ptl

CHAIR'S ANNUAL REPORT:

The PTL Governance Advisory Arrangement

Carey workplace personal pension plans

April 2018

1. Introduction and Executive Summary

This report on the workplace personal pension plans provided by Carey Pensions UK has been prepared by the Chair of the PTL Governance Advisory Arrangement ("the GAA"). It is our third annual report.

This report sets out our assessment of the value for money delivered to policyholders (see Sections 2 and 3). It also explains the background and credentials of the GAA (see Appendix 3). The GAA works under Terms of Reference, agreed with Carey, dated 5 October 2015. These are publicly available (see Appendix 3).

The workplace personal pension plans provided by Carey are Group Self Invested Personal Pension Plans (SIPPs). More details about the numbers of policyholders and their funds are shown in Appendix 1.

The GAA believes that deciding what represents "value for money" is subjective and that value for money will mean different things to different people. We think value for money can be judged by looking at the balance of the costs paid by policyholders to the Group SIPP provider against the benefits and services provided from their policy, together with appropriate comparisons against other pension providers.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP Providers. The GAA requirements are relevant because Group SIPPS are classified as workplace pensions, although the same requirements do not apply to individual SIPPs. The GAA has highlighted this issue to the FCA. The assessment encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Carey. However, it does not include the elements provided by the Independent Financial Advisers (IFAs), or employers (including investment matters and charges) not controlled by Carey.

We have also considered the extent to which Carey has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been advised by a qualified and authorised Independent Financial Advisor.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment fund processes as for other workplace pension providers. This was not necessary for Carey.

The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Carey provide reasonable value for money. For some policyholders, the Carey charge is paid by the employer and for these policyholders, reasonable to good value for money is provided.

Carey has taken steps to check the advised or sophisticated status of policyholders. This process has identified that most policyholders either have or will have access to financial advice or are able to make their own evaluation of investment funds and have actively selected this proposition.

One employer still needs to confirm its arrangements for financial advice, and we have requested that Carey complete this process. We understand that this employer is likely to transfer to a Master Trust, although the timing is not clear around this transfer at the current time.

See Section 3 and Appendix 2 for more details of the value for money assessment.

The GAA has not raised any new formal concerns with Carey during the year, although we are seeking further information from Carey regarding the advisory status of one remaining employer (see Section 4.2) and on the extent that the external auditor considers the internal controls of Carey as part of the audit process. We understand that this information has been requested from Carey's external auditor and is expected shortly. We are satisfied that Carey will receive this and consider any findings.

Arrangements have been put in place to ensure that the views of the policyholders can be directly represented to the GAA (see Section 4.3).

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:

Anthea Nelmes, Carey Pensions UK LLP, 1st Floor Lakeside House, Shirwell Crescent, Furzton Lake, Milton Keynes, MK4 1GA

2. Value for money assessment framework for SIPPs

The GAA has developed a framework for assessing value for money. In broad terms, the benefits offered to members by the workplace pension provider are assessed in three different areas. These areas are Investment, Member Communications and Support and Additional Factors.

For Group SIPP providers the vast bulk of policyholders are either advised by a suitably qualified and authorised Independent Financial Advisor or are "sophisticated investors" as defined by the FCA (see below). Therefore, for these providers, such as Carey, the investment aspects of the framework become an assessment of the process by which the provider ascertains that members are advised or are "sophisticated investors." It becomes a wider assessment if there are policyholders who are neither.

The assessment of the benefits as a whole is then balanced against the Provider charges borne by members to reach an overall conclusion on value for money.

Investment aspects:

The FCA has prescribed five specific features that the GAA must assess and these have been built into the framework described above. However, some of these do not directly apply in the SIPP environment for individual SIPPS, and are relevant to the GAA due to the classification of Group SIPPS as workplace pensions. In isolation, the SIPP regulations do not require that providers consider these aspects. The GAA has highlighted this issue to the FCA. We explain this below.

The FCA requires the GAA to assess:

"whether default investment strategies are designed and executed in the interests of relevant policyholders"
"whether default investment strategies have clear statements of aims and objectives"
"whether the characteristics and net performance of investment strategies are regularly reviewed by the firm to ensure alignment with the interests of relevant policyholders and that the firm takes action to make any necessary changes"

Under the rules of a SIPP, the policyholder directs the investment strategy, and is usually guided by their Independent Financial Adviser who will suggest strategies and put arrangements in place in conjunction with fund managers or investment platforms to implement those strategies. The SIPP provider has no active role in this. Its role is limited to the administration, except that it is expected by the FCA to act as a "gatekeeper", for instance by carrying out due diligence on policyholders' advisers and on non-standard investments, and monitoring adviser activity in terms of excessive charging.

The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled for a SIPP by the member or in some cases potentially by the employers. In many cases SIPP policyholders choose this type of pension because they are "certified high net worth" or "sophisticated" investors as defined in FSA Handbook COBS 4.12.6/7/8 R.

https://www.handbook.fca.org.uk/handbook/COBS/4/12.html#DES582

In these cases the provider is safe to assume that the policyholder is able to design the strategy and evaluate whether they are obtaining value for money over time from their investments.

For unsophisticated or non-advised policyholders the provider should undertake some form of review of the characteristics and performance of the investment strategies, and we are able to assess this process. However, by their nature, SIPPs can invest in “non-standard” assets such as the unquoted shares or business premises of the employer. In such cases, it is likely that the member themselves will be much better placed to obtain information on, and understand the characteristics and net performance of, such strategies, rather than provider.

Where a meaningful review can take place, the provider may be unable in practice to take action to make any necessary changes, because as described, it has no role in setting or managing investment strategies. The provider is able to raise concerns but cannot require action to be taken.

Group SIPPs generally do not have default funds in operation because each member is choosing their own investments. Some Group SIPPs have the same investment for each person, but each person has chosen the investment.

Accordingly, the GAA has not assessed the Provider in relation to the first two areas in the table above unless any default funds are present.

Our assessment has started with a review of the process and outcome of the work done by Carey to establish which policyholders are receiving ongoing advice from an independent financial adviser, or can evidence that they are “certified high net worth” or “sophisticated investors”.

3. Value for money assessment

The GAA has assessed the value for money delivered by Carey to its workplace personal pension policyholders by looking at cost versus benefits. More detail about how we have done this is set out in Appendix 2.

Key highlights of our assessment

- The GAA has evaluated Carey using the value for money assessment framework for Group SIPPs
- Communications are of the accepted standard.
- Performance against the administration service standards, as set by Carey, has improved following the addition of more resources. The latest SLA statistics show achievement of around 90% from April 2017.
- The range of compliance checks is extensive.
- The pricing is fairly low in percentage terms, with most policyholders paying an annual charge of 0.25% or 0.3% pa to Carey. Some policyholders pay no annual charge because this is paid by their employer.
- Carey are currently reviewing all IT related policies and addressing the requirements of GDPR. Carey undertake testing of IT breaches.
- The GAA focused on ensuring that all members were advised or did not need advice because they understood the proposition. We have seen evidence that this applies to most schemes but that arrangements still need to be made for an adviser to be appointed for one employer. In other cases it is believed that all members can be treated as sophisticated investors, and confirmation of this is being obtained from the employer.

Overall assessment of value for money

Fees are competitively charged as a percentage of assets as an ongoing annual administration fee payable to Carey. Some policyholders do not pay a charge as it is met by their employer. In a few cases, there is a minimum fee in nominal terms but these amounts are low in our opinion.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP providers. This encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Carey. However, it does not include the elements provided by the Independent Financial Advisers, or employers (including investment matters and charges) not controlled by Carey.

We have considered the extent to which Carey has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been advised by a qualified and authorised Independent Financial Advisor.

This process is nearly complete and has established that most policyholders are advised or are able to make their own evaluation of investment funds. There remains one employer where the arrangements for advice are still to be confirmed, although we understand that this employer is expected to transfer to a Master Trust.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment fund processes as for other workplace pension providers. This was not necessary for Carey.

The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Carey provide reasonable value for money. For some policyholders, the Carey charge is paid by the employer and for these policyholders, reasonable to good value for money is provided.

4. 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.

4.1 GAA actions this year

We prepared and issued a request for data on all the relevant workplace pension policies on 15 May 2017.

On 1 November 2017, members of the GAA visited Carey to meet key contacts for the SIPP business. We discussed the process for establishing whether policyholders have access to ongoing financial advice. Carey Pensions has processes in place to determine whether employers and employees are advised or classed as sophisticated investors. Carey Pensions does not provide advice and do not monitor and review investment strategies and performance.

Carey has provided most of the information requested by the GAA. However, we wish to see further information regarding internal controls and the external audit of these controls. We understand that this information has been requested from Carey's external auditor. We will consider this further during the next year.

The GAA held 5 meetings during 2017/18 to review and discuss the information we had received and to develop and improve the way that we assess value for money and report on this.

4.2 Concerns and Challenges raised with the Provider by the GAA and their response

The GAA has engaged with Carey extensively during the year covered by this report and in previous years.

In the first year engagement focused on the extent to which the provider was responsible for the entire proposition. It became clear that Carey acts purely as a SIPP administrator and is not permitted to give advice. Carey is only able to act on the specific instructions provided by scheme members or their financial advisers, if one had been appointed. It therefore guides its members to seek the advice of an appropriately qualified and regulated adviser, if they require assistance with making investment decisions and assessing value for money.

The GAA notes this but also that the requirements for a SIPP provider apply.

Last year, the GAA challenged Carey to provide complete evidence that policyholders were competent to make these decisions or were receiving independent financial advice.

During the year, some of the Group SIPPs, who had an appointed financial adviser in place, were transferred into a Master Trust, following the establishment of a scheme within the Master Trust. This is an ongoing exercise with further Group SIPPs expected to follow.

For the remaining schemes, Carey undertook a process to establish whether or not ongoing financial advice is available to all members of schemes. In some cases, the schemes are provided by asset management houses for their staff to invest in their own funds, and in these cases we suggested that confirmation be sought that the individual policyholders can be treated as "sophisticated investors". In some cases, the original adviser was no longer involved and we suggested that Carey work with the employer to ensure that an adviser is appointed. This process is almost complete.

Providers are under a duty to provide information on transaction costs from 3 January 2018 onwards. This is complex for Group SIPP Providers because many different investment managers and funds may be used. Also, the time elapsed since 3 January 2018 is very short for the production of meaningful figures. However, this is only a small part of the overall costs borne by policyholders which are not controlled by Carey. Furthermore, the GAA is not reviewing the investment funds which are the responsibility of the independent financial advisor, or the policyholders themselves in the case of "sophisticated" investors.

The GAA has previously challenged Carey that adherence to service standards was below the level expected. Further dedicated resource was added to the administration of its Group SIPPs and significant improvements in performance have been made. The latest SLA statistics showed achievement of around 90% since April 2017.

4.3 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 communicated via the Carey website and has been highlighted on annual benefit statements since April 2016.

Carey 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 Carey 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.

5. Next Steps

This GAA report is for the year to 5 April 2018. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

In the next year the GAA will:

- Assess the completion of the confirmation of investor status as advised or sophisticated
- Closely monitor administration service standards to make sure that these continue to improve
- Look at the mechanism for policyholders and advisers to receive transaction costs information for underlying investment funds
- Consider the internal controls adopted by Carey and look at the external auditing of these controls.

If you are a policyholder this report is for your information only and you do not have to take any action. If you do have any questions, require any further information or wish to make any representation to the GAA you should contact Carey at the address shown below:

Anthea Nelmes, Carey Pensions UK LLP, 1st Floor Lakeside House, Shirwell Crescent, Furzton Lake, Milton Keynes MK4 1GA

Colin Richardson
Chair: PTL Governance Advisory Arrangement

ptl

Appendix 1

Summary of workplace personal pensions data at October 2017

Number of employers	9
Total number of policyholders Contributing/Non-Contributing	176 113/63
Total value of assets (market value)	£15.7m

Seven schemes were established on a group basis by the employer. Of these, six have access to ongoing advice from an IFA. One employer still needs to confirm the arrangements for financial advice, although it is expected to transfer to a Master Trust.

Five employers use a single bank account to collect contributions, which are then distributed to individual SIPPs. Of these arrangements, three have an IFA to advise the individual but one is execution-only.

There are a further 14 closed schemes, where members' benefits are in the process of being transferred to individual SIPP arrangements or to a master trust. We have excluded these from our scope.

Appendix 2
Value for money assessment

The GAA believes that value for money is necessarily highly subjective and will mean different things to different people over time, depending on what they consider important at that time. What is clear is that it is always a balance of cost versus benefits. There is not enough publicly available data to perfectly assess value for money in an absolute or relative way. We have, however, been able to carry out limited relative comparison of the costs and benefits of these workplace personal pension plans with similar products from similar providers.

The GAA has assessed the value for money delivered by Carey to its workplace personal pension policyholders by looking at costs compared against our evaluation of the quality of the benefits.

A key area for Group SIPPS is whether policyholders are either advised by a suitable qualified and authorised Independent Financial Adviser on appropriate investment funds for their requirements, or are deemed “sophisticated investors” as defined by the FCA (described in section 2 of this report). Therefore, a central part of the GAA’s assessment has been the Provider’s process to know this for all policyholders.

In addition, we have looked at the benefits offered to policyholders in communications, risk management and administration – together with other features such as the range of options available at retirement. In making our overall assessment of the quality of the benefits and standards achieved, where possible we have taken into account the likely needs and expectations of this group of policyholders, based on the information available to us.

We have looked at the total ongoing cost of the policy by analysing all the charges, which may be applied in a number of different ways.

Finally, we have considered the quality of benefits offered versus the charges deducted, to reach an overall opinion on value for money. Where possible, we have formed our opinion taking into account the benefits and charges of other similar providers.

In each area of benefits, in the tables on the next few pages we have described the features in the left hand column, based on the information given to us. Our opinion on quality is given alongside in the right hand column.

Where we have used technical pensions terms or jargon, these are explained in the glossary at the back of this report.

Investment – Confirmation that policyholders are "advised" or "sophisticated"	
Carey has provided a list of schemes showing the name of the employer, the number of policyholders, total fund size and typical investment strategy or the name of the discretionary fund manager or platform used. Carey has explained their role in accepting schemes and outlined the processes that they follow to assess the suitability of the adviser, fund manager and policyholders. Carey has provided evidence that most schemes have an ongoing financial adviser. However, one scheme has no appointed adviser and there is no evidence that their members are taking financial advice. In some cases, it may be possible to establish that the members can be treated as sophisticated investors, because they are asset managers using the Group SIPP structure to invest in their own funds.	Carey has checked policyholder status in detail which is welcomed. We understand that arrangements are being made to appoint an adviser where appropriate or for the employer to confirm that the members are all sophisticated investors. We have continued to assess this area as reasonable to good, noting that the process was not fully complete at the time of writing our report.
Communications and Support – Overall quality of written communications, including education on pension saving	
Sample policyholder communications have been provided including an annual benefit statement, pre-retirement wake up letter or pack, and retirement option packs. Details of telephone scripts have been provided.	In our opinion, written policyholder communications are comprehensive and are of the expected standard for most SIPP policyholders who will usually be more able to make pension and investment choices than most pension scheme policyholders.
Communications and Support - Other support, including telephone and online,	
Telephone support and email support are available and policyholders can access information about their fund value via the website.	Carey aim to provide a personalised service with good telephone support. Carey has added two additional dedicated administrators to Group SIPPs and an improvement in service standards is evident.
Communications and Support - When choosing retirement options	

Description of arrangements	GAA assessment and opinion
A normal retirement process is in place to provide “wake up” letters prior to retirement. In addition drawdown, including UFPLS is available within the SIPP.	An expected standard of support is provided for policyholders.
Risk Management – Security of IT Systems and data protection	
Security of IT systems is the responsibility of Carey Group and there is dedicated IT support and robust policies in place to ensure security of data. Carey are currently reviewing all IT-related policies. Carey are currently addressing the requirements of GDPR.	We believe that IT security and plans for GDPR compliance are adequate based on the description of the frameworks given to us. Note that we have not taken any independent advice from cyber security or data protection experts to support this opinion.
Risk management – Financial Strength and security	
Carey is part of a significant financial services group that is required to hold a capital reserve. The Group SIPPs represent only a very small proportion of its overall business activities.	We are satisfied that financial strength of the organisation should be not be a concern for the policyholder.
Risk Management – Independent Assurance of firm controls	
We understand that the internal controls are considered by the external auditor, as part of the annual audit.	Whilst the internal controls seem appropriate, we have not seen evidence as to how these are reviewed by the external auditor. We understand that this information has been requested from Carey’s external auditor.

Description of arrangements	GAA assessment and opinion
Risk Management – Product Development process to assist policyholder outcomes	
Carey Pensions complete regular reviews of its products and charges to ensure they continue to comply with regulatory and legislative requirements.	We believe that these reviews are appropriate.
Risk management – Processes for protecting policyholders against fraud and scams	
Carey have processes in place to identify potential scams and provide a copy of the "Pensions Scams Leaflet" to all policyholders who are considering drawdown or transfer options.	We are satisfied that Carey has established processes for identifying fraud and scams and for assisting policyholders in this area.
Administration service and core financial transactions	
Carey carry out the administration from a dedicated Group SIPP team and formal monitoring against service standards takes place. Recent performance against SLAs had improved to around 90%%. If the targets are met, core financial transactions will be processed promptly and accurately. Evidence was provided of one instance where contributions were invested late. There have been no complaints during the last year.	Administration service levels continue to be monitored for the Group SIPPs. Carey has committed additional resources by way of two additional dedicated administrators to Group SIPP which has improved the service levels. Policyholders will bear investment charges and, where applicable, advisory charges in addition to Carey's charges, but these are not under Carey's control.
Other governance or support arrangements	
There are no additional (financial or other) benefits to policyholders by virtue of their membership of a Carey Group SIPP	

Retirement options	
At retirement, policyholders can take one or more UFPLS from their fund or select flexible drawdown, without transferring to a different product or provider. Alternatively, policyholders can arrange an annuity purchase on the open market, as Carey do not offer annuities.	Policyholders can access the full range of options at retirement, although an external transfer is required if an annuity is purchased.
Charges and direct and indirect costs borne by policyholders	
The GAA has ignored set up fees in this review. Practice will vary as to whether annual fees are borne by the policyholders or met by the employer. There is a modest minimum charge in some cases and additional charges apply to certain specific member or investment-related transactions. For some policyholders the Carey administration fee is paid by the employer. Carey has no control over fund management charges, which are payable in addition to Carey's fees, and in any event does not benefit from them.	For most policyholders the charges from Carey will be small in percentage terms. Policyholders will bear investment charges and, where applicable, advisory charges in addition to Carey's charges, but these are not under Carey's control.
<u>Transaction costs</u> The FCA published a prescribed method for calculating transaction costs for disclosure to Independent Governance Committees (and the GAA) in September 2017 to be effective from 3 January 2018. This is relevant to Policyholders because their funds are subject to deductions for known direct costs (such as the annual management charge and explicit known charges levied by Carey) but also indirect and transaction costs which are incurred by the investment funds and paid out of the funds in the course of investment management. Providers are under a duty to provide information on these costs from 3 January onwards. This is complex for Group SIPP Providers because many different investment managers and funds may be used. Also, the time elapsed since 3 January 2018 is very short for the production of meaningful figures. Notwithstanding this, in terms of costs and charges the GAA has looked at charges levied by Carey and	

Description of arrangements	GAA assessment and opinion
not the charges levied by the investment managers. The selection of investment funds and their ongoing review of suitability is the responsibility of the policyholders' IFA and they have the responsibility for this, including transaction cost information. In this light, the IFAs need a mechanism to receive such information and investment managers have a duty to provide the information under the FCA Rules. The IFAs and Carey need to work a way to receive this information in the future in order for the IFAs to fulfil this responsibility.	

Overall assessment of value for money

Fees are modestly charged as a percentage of assets as an ongoing annual administration fee payable to Carey. Some policyholders do not pay a charge as it is met by their employer. In a few cases, there is a minimum fee in nominal terms but these amounts are low in our opinion. Additional charges apply to some specific member and investment transactions.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP Providers. This encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Carey. However, it does not include the elements provided by the Independent Financial Advisers, or employers (including investment matters and charges) not controlled by Carey.

We have considered the extent to which Carey has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been advised by a qualified and authorised Independent Financial Advisor.

This process is nearly complete and has established that many policyholders are advised or are able to make their own evaluation of investment funds. Arrangements are being made for the employer to appoint an adviser or to confirm that all the members can be treated as sophisticated investors, where there was no ongoing adviser identified from Carey's initial enquiries.

The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Carey provide reasonable value for money. For some policyholders, the Carey charge is paid by the employer and for these policyholders, reasonable to good value for money is delivered.

Carey has taken steps to check the advised or sophisticated status of policyholders. This process has identified that most policyholders either have or will have access to financial advice or are able to make their own evaluation of investment funds and have actively selected this proposition. One employer still needs to confirm its arrangements for financial advice.

.

Appendix 3
Background and credentials of the PTL Governance Advisory Arrangement

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.

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 PTL Governance Advisory Arrangement was established on 6 April 2015 and has been appointed by a number of workplace personal pension Providers. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust based pension schemes and we sit on a number of IGCs. We have oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at www.ptluk.com.

All of PTL's Client Directors have been appointed to the GAA. More information on each of them, their experience and qualifications can be found at http://ptluk.com/team/.

Dean Wetton is also a member of the GAA. Dean is independent of PTL. Information on his experience and qualifications can be found at http://www.deanwettonadvisory.com

PTL, its Client Directors and Dean Wetton are independent of all of the Providers participating in the GAA in so far as:

- They are not directors, managers, partners or employees of any of the Providers, or any company within their groups, or paid by them for any role other than as members of the GAA, nor are they members of the share option or performance related pay schemes of any of the Providers nor have they been within the last five years.
- They do not have a material business relationship of any description with any of the Providers, or any company within their groups, and have not done so within the last three years.

Any potential conflicts of interest are recorded in a log and considered by the GAA in accordance with its conflict of interest policy.

The members of the GAA are appointed by the board of PTL. The board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience and independence to act in the interests of the members of the Providers' pension plans.

The terms of reference agreed with Carey can be found at:

https://careypensions.co.uk/sites/careypensions.co.uk/files/Governance%20Advisory%20Arrangement%20-%20Signed%20Terms%20of%20Reference_0.PDF

Glossary

"Active management" means 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

"Allocation rate" means the proportion of the investment that is invested. Any deduction is typically to cover set up costs. Where the allocation rate is more than 100%, this is typically to reduce the effect of other charges or costs.

"Annual Management Charge" or "AMC" means 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" means 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").

"Bid / offer spread" means the amount by which the ask, or purchase, price exceeds the bid, or sell, price

"Capital units" are a way of charging for the cost of setting up a pension policy over the lifetime of the policy. Some or all of the contributions in the early years are used to buy a different type of unit in the chosen investment fund, and these units are gradually sold or cancelled each year. The money from cancelling the units is taken by the provider to meet the cost of setting up the policy.

"Core financial transactions" means the essential processes of putting money into a pension policy or taking it out, namely:

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

"Custodian" means a financial institution independent of the investment management function to store and safeguard a scheme's assets, including the maintenance of accurate records of ownership. It may also collect income, produce tax reclaims and provide other services where required, such as stock lending.

"Decumulation" means the process of using policyholder's fund to provide retirement income. This could involve purchasing an annuity to provide an income for life or leaving the fund invested and taking it out as one or more lump sums.

"Default investment strategy" means the investment funds into which contributions are invested for policyholders who do not select other specific investment funds from the full range of funds available.

"Exit charges" means a charge taken when you leave an investment option / provider.

"Flexible drawdown" or "Flexi Access Drawdown" means an option for an individual to receive payments from their pension fund as they choose.

"Initial charges" means charges made by an investment provider when an investment is first taken out. This is to cover the cost of setting up the investment.

"Lifestyling" means 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.

"*Ongoing Charges Figure (OCF)"* means the annual percentage reduction in return as a result of operational expenses

"Passively managed" means investment funds which invest to track a particular index of assets by investing as closely as possible in the same proportion or weighting as the index components.

"Surrender value" means the amount payable in the event the policy is terminated voluntarily

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

"UFPLS" or Uncrystallised Funds Pension Lump Sum means a method of drawing cash from a pension pot without buying an annuity or using drawdown

"With Profits" means 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.