net investment performance](#) of the largest funds and, where available, the performance of the benchmarks against which those funds are measured are set out below.

## ISGPP and ISSPP

There are 49 funds with total Assets Under Management (AUM) of £274.9m of which 8 funds constitute around 83% of the AUM. The net investment performance of these funds is listed below:

Fund Name	Net Investment Performance	Benchmark
Diversified Global Equity Fund	11.8%	11.6%
M&G PP Global Equity Fund	8.7%	10.8%
Passive 60/40 Global Equity Fund	10.3%	10.6%
Passive UK Equity Fund	7.3%	7.9%
Retirement Builder Managed Fund	8.5%	7.2%
Passive Long-dated Fixed Interest Gilt Fund	11.3%	8.0%
Sterling Liquidity Fund	1.7%	1.6%
	4.7%	n/a

Fund Name	Net Investment Performance	Benchmark
Diversified Global Equity Fund	11.8%	11.6%
Passive Long-dated Fixed Interest Gilt Fund	1.7%	1.6%
Sterling Liquidity Fund	4.7%	n/a
Retirement Builder	8.5%	7.2%
Sterling Fixed Interest	6.9%	5.2%
Diversified Beta	9.4%	8.2%

## Ex-Canada Life Workplace Pension Plan

There are 40 funds with total AUM of £46.1m of which six funds constitute around 87% of the AUM. The net investment performance of these six funds is listed below:

Fund Name	Net Investment Performance	Benchmark
SF CL Managed Pen SE	8.83%	8.05%
SF CL UK Equity Pen S4	8.16%	7.16%
SF CL European Pen S4	12.25%	13.97%
SF CL Money Pen S4	3.76%	3.92%
SF CL Multiple Investment Pen S4	8.72%	8.05%
SF CL Managed Pen S2	8.84%	8.05%

*A total of 26 funds representing 11% of the AUM failed to beat their benchmarks.*

## Scottish Friendly Staff Pension Scheme

There are five funds with total AUM of £21.8m. The net investment performance of these funds, excluding the With-profits fund which has assets of just under £1m, is set out below:

Fund Name	Net Investment Performance	Benchmark
Pension Managed Fund	8.5%	8.0%
Pension UK Equity Fund	6.0%	7.2%
Pension Fixed Interest Fund	2.7%	3.4%
Pension Cash Fund	0.7%	3.9%

*Three funds representing 14% of the AUM out of these 4 funds failed to beat their benchmarks.*

Performance data is net of fees for all funds.

## Comparator results

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

This assessment identified that the one year net investment performance relative to benchmark for the Firm's policyholders over 2023, weighted by the size of funds invested for ISGPP and ISSPP including default funds, was above average, i.e. relative to the comparator group for the underlying funds.

The one year net investment performance for the Firm's policyholders over 2023 for Ex-Canada Life Workplace Pension Plan was average relative to the comparator group for the underlying funds.

The one year net investment performance for the Firm's policyholders over 2023 for Scottish Friendly Staff Pension Scheme was average relative to the comparator group for the underlying funds.

## Areas for improvement

The GAA did not identify any specific areas for improvement.



## 3. Communication

### ISGPP & ISSPP (no default) value score:

Excellent  Good  Satisfactory  Poor

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

Excellent  Good  Satisfactory  Poor

### ISGPP & ISSPP (with default) value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

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

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

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

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

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

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

### The Firm's approach

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

At retirement members can take an UFPLS or transfer out. There are no drawdown or [annuity](#) options available. No guidance is provided, and members are signposted to an IFA or PensionWise for support.

## ISGPP and ISSPP

A full suite of policyholder communications materials is provided and maintained by Aegon and reviewed by the Firm with key communications reviewed annually. Policyholders also have access to on-line functionality through a member portal.

The investment fact sheets are provided by Mobius, who provide the platform used to administer buying and selling of fund units. The online switch process has adequate risk warnings and member support is available.

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

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

The member communications for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme have been reviewed in line with the Consumer Duty requirements although still remain limited. Member communications include a transfer pack, retirement pack and wake up letters, which are satisfactory, but there is no member guide or investment guide.

Costs and charges are publicly available on the Firm's website although these were not included on member statements.

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

There is no online functionality for members.

## Improvements since last year

The GAA notes the external review and work being undertaken to improve the Firm's member communications, which have been partly driven as a consequence of the Consumer Duty requirements but there is much still to do.



## Comparator results

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

This assessment identified that the communication materials provided to the Firm's policyholders over 2023 for the ISGPP and ISSPP including default funds were average i.e. relative to the comparator group, and for the Ex-Canada Life Workplace Pension Plan and the Scottish Friendly Staff Pension Scheme were below average i.e. relative to the comparator group.

## Areas for improvement

### GAA concern

The GAA maintains the concern raised last year to improve and expand the member communication materials available to policyholders in the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.

Whilst there have been some improvements, the communications offering remains limited. Notable gaps include member guides, investment guides and the lack of online functionality which remains disappointing given the high charges members are subject to.

The GAA expects the review and improvements to be completed by our next report.

### GAA observation

Last year the GAA observed that the ISGPP and ISSPP fact sheets provided by Mobius don't include performance comparison, risk or [ESG](#) ratings which meant members had limited fund information. This has still not improved.

Retirement options remain limited for all members unless they transfer their benefits away.



## 4. Firm governance

### ISGPP & ISSPP (no default) value score:

Excellent  Good  Satisfactory  Poor

### ISGPP & ISSPP (with default) value score:

Excellent  Good  Satisfactory  Poor

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

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

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

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

### The Firm's approach

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

The Firm holds quarterly service review meetings with Aegon which includes the monitoring of Aegon's regular Service Level Agreement (SLA) reports into the Executive Committee.

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

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

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

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

## Areas for improvement

### GAA challenges

The GAA maintains the 2022 challenge as follows:

- | Provide governance oversight to the ISGPP and ISSPP default options.

The GAA also expects to see an updated governance structure and explicit reference in Committee Terms of Reference to cover the default options.



## 5. Security of policyholder benefits

### ISGPP & ISSPP (no default) value score:

Excellent  Good  Satisfactory  Poor

### ISGPP & ISSPP (with default) value score:

Excellent  Good  Satisfactory  Poor

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

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We expect to see that the Firm is in a sound financial position with sufficient capital backing to enable it to continue to operate for the foreseeable future.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both the Firm and investment manager level. For example, this could relate to FSCS or other regulatory protections, ringfencing or the structure of the underlying product.

We are looking for evidence that the Firm has processes in place for protecting policyholder assets against fraud and scams and for Firms to be actively monitoring for possible scamming activity.

### The Firm's approach

The Firm is one of the largest UK mutual life offices, is regulated by the PRA and, as of April 2023, had assets under management worth more than £4.6 billion and an estimated 838,000 members. Scottish Friendly has an AKG financial strength rating of B Strong.

Policyholders would also be able to claim on the Financial Services Compensation Scheme if the Firm was deemed to be in default. Members would be able to claim compensation to 100% of the value of the plan with no upper limit.

The Firm has clear capital management objectives, which include:

- | protecting the Firm's financial strength, providing security to policyholders;
- | complying with the PRA's capital requirements;
- | ensuring that the Firm's capital position is sufficient to enable it to invest in the development of the business in order to fulfil its stated core strategic objectives as determined by the Board Committees.

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

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



## Areas for improvement

The GAA did not identify any specific areas for improvement.



## 6. Administration and operations

### ISGPP & ISSPP (no default) value score:

Excellent  Good  Satisfactory  Poor

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

Excellent  Good  Satisfactory  Poor

### ISGPP & ISSPP (with default) value score:

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

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

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

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

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

### The Firm's approach

The Firm has separate business books. The ISGPP & ISSPP are administered by Aegon. The Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme are administered by Scottish Friendly.

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

The Business Continuity Policy (BCP) aims to ensure that, in the event of a disruption to its normal business, it can restore its critical activities with a minimum of disruption. Key components of the Business Continuity Management System are tested annually to ensure the Firm's BCP will work as anticipated. The Firm's Business Continuity Exercise Programme was last reviewed in October 2023. Aegon' BCP statement for 2023 was also provided and reviewed.

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

## ISGPP and ISSPP

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

The servicing of core financial transactions had improved during 2023 compared to the previous year and achieved at least 94% against SLAs throughout the year and at least 96% for all servicing against SLAs.

There were 29 upheld complaints within the year which the GAA deemed to be reasonable given the size of membership.

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

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

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

During the 2023 assessment year, 79% of pensions-related transactions were completed within the 5-day target. The GAA would expect

core financial transactions to be individually identifiable with more refined targets in-line with those of ISGPP and ISSPP.

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

### Comparator results

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

This assessment identified that the administration services provided to the Firm's policyholders over 2023 were for the ISGPP and ISSPP including default funds were average i.e. relative to the comparator group, and for the Ex-Canada Life Workplace Pension Plan and the Scottish Friendly Staff Pension Scheme were below average i.e. relative to the comparator group.

## Areas for improvement

### GAA challenge

The GAA maintains the 2022 challenge:

- | To provide more detail on administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme such that core financial transactions can be individually identified and reported on.

### GAA concern

The GAA maintains the prior year's concern regarding:

- | Improve administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme.

Last year the Scottish Friendly administration performance was 78% on a 5 day turn around and this has not improved.

In response, a review of SLAs has been undertaken to ensure these are realistic and achievable and the intention is to support this with appropriate signposting and improved reporting although no observable progress has been made to date.

The GAA expects to see a clear plan as to how this will be addressed.



## 7. Engagement, innovation and improvements for policyholder experience

### ISGPP & ISSPP (no default) value score:

Excellent  Good  Satisfactory  Poor

### ISGPP & ISSPP (with default) value score:

Excellent  Good  Satisfactory  Poor

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

Excellent  Good  Satisfactory  Poor

### Scottish Friendly Staff Pension Scheme value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We expect to see evidence that the product is reviewed on a regular cycle of not more than every three years, with new product features or service innovations being launched when appropriate and in line with relevant improvements being made to other similar products being offered by the Firm. We expect these changes to have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

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

### The Firm's approach

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

The GAA notes that no feedback is obtained from any of the policyholders in these arrangements.

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

During 2023 improvements were made to each workplace personal pension principally in the areas of member communication and engagement in response to the Consumer Duty requirements.



## **Areas for improvement**

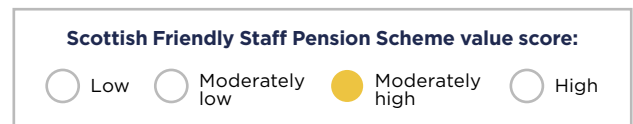
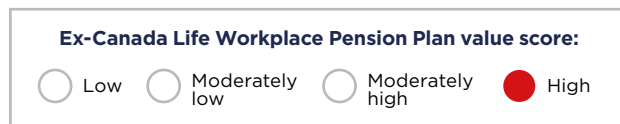
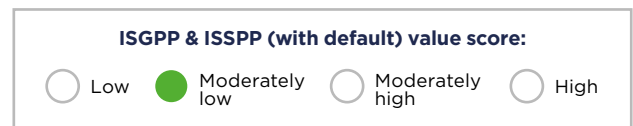
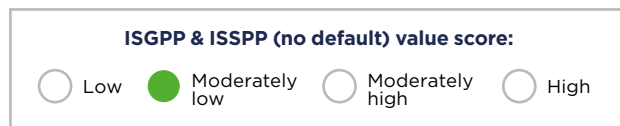
The GAA continues to note the ongoing lack of policyholder feedback across all four business books.

### **GAA observations**

The Firm should consider how to develop its proactive engagement with policy holders in order to obtain broader feedback on its product, for example through the use of policyholder surveys.



## 8. Cost and charge levels



### What are we looking for?

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

- the annual fund management and administration charges being borne by policyholders
- the transactions costs incurred by the underlying investment funds which reduce the investment return experienced by policyholders
- any other charges being paid by policyholders to manage and administer their workplace pensions
- the Firm's process for collecting and monitoring overall member charges, including [transaction costs](#).

We expect fund management charges to be comparable to charges for similar investment products in the wider pensions market after considering the active or passive nature of the investment and the type of assets involved. We take into account where the majority of [relevant policyholder](#) assets are invested.

In looking at transaction costs we also consider the overall level of volatility in the markets, recognising that in highly volatile markets transaction costs may increase.

We assess whether the overall level of administration charges are reasonable, bearing in mind the types of services provided to policyholders.

Finally for products which are used for providing auto enrolment pensions we consider the government required charge cap.

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

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

## The Firm’s approach

Below we describe the charges for the different books of business for the Firm which are in scope for our assessment during 2023:

### ISGPP and ISSPP

The **annual management charges** borne by members within the 8 largest funds (representing 84% of the AUM) are set out below:

Diversified Global Equity	<b>0.6% to 0.9%</b>
PPL Global Equity Fund	<b>0.3% to 0.9%</b>
Passive Global Equity 60/40	<b>0.6% to 0.65%</b>
Passive UK Equity	<b>0.3% to 0.8%</b>
Retirement Builder	<b>0.3% to 0.65%</b>
Managed Fund	<b>0.6% to 0.9%</b>
Passive Long-dated Fixed Interest Gilt	<b>0.3% to 0.8%</b>
Sterling Liquidity	<b>0.2% to 0.8%</b>

The transaction costs for the largest 8 funds range from 0.03% to 0.2%. There are no other charges.

### Ex-Canada Life Workplace Pension Plan

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

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

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

The annual management charges borne by members in the six largest funds (representing 87% of the AUM) range between 1% and 1.51%, ignoring the impact of loyalty bonuses. Transaction costs range from 0% to 0.57%. There are no other charges. The Firm has also advised that since 2017 a 0.5% management charge rebate is also applied to members’ policies although the Firm has not confirmed how this is implemented or communicated to members.

### Scottish Friendly Staff Pension Scheme

The five funds within the Scottish Friendly Staff Pension Scheme have administration charges of 1% p.a. and transaction charges ranging from 0% to 0.52%. There are no other charges.

## Comparator results

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

This assessment identified that the overall cost and charge level paid by the Firm’s policyholders over 2023 were for the ISGPP and ISSPP including default funds were average i.e. relative to the comparator group, and for the Ex-Canada Life Workplace Pension Plan and the Scottish Friendly Staff Pension Scheme were above average i.e. relative to the comparator group.

## Areas for improvement

### GAA concern

The GAA maintains the prior year's concern, as follows:

- | To complete the review of the charging structure and level of charges for members of the Ex-Canada Life Workplace Pension Plan which for the 6 largest funds range from 1% to 1.51%, noting a 0.5% rebate applies and for the Scottish Friendly Staff Pension Scheme which are 1%.

The GAA understands that the Ex-Canada Life Workplace Pension products are being reviewed and that this is expected to conclude in Q1 2025.



# ESG financial considerations, non-financial matters and stewardship

## What are we looking for?

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

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

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

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

Where ESG considerations have been delegated to external investment managers we expect the Firm to have a suitable oversight and stewardship process in place.

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

The GAA has received a copy of the Firm's ESG policy which is reviewed annually. The Investment Committee has overall responsibility for monitoring and implementing the Firm's ESG Policy in respect of the underlying funds used for [unit-linked](#) fund offerings and reporting the outcome of monitoring and compliance.

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

The Firm's general view is that ESG is an important risk factor and should be incorporated within investments. The GAA notes the Firm's Sustainability Report 2023 which sets out its approach, commitment and progress.

## **The Firm's strengths**

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

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

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



## Appendix A: Administration charge and transaction cost disclosures

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

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

The Firm has provided the GAA with the following disclosures in respect of the period 1 January 2023 to 31 December 2023 in respect of the default funds.

Fund Name	Administration charge	Transaction cost
Diversified Global Equity Fund	0.68% to 0.9%	0.13%
Retirement Builder	0.6%	0.03%
Passive Long-dated Fixed Interest Gilt Fund	0.5% to 0.8%	0.01%
Sterling Liquidity Fund	0.5% to 0.8%	0.11%
Sterling Fixed Interest (Pre-Retirement Fund)	0.6%	0.00%
Diversified Beta	0.5%	0.03%



## Appendix B: Approach to comparisons

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

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

### How the comparators were selected

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

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

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

### Comparison of Net Investment Performance

We have assessed how the net of fees investment performance provided to the Firm's policyholders compares to other similar employer pension arrangements. This takes account the performance of the investments being offered. Where multiple investment funds are made available, we have taken into account the amount invested by [relevant policyholders](#) in each fund.

### Comparison of Communication provided to policyholders

We have assessed how the full range of communication materials, including any websites and modelling tools, provided to the relevant policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the type of pension product provided, and whether the communication materials are fit for purpose considering the age profile of the relevant policyholders.



## Comparison of Administration Services

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

## Comparison of costs and charges

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

- | Annual administration and investment fund charges
- | **Transaction costs**
- | Other costs and charges

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the type of product provided. The costs of services that are provided directly to the policyholder and paid for separately by the policyholder (for example financial or investment advice) are not included.



## Appendix C: GAA activity and regulatory matters

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

### GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in early 2024.

Members of the GAA met with representatives of the Firm to kick off the Value for Money assessment process for the 2023 calendar year and to discuss and agree timescales.

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

We discussed the GAA's provisional scoring of Value for Money of the Firm's in-scope workplace pensions and the approach for meeting the cost and charges disclosure requirements in [COBS](#) 19.5.13.

As part of the Value for Money assessment process, the Firm has provided the GAA with 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.

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be suitable and can be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, work was undertaken to improve the data request and to make the overall process more efficient.

The GAA documents all formal meetings with the Firm and maintains a log which captures any concerns raised by the GAA with the Firm, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	09/02/2024
Kick off meeting	09/02/2024
Site visit	25/04/2024
GAA panel review meeting	13/05/2024
Discuss provisional scoring	13/06/2024

## The arrangements put in place for policyholders' representation

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

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via [www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement)
- | The Firm will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders. Where the Firm determines that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

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



## Appendix D: ZEDRA GAA credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called [relevant schemes](#)) to take effect from 6 April 2015.

From that date, providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions is 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 from 1 February 2021.

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

The ZEDRA Governance Advisory Arrangement (“the GAA”) was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. More information on the ZEDRA GAA can be found at [www.zedra.com/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 and [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 <http://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 for the GAA agreed with the Firm can be found at: [www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement)



# Appendix E: Glossary

*Please note that some of the terms referred to in this glossary may not be applicable to your product.*

## 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.

## With Profits

An insurance contract that participates in the profits of an insurance company. The insurance company aims to distribute part of its profits to with-profits policy holders in the form of bonuses.

## Unit-Linked

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



## Appendix F: Data table

Workplace Personal Pension and Stakeholder In-Scope arrangements	Number of Policyholders	Assets Under Management
ISGPP & ISSPP without default employer schemes	5,995	£197.878m
ISGPP & ISSPP with default fund employer schemes	3,428	£77.031m
Ex-Canada Life Workplace Pension	2,035	£46.052m
Scottish Friendly Staff Pension Scheme (inc. With Profits Fund)	1,885	£21.831m



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