



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

NFU Mutual Workplace Personal Pension Plans

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

September
2023



Executive summary

This report on the workplace personal pension plans provided by NFU Mutual ('the Firm'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') for the Firm and sets out our 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 Terms of Reference, agreed with the Firm, the latest version of which is dated 14 April 2022 and are publicly available (see Appendix D).

This report covers two workplace pension plans provided by the Firm, the Group Stakeholder Pension Plan (GSP) and the Group Personal Pension Plan (GPP). The GSP is the larger of the two pension plans and offers policyholders a default option. The GPP does not offer policyholders a default option. This is our eighth annual report covering the Firm's accumulation phase workplace pension products only. There is a separate Chair's Annual Report which covers the Firm's Investment Pathways product which assesses the Value for Money of Investment Pathways solutions for pension drawdown.

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the GSP and GPP. The GAA has conducted a rigorous assessment of the Value for Money ('VfM') delivered to policyholders 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 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

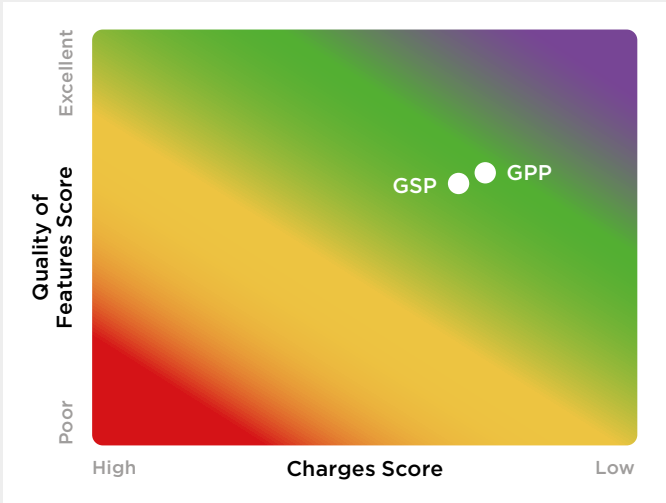
	Weighting toward VfM assessment for GSP*	GSP	Weighting toward VfM assessment for GPP*	GPP
1. Product strategy design and investment objectives	7%	●	13%	●
2. Investment performance and risk	20%	●	10%	●
3. Communication	13%	●	17%	●
4. Firm governance	3%	●	7%	●
5. Financial security	7%	●	7%	●
6. Administration and operations	13%	●	10%	●
7. Engagement and innovation	3%	●	3%	●
8. Cost and charge levels	33%	●	33%	●
Overall Value for Money assessment	100%	●	100%	●

* May not add to 100% due to rounding

<p>Quality and investment features (1-7)</p> <p>● Excellent ● Good ● Satisfactory ● Poor</p>	<p>Cost and charge levels (8)</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 the Firm's GSP and GPP provide **good** value for money.

Overall, the GAA has challenged the Firm again to:

Engagement and innovation: Last year the GAA challenged the Firm that while client feedback surveys were carried out, engagement appeared to be limited. The GAA understands that no client satisfaction surveys were carried out during the current assessment year. The GAA wanted to see improved engagement to get greater member feedback. We are cognisant of the 2023 joint regulatory work to create a disclosure framework for the holistic assessment of Value for Money, and the recommendation for a standardised member satisfaction survey designed by the Regulators. This year, the GAA understands that whilst the Firm is waiting for the standardised member satisfaction survey, the Firm has undertaken customer research of their pension transfer communication. The GAA expects the Firm, as a minimum, to carry out a member survey for next year's assessment.

Cost and charge levels: Last year the GAA challenged the Firm to look at ways of reducing the additional charges within the GPP offering. Likewise, this year, the GAA continues to challenge the Firm to look at ways of reducing the additional charges within the GPP offering.

Furthermore, the GAA has made the following observations:

Product strategy design and investment objectives: Although the GAA observed an improvement to the statements of aims and objectives from last year's assessment whereby the Firm have now quantified the statements more clearly, the key return and risk measures for all funds disclosed on the fund factsheets are against sector peer averages, including quartile rankings, and the benchmark used is the sector peer average rather than a specific benchmark. Therefore, the GAA would like to see further improvement in terms of including more specific quantitative benchmarks disclosed within the fund factsheets.

Investment performance and risk: Whilst the GAA understands that market conditions were volatile, the GAA expects the Firm to monitor the investments over the next year and take appropriate action where necessary.

Communication: The requirement to either write in or telephone in order to switch funds could be enhanced and made more accessible to policyholders by making this function available online as well.

Cost and charge levels: The Firm did not conduct any peer group benchmarking of costs for the GSP or GPP, which the GAA would like to see conducted.

Last year, the GAA did not raise a formal concern with the Firm during the year.

In our previous report we identified, as GAA observations, that further improvements could be made in the areas noted below and are pleased to be able to report that the Firm has made progress in addressing the points we raised last year and which are commented on in the body of the Report:

Product strategy design and investment objectives: The GAA would like to see further consideration given to the range of funds available to policyholders, although it is noted that the vast majority of policyholders invest in the default for the GSP and the Mixed Portfolio 40-85% Shares Fund for the GPP. Furthermore, the investment options available to policyholders have clear statements of aims and objectives. These are clearly stated on fund factsheets that can be downloaded from the website. However, the GAA would like to see that the statements of aims and objectives are quantified and stated clearly to members.

Communication: The GAA observes that online capabilities could be improved to help policyholders execute decisions such as fund switches more dynamically.

Cost and charges: The GAA observes that NFU Mutual did not conduct any peer group benchmarking of costs for the GSP or GPP.

In our previous report we identified that further improvements could be made in the areas of better integration to [Environmental, Social and Governance](#) (ESG) financial considerations within the GPP and GSP, and are pleased to be able to report that the Firm has made progress in addressing the points we raised last year.

We also concluded that the Firm's policies in relation to ESG risks, non-financial considerations and stewardship were well implemented and 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 B.

A consultation was launched in early 2023 between the FCA, the Department for Work and Pensions

(DWP) and The Pensions Regulator (TPR). This consultation set out a transformative framework of metrics and standards to assess Value for Money across Defined Contribution (DC) pension schemes including the workplace pensions reviewed by the GAA. The consultation seeks to improve retirement outcomes and encourage greater transparency and standardisation across the entire market offering DC pensions. This should result in a more consistent Value for Money review for policyholders irrespective of where their DC pension originated. This consultation does not affect this year's review but may mean a change in the way that Value for Money is assessed for policyholders in the future, if the consultation prescribes a standard way of measuring Value for Money which differs from the approach used by the GAA.

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 the GAA for the assessment.

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

Payam Kazemian

Chair of the ZEDRA Governance Advisory Arrangement for
NFU Mutual's Group Stakeholder Pension Plan and Group
Personal Pension Plan

September 2023



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



Contents

Executive summary	2
Overview of the value assessment	7
1. Product strategy design and investment objectives	9
2. Investment performance and risk	12
3. Communication	14
4. Firm governance	16
5. Financial security	17
6. Administration and operations	19
7. Engagement and innovation	21
8. Cost and charge levels	23
ESG financial considerations, non-financial matters and stewardship	25
Appendices	
A. Cost and charge disclosures	27
B. Comparison report	29
C. GAA activity and regulatory matters	31
D. ZEDRA GAA credentials	33
E. Glossary	34



Overview of the value assessment

The GAA has assessed the Value for Money delivered by the GSP and GPP to their 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 all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA 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, and the Cost and Charge Levels borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAA's view of good practice.

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

Within each of the Quality of Service Features and in the assessment of Investment Features are

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

The GAA then went on to consider the value represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the policyholders 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 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 and sub-features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of policyholders, 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 communications 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 an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and products were determined is set out in Appendix B.



1. Product strategy design and investment objectives

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect to see an investment strategy for the default that is designed and managed taking the 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 25, 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 offers two workplace personal pensions plans, the Group Stakeholder Pension Plan (GSP) and the Group Personal Pension Plan (GPP).

The Firm offers policyholders, for both the GSP and GPP arrangements, a limited range of funds, which are all actively managed. It is the Firm's belief that a focused range of funds provides better member outcomes. Policyholders have online access to fund factsheets which provide clear statements of aims and objectives.

The GSP closed to new business in December 2019. Those with existing GSP policies can continue to pay in regular contributions and new members are able to join an existing GSP. The default fund for the GSP is the Mixed Portfolio Max 100% Shares fund which predominantly invests in equities. There are a further seven unit linked funds for policyholders to choose from.

In addition, there are lifestyle strategies appended to the default fund which members can opt into, targeting drawdown, cash, and [annuity](#) objectives. From the Firm's analysis, the lifestyle strategy of 5 years is stated as a suitable investment horizon as this is consistent with the age profile. In addition, lifestyling exists for policyholders closer to retirement to gradually de-risk and/or transition towards more suitable funds to support a planned way to take their benefits. Policyholders can either opt in or out of lifestyling when the plan starts. If policyholders decide to opt in, the Firm asks them

to select one of the four lifestyling strategies. However, for all customers - those who opted in at outset and also those who didn't - the Firm writes to customers 5 years and 6 months before their Selected Retirement Date to remind them of the choice they made at commencement and giving them the chance to change it - either opting in or out - or if already opted in the chance to change the lifestyling strategy. If a strategy is selected, this then starts 5 years before the Selected Retirement Date.

The default strategy for the GSP is reviewed every 2 years, with the last review taking place in March 2022. During this review, the Firm analysed whether the default fund is still delivering the investment outcomes expected by customers, and whether it is meeting the expectations that are set out to customers through the investment objective, policy and other disclosures made to customers. A copy of the report with the Firm's analysis and findings was provided to the GAA.

The GPP is closed to new employers but can accept new policyholders for existing employers.

The GPP does not offer a default fund or strategy, but most policyholders are invested in the Mixed Portfolio 40-85% Shares Fund. Some policyholders are invested in the with-profits version of the fund. There are regular reviews of the fund options.

There have been no dramatic changes to funds within the GPP, but they are under constant review, with a formal review carried out at each quarterly asset allocation meeting. Although volatility has gone up over the last assessment year, the Firm is looking to diversify asset classes (Minutes provided to the GAA as evidence).

The GPP funds give a broad range of risk levels which can be selected based on a customer's attitude to risk. There is currently no offering at risk level of 6 (one of the higher risk brackets), the Firm does not see any customer demand for this given their risk averse customers.

The Firm's strengths

Investment performance is regularly reviewed by the Financial Services Management Committee and there is a quarterly presentation to the main Board. The range of funds available is regularly reviewed by the Financial Services Proposition Governance Forum.

These processes, in the opinion of the GAA, separate the various functions and deliver a rigorous process with regards to investment matters. All funds offered to policyholders are actively managed as the Firm believes this adds value to policyholders as compared to taking the passive or index-tracking approach.

The funds themselves and all internally managed elements do not use financial derivatives, but there is the ability for some minimal use within some of the externally managed elements of the international equity funds. These are 'long only' strategies in areas such as forward contracts for currency hedging and index futures and they are not used to obtain leveraged market exposure.

The funds offered to policyholders are regularly reviewed. Previous reviews have resulted in the introduction of new funds and the outsourcing of the management of some overseas assets to third-party managers. Additional lifestyles have been introduced and the default lifestyle for the GSP has been changed to the more appropriate drawdown lifestyle, based on the choices made by policyholders at retirement. The Firm has provided the GAA with the decision matrix for communication with policyholders. The GAA has reported on these changes in previous reports.

ESG considerations are integrated into the investment process and are considered alongside traditional financial measures.

All fund factsheets along with pricing, investment performance and charges are available online and easily accessed by policyholders. The fund factsheets state the investment objective, provide risk ratings on a scale of 1 to 6, have a crown rating of up to 5 crowns and provide a clear breakdown of asset allocation.

Improvements since last year

One of the observations raised last year was for the investment options to have clear statements of aims and objectives which are quantified and stated clearly. The GAA is pleased to note that the Firm had made the change to introduce more quantifiable objectives to their statements. An example was the GSP's default fund used to have as its objective 'To maximise long-term growth from the investment.' This objective is now 'To provide capital growth (net of fees) over the long term (a period of at least 5 years).'

The GAA has observed that the Firm has continued to improve their ESG financial considerations with the GSP and GPP. The Firm takes an integrated approach to investing across all their funds, incorporating ESG considerations directly into their investment process to target long-term growth and sustainability with a focus on engagement. For all their investments, the Firm have set a target to deliver 50% emissions reduction in equity and corporate bond portfolios by 2030 and to achieve net zero by 2050. The Firm are now signatories of the UN PRI and also the UK Stewardship Code.

Areas for improvement

GAA observations

Although the GAA observed an improvement to the statements of aims and objectives from last year's assessment whereby the Firm have now quantified the statements more clearly, the key return and risk measures for all funds disclosed on the fund factsheets are against sector peer averages, including quartile rankings, and the benchmark used is the sector peer average rather than a specific benchmark. Therefore, the GAA would like to see further improvement in terms of including more specific quantitative benchmarks disclosed within the fund factsheets.



2. Investment performance and risk

Value score: Excellent Good Satisfactory Poor

What are we looking for?

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

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

The Firm's approach

The default fund for the GSP is the Mixed Portfolio Max 100% Shares fund. It was last reviewed in March 2022 and the Firm concluded that it met its stated aims and objectives.

The Firm has a clear process for reviewing performance, which is driven by in-house committees at quarterly meetings. The Financial Services Management Committee reviews performance regularly and presentations are made to the main Board on a quarterly basis. The range of funds available is also regularly reviewed by the

Financial Services Proposition Governance Forum.

Performance is reviewed for both strategic asset allocation and stock selection. Performance is reviewed against the benchmark and by quartile to ensure good outcomes for policyholders.

The process for managing investment performance and risk is rigorous and the Firm has demonstrated that changes are implemented when required. The net performance of investment strategies is reviewed on a quarterly basis to ensure alignment with interest of [relevant policyholders](#). The fund range and options are regularly reviewed with the strategies annually reviewed. There are also quarterly asset allocation meetings with performance looked at on a monthly and/or quarterly basis and actions taken after those meetings.

The Firm's strengths

The GAA notes that performance of the default fund for GSP for the year to 31 December 2022 was negatively impacted by the volatility in the financial markets which was then exacerbated by the government's 'mini-budget' in September 2022. The default fund returned -10% and it was behind the benchmark for the 1-year and 5-year periods.

The majority of investors in GPP invest in the Mixed Portfolio 40-85% Shares fund, which was also negatively impacted by last year's adverse market conditions inflation and the 'mini-budget'.

Here too there has been a decline in performance with the fund returning -10.4% for the year under assessment. Performance was also behind the benchmark for the 1-year and 5-year periods.

The Firm has demonstrated that there is a robust governance framework in place and has provided clear evidence of the monitoring undertaken during the year. Investment Committee minutes highlight that investment performance is reviewed for both internally and externally managed funds. This is alongside fund strategies and positioning.

The funds are measured against the ABI Flexible Investments benchmark. 2022 was considered a very volatile year from an investment performance perspective – equities and the bond market all struggled to make any gain against the backdrop of high inflation and government policies. Year to date, the funds had been performing relatively well so far in 2023. These 2 funds cover most of the members within the GAA.

Investment strategies are regularly reviewed to ensure the strategies are effective and take into account the policyholder’s attitude to risk and necessary changes are made. The strategies are monitored through Moody’s analytics against customer risk expectations, and this is reviewed on a quarterly basis to ensure alignment with interest of relevant policyholders.

Net investment performance

The [net investment performance](#) of the most significant funds available to policy holders and, where available, the 1-year performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table.

Fund Name	Net Investment Performance	Benchmark
GSP Default Mixed Portfolio Max 100%	-10.0%	-8.9%
GPP Mixed Portfolio 40-85%	-10.4%	-10.0%

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 for the Firm’s policyholders over 2022 was average relative to the comparator group in relation to both the GSP default Mixed Portfolio Max 100% and GPP Mixed Portfolio 40-85% funds.

Areas for improvement

Whilst the GAA understands that market conditions were volatile, the GAA expects the Firm to monitor the investments over the next year and take appropriate action where necessary.

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 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

Policyholders are provided with a full suite of communication letters depending on their circumstances such as annual benefit statements, leaver letter, transfer packs and retirement packs. Pre-retirement wake-up communications are issued every year from age 55.

Policyholders are required to either write or telephone when making fund switches; online options are as yet not available.

The Firm provides policyholders with information on a range of retirement options, including signposting to the government's MoneyHelper service including Pension Wise and their Financial Planning Service which would be facilitated by an advisor at additional cost.

The Firm does not offer an **annuity** service, instead they use a panel of providers for annuity quotes to its policyholders.

The Firm's strengths

The Firm provides policyholders with the full range of communications and signposts important retirement milestones and transfer scam information. Policyholders are able to access financial advice when required through the Firm's Financial Planning Service.

The GAA has reviewed a range of sample communications which are clear and free from jargon. These communications are reviewed regularly and updated in line with prevailing regulations, service offerings, and tax implications.

Policyholders are able to communicate with the Firm via a range of options including letter, telephone, email, and online messaging. However, there remains the requirement to either write in or telephone in order to switch funds. The Firm seeks feedback after all calls made by policyholders.

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 2022 were average relative to the comparator group.

Areas for improvement

GAA observations

Last year, the GAA observed that online capabilities could be improved to help policyholders execute decisions such as fund switches more dynamically.

This year, the GAA continues to observe that the requirement to either write in or telephone in order to switch funds could be enhanced and made more accessible to policyholders by making this function available online as well.



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

The Firm has provided the Terms of Reference for the Executive Investment Committee, Financial Services Management Committee and Financial Services Propositions Governance Forum. The Executive Investment Committee are responsible

for appointing and monitoring performance of investment managers with performance monitored on an ongoing basis. Discussions and actions taken are recorded in the minutes.

The Financial Services Proposition Governance Forum meets every month to discuss fund performance (quarterly in depth), risk and current issues relating to the options available to policyholders.

The Firm's strengths

The Firm has a clear process, as evidenced by the Terms of Reference for the Investment Performance Committee, for appointing and monitoring performance of investment managers and performance is monitored on an ongoing basis. Discussions and actions taken are recorded in minutes. The Financial Services Proposition Governance Forum meets every month to discuss fund performance (quarterly in depth), risk and current issues relating to the options available to policyholders.

Areas for improvement

The GAA did not identify any specific areas for improvement.



5. Financial security

Value score: Excellent Good Satisfactory Poor

What are we looking for?

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

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and 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 policyholders about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

The Firm is a UK registered insurance company and is required to adhere to the rules in relation to capital adequacy and solvency ratios as laid out by the Prudential Regulation Authority (PRA). The PRA sets testing thresholds and the GAA is satisfied that based on these requirements, policyholders' interests are protected.

In 2022, the Firm experienced a loss of £1,049m (2021: £182m profit) with total funds under management of £19.2bn (2021: £22.2bn). The core General Insurance business delivered an underwriting loss of £167m (2021: £89m loss) which reflected a challenging year due to the economic effects of the geo-political landscape,

with high levels of inflation and difficult market conditions leading to significant reductions in business, consumer, and investor confidence.

Despite the increased loss, the Firm's Solvency II coverage ratio improved to 218% (2021: 204%).

The Firm's strengths

The Firm operates under the PRA regime which provides the GAA with reassurance that policyholders' interests are protected.

The Firm has demonstrated that it has a robust policy with regards to transfer requests and that every effort is made to safeguard policyholders against fraud. An example customer story, in which a family of 4 with their own business requested a pension transfer for each of their policies, was presented to the GAA at the site visit and the Firm demonstrated their robust transfer process.

Policyholders requesting a transfer are sent the FCA pensions scam leaflet along with transfer forms.

At the transfer payment request stage, initial checks on the receiving scheme and administrators are undertaken in accordance with the Firm's internal process guide. If there are any issues or concerns identified, the case is then referred to the senior team members for further checks and, if required, escalated to the management team.

In suspicious circumstances the transfer can be referred to the Financial Crime Unit and Legal Department. However, if a policyholder insists on a transfer, the Firm asks the policyholder to sign confirmation that all checks and warnings had been received.

However, regulatory changes at the end of 2021 have introduced powers for the Firm to refuse a transfer, where red flags have been identified and they have sufficient reason to suspect the customer is being scammed, following the full process of checks.

Regular training is provided to the Money Out team on dealing with pension transfer scams and pension transfer liberation.

Areas for improvement

The GAA did not identify any specific areas for improvement.

6. Administration and operations

Value score:

Excellent

Good

Satisfactory

Poor

What are we looking for?

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

Administration is carried out in-house and service levels are closely monitored. Clear standards are set and there are quality audits to ensure these are adhered to.

Regular phishing tests and penetration testing are carried out by the Firm's IT department and external companies with evidence of the phishing result provided to the GAA.

A customer service report was presented to the GAA at the site visit showing great results for 2022 across the call centre, payments, and servicing teams. The call centre, who manage the customer line, answered 45,265 call out of a total of 45,933 calls received during the year meeting their target of 98%. Similarly, targets for policy servicing, quality and payments (money out) were also met.

During the year, the Firm introduced a new hybrid working policy where staff had the flexibility of choosing to work from home for up to 3 days a week with the remaining days working from the office. This flexibility was well received from the staff.

By retaining administration in-house, the Firm is able to react quickly and decisively to emerging issues.

The Firm's strengths

The administration practices at the Firm are run to tight standards. Payments out are processed on a 5-day target with a target of 95%. For the year, 99% of payments were processed within target.

Policy servicing achieved 97% completion on a 5-day target and almost 100% against the 10-day target.

The Firm was able to evidence a high adherence to administration service standards throughout the year.

The Firm has a comprehensive business continuity plan in place relating to Financial Services Operations and evidence of business continuity being maintained throughout the year was provided to the GAA.

The Firm was also able to evidence a very low level of incidence of complaints (6 received in 2022 and 2021) and were able to demonstrate the process for resolving those complaints with appropriate redress being provided for the small number of complaints that were upheld (2 in 2022 against 5 in 2021).

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 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 product is reviewed at least annually, with new products or services being launched on a regular basis, that have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

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

There are a number of committees in place to oversee the products offered to policyholders and these are captured in the Product Oversight Governance report.

The range of funds, fund characteristics along with aims and objectives, performance, and risk, fees, and relevance for policyholders are reviewed regularly on a rolling three-year basis and updated where required. The product review cycle 3 calendar was provided to the GAA detailing the timetable where the workplace pension products were included in the reviews. There are also regular reviews of business services.

The Firm's strengths

The Firm was able to demonstrate that the product is under continuous review. They made use of their internal compliance assurance team's capability to do a mock deep dive on how they treat customers with additional needs. For example, appropriate care is expected at the product review stages and, therefore, they take the additional needs of customers into account at all stages of the review. The Proposition processes make clear reference to customers with additional needs – underlining the commitment to ensuring fair outcomes for all customers.

Recent changes have significantly improved the flexibility for policyholders. The GAA has reviewed Investment Committee minutes and proposition reviews and the Firm has demonstrated that its offering is reviewed on a rolling three-year basis with changes made where required.

The Firm has demonstrated that it is able to take action where required within the constraints of a fund range that remains relatively limited.

Improvements since last year

The Firm introduced a new reporting layout of complaints, breaches and process errors which facilitated a clear understanding on root causes within each area.

The Firm has introduced a new process for identifying and documenting vulnerable customers. Vulnerable customers are now referred to as customers with additional needs with more categorises for customers.

Areas for improvement

GAA challenge

Last year the GAA challenged the Firm that while client feedback surveys were carried out, engagement appeared to be limited. The GAA wanted to see improved engagement to get greater member feedback. This year, the GAA understands that the Firm continues to push clients for feedback through their annual statements and when customers ring in, but the actual feedback survey has yet to be done. The GAA would like to see this put in place for next year's assessment and improve policyholder engagement to get greater feedback.

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 policyholders over the year. This included assessing:

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

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

Required disclosures relating to costs and charges payable by the Firms policyholders can be found in Appendix A.

The Firm's approach

The AMC for the GSP is 0.749% per annum or lower for all fund options, with lower charges for larger fund values. The charging structure is implemented via the use of rebates with reference to the gross AMC of 1% per annum. Rebates are 0.251% to 0.50% per annum, depending on fund size.

The AMC for the GPP is 0.625% per annum across all funds except the Deposit Fund. There is no bid/offer spread but allocation rates vary between 95% and 98%, depending on the size of the premium, for payments started after 31 December 1997 (or 97% to 100% where no commission is payable). There are no exit charges for all policyholders, irrespective of age.

Transaction costs for the year under review were between 0% for the Deposit, Fixed Interest, and Index-linked funds, with the Property fund having the highest costs of 0.07%. Transaction costs for the Mixed Portfolio Max 100% Share Fund, the default for the GSP, were 0.04%. Transaction costs for the Mixed Portfolio 40-85% Shares Fund, where the majority of the GPP policyholders are invested, were 0.01%.

There are additional charges within the GPP. These relate to JP Morgan fees for accounting/custody/depository services for the GPP, their externally managed assets through external asset managers, and some funds can directly hold assets with specific additional charges such as Exchange

Traded Funds or Investment Trusts. The main fund used (Mixed 40-85% Shares Fund) has additional charges of 0.075%. Overall, the total ongoing charges figures, weighted by Assets Under Management across all funds, range from 0.375% to 0.795% per annum.

The Firm's strengths

Costs for external managers and service providers are negotiated at outset, forming an integral part of the selection process, and are regularly reviewed once in place to ensure continued Value for Money.

JP Morgan fee schedules are reviewed at least annually, and Mercer/external manager fees are discussed at quarterly Joint Advisory Board meetings, with Mercer actively engaging with the external managers on potential fee enhancements as part of their regular due diligence cycle. An annual value assessment produced by Mercer includes a comparison of charges to similar funds from a broad universe, and our internal annual Value for Money assessment considers external and total charges for all funds in light of the service and performance delivered.

All outsourced arrangements are formally reviewed every 3-5 years including a re-tender where appropriate.

For direct holdings, costs are considered as part of the active decision to invest/continue holding the asset.

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 2022 were average relative to the comparator group.

Areas for improvement

GAA observations

The Firm did not conduct any peer group benchmarking of costs for the GSP or GPP, which the GAA would like to see conducted.

GAA challenge

Last year the GAA challenged the Firm to look at ways of reducing the additional charges within the GPP offering. Likewise, this year, the GAA continues to challenge the Firm to look at ways of reducing the additional charges within the GPP offering.



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 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 [relevant policyholders](#).

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

Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's

Value for Money framework does take into account, where relevant, when scoring the area of Product Strategy Design and Investment Objectives on page 9, how the Firm has integrated ESG financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

The Firm's approach

The Firm takes an integrated approach to ESG and fund managers consider ESG alongside traditional financial measures. The Firm's approach is to engage proactively with management teams in order to effect change where required. It is the Firm's policy to cast its vote at all meetings and this is executed using the proxy services of ISS, although it has taken a tougher stance than that recommended by ISS in a number of cases. The Firm has well developed ESG and stewardship policies in place for UK equities and this is now being extended to overseas investments as well.

These policies are implemented across fixed income investments as far as possible. The introduction of green bonds has facilitated this process. Following industry feedback, the Firm believes that exclusions are likely to play a more important role than they do in equities.

ESG for third-party overseas investments are assessed using Mercer's ratings for individual funds.

The Firm's strengths

The Firm has a group wide Responsible Business Strategy which sets out their ambitions across four main categories. There is a Groupwide ESG Steering Group (ESGSG) which will report annually to Board.

Following the Firm's approved ESG Framework, which is made up of a variety of priority topics under each pillar: Environmental, Social and Governance, the purpose of the ESGSG is to evaluate and recommend the ambitions level for each topic area.

The responsibility of the ESGSG is to track how the company is performing on our ESG priorities against external factors, whilst monitoring and measuring risks and opportunities.

Improvements since last year

The Firm has announced its ambition to be net zero by 2050. For investments this currently covers equity and corporate bond portfolios. Evidence that the Firm are working towards this was evidence within the Responsible Business Report provided to the GAA.

Areas for improvement

The GAA did not identify any specific areas for improvement.



Appendix A: Cost and charge 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: 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 for both their GSP and GPP arrangements, which are provided on a publicly accessible website at

www.nfumutual.co.uk/pensions/governance-advisory-arrangement/pension-transaction-costs/

For their GSP arrangement, the Firm provides one default fund (Mixed Portfolio Max 100% Shares), together with 7 other unit linked pension funds to choose from for your contributions. All their unit linked funds are actively managed and incur both ongoing charges and trading costs when the fund manager buys and sells shares within the fund. Not all of these costs are incurred every time a security is traded. However, the charges for each of the unit linked funds are listed below.

Ongoing charges and transaction costs for Group Stakeholder Pension funds series 1 and series 2 as at 31 December 2022:

Name of stakeholder pension fund	Ongoing charges*	Transaction costs**
Deposit	0.749%	0.00%
Fixed Interest	0.749%	0.00%
Index Linked	0.749%	0.00%
International	0.749%	0.01%
Mixed Portfolio 40-85% Shares	0.749%	0.01%
Mixed Portfolio Max 100% Shares	0.749%	0.04%
Property	0.749%	0.07%
UK Equity	0.749%	0.02%

Notes to the ongoing charges and transaction costs

*Ongoing charges are taken annually for managing the fund. They include the AMC (**annual management charge**), as well as operational fund costs such as custody, trading and reporting costs.

**Transaction costs are incurred when trading underlying investments. They can be explicit such as stamp duty tax and regulatory / exchange levies; or they can be implicit e.g., the arrival cost. The arrival cost is the price difference between the valuation of an asset before an order, and the execution price at which it is actually traded.

Group Stakeholder Pension Plan – Default Fund Illustration of Total Costs

The table below is included to give you an idea of the compounding effect of the ongoing charges and transactions costs if, for example, you had taken out a Group Stakeholder Pension Plan and invested in the Mixed Portfolio Max 100% Shares fund.

Projected pension pot in today's money

Mixed Portfolio Max 100% Shares Fund		
Years	Before charges + costs deducted	After all charges + costs deducted
1	£11,400	£11,300
3	£14,300	£14,000
5	£17,300	£16,700
10	£25,400	£23,900
15	£34,300	£31,600
20	£44,200	£39,800
25	£55,200	£48,500
30	£67,400	£57,800
35	£80,800	£67,600
40	£95,700	£78,100

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £10,000.
3. Inflation is assumed to be 2.5% each year.
4. The initial monthly contribution is assumed to be £100.
5. Contributions are assumed to increase in line with assumed earnings inflation of 2.5% each year throughout the projection.
6. Values are estimates and are not guaranteed. The value of investments can fall and you may get back less than invested.
7. The projected growth rate for the Mixed Portfolio Max 100% Shares fund is 4.6% each year.
8. Charges may change.



Appendix B: 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 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 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 policyholders of the GSP and GPP.

Comparison of net investment performance

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 for the Firm's policyholders over 2022 was average relative to the comparator group in relation to default funds.

Comparison of communication provided to policyholders

We have assessed how the communication materials provided to the Firm's policyholders compares 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 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 the core financial transaction processing, provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders 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 administration charge
- | [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 nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 were average relative to the comparator group.



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 2023.

Members of the GAA had a meeting with representatives of the Firm 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 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.

Members of the GAA had a meeting with representatives of the Firm to discuss the GAA's provisional scoring of Value for Money of the 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. In particular, the GAA has seen evidence of ESG integration within the Firm's investment decision process, and evidence of their stewardship approach.

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 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	17/02/23
Kick off meeting	07/03/23
Site visit	18/04/23
GAA panel review meeting	24/05/23
Discuss provisional scoring	14/06/23
Scoring meeting with the firm	16/06/23

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

The GAA has not raised any concerns with the Firm during the year covered by this report.

The arrangements put in place for policyholders' representation

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

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via the Firm's website and has been highlighted on annual benefit statements since April 2016. A paragraph has also been added to the Key Features document for any new policyholders.

- | 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 determine that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

In addition, the GAA has established a dedicated inbox at zgl.gaacontact@zedra.com so that policyholders can make representation to the GAA direct. The Firm will include details of this contact email address on their website.



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 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 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

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

Information on Dean’s experience and qualifications can be found at <https://deanwettonadvisory.com/our-team/>

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.nfumutual.co.uk/financial-planning/pensions/governance-advisory-arrangement



Appendix E: 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.

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.



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