Chair's Annual Report

The PTL Governance Advisory Arrangement ('GAA')

March 2018

Canada Life Workplace Personal Pension Plans

Contents

1 Introduction and Executive Summary

This report on the workplace personal pension plans provided by Canada Life 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 that will be delivered to policyholders after the changes implemented from 31 May 2017 (see ***Section 2***) and the conversion of all outstanding capital units to accumulation units with effect from 5 September 2017. It also explains the background and credentials of the GAA (see ***Appendix 3***). The GAA works under Terms of Reference, agreed with Canada Life, dated 23 July 2015. These can be viewed on the Canada Life website (see ***Appendix 3***).

The workplace personal pension plans provided by Canada Life fall into ten product types with different charging structures, all of which are Personal Pensions (PPs). More details about the total number 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 all the costs paid by policyholders against the benefits and services provided from their policy, together with appropriate comparisons from other pension providers.

In broad terms the GAA considers that a good range of investment funds are available for members, with good communications and good telephone support, administration services and choice of retirement options. Following the reduction to charges of 0.5% per annum, the vast majority of policyholders will have charges that have an impact of 0.75% to 0.9%, although a very small number (fewer than 50) will still bear charges whose impact exceeds 1% per annum. We have therefore assessed value for money as reasonable to good overall.

The GAA's opinion on the value for money delivered, in the context described above, is that the personal pensions offer reasonable to good value for money. There are approximately 10% of policyholders who continue to pay contributions. Loyalty bonus levels are more material for such policyholders and the GAA's opinion is that these policyholders are offered good value for money, as in some cases bonuses exceed charges deducted.

See ***Section 2*** and ***Appendix 2*** for more details of the value for money assessment.
A colour coded summary is shown below:

Good <--- ● --- ● --- ● --- ● --- ● ---> **Poor**

	Paid up GPP
Investments	
Communications and support	
Risk management: operational and financial	
Other factors: administration, options at retirement, etc.	
Overall benefit	
Level of charges	
Overall value for money assessment*	

** This assessment is on an overall level. Both charging and overall value for money are assessed as good for policyholders who continue to pay contributions. This is approximately 10% of policyholders.*

The GAA has not raised any formal concerns with Canada Life during the year (see ***Section 3.3***) but has continued to challenge the level of charges being too high for most policyholders. As we reported last year, significant reductions to charges were made with effect from 31 May 2017. A further change to convert all outstanding higher charging capital units to standard accumulation units was made with effect from 5 September 2017. Our report has been prepared to reflect both these changes.

Arrangements have been put in place to ensure that the views of the policyholders can be directly represented to the GAA (see ***Section 3.4***).

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:

Canada Life Customer Services

Canada Life, Canada Life Place,
Potters Bar, Hertfordshire
EN6 5BA

Tel: +44 (0)345 606 0708
Email: customer.services@canadalife.co.uk
www.canadalife.co.uk

2 Value for money assessment

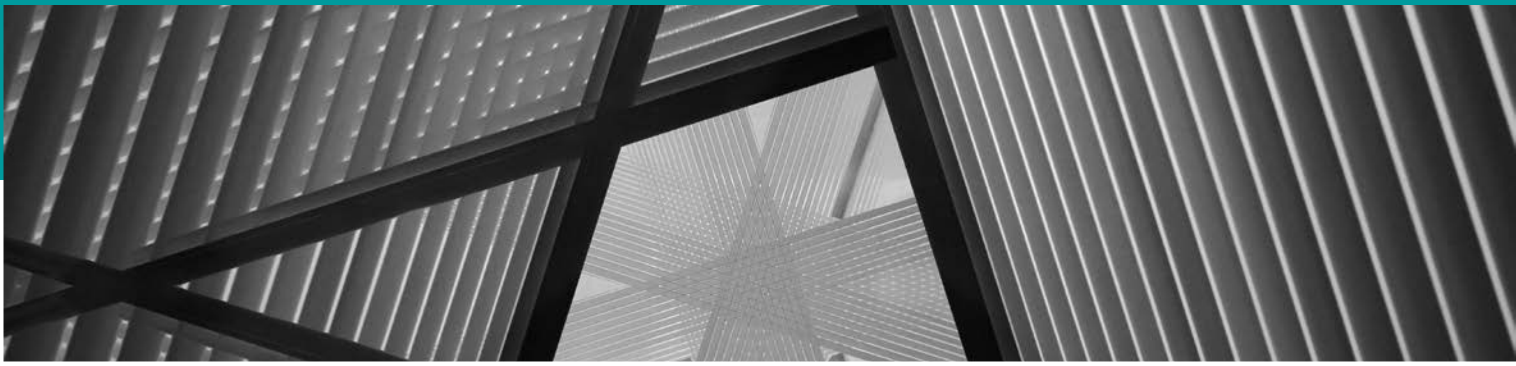
The GAA has assessed the value for money delivered by Canada Life to its workplace personal pension policyholders by looking at cost versus benefits. More detail about how we have done this is set out in *Appendix 2*.

Key highlights of our assessment:

- The key changes to charges implemented in the 2017/18 year were a reduction to charges of 0.5% per annum for all policyholders and the conversion of all remaining capital units (which bear higher charges) to the standard charging accumulation units. This second change benefits all policyholders who still held capital units, not just those who surrender their policies early, but the impact is also that all exit fees have now been removed.
- The ten policy types can be considered as two different groups with roughly the same number of policies in each. Group 1 have the Ongoing Charges Figure (OCF) for their investment fund included within the Annual Management Charge (AMC) and the AMC is capped at 0.75%. Group 2 have the OCF payable in addition to the AMC but this group generally see a larger impact of loyalty bonuses and this reduces the impact of charges to less than 0.9% per annum in the vast majority of cases, other than those using specialist investment funds.
- Some policyholders will find that the loyalty bonus outweighs the impact of charges altogether going forward, with an impact of charges being negative (up to -2.3% per annum for those still paying premiums).
- There are no default investment arrangements. All policyholders had to choose their own fund when the policy commenced.

- A wide range of investment options exist, including Canada Life and externally managed funds. These are generally actively managed. Only one of the ten policy types (fewer than 90 policies) has access to the full range of 147 funds. Otherwise Group 1 can choose from 7 or 8 funds and Group 2 can choose from 21 or 22 funds.
- Nine of the ten policy types (about 80% of policies) do not have access to a lifestyling strategy, although most policyholders are invested in funds which may be reasonable approaching retirement and they can switch at any time between the funds available to them.
- One of the ten policy types (about 20% of policies) has a lifestyling option, which most have taken up. This switches from the Managed Pension Fund into gilts and cash.
- Investment performance and volatility are reviewed monthly. These are then graded as Red, Amber or Green and two Red ratings will result in more detailed scrutiny and additional research. The GAA has seen evidence that changes to managers will be made where necessary.
- There is no online capability to view current fund values, but the funds available and 'frequently asked questions' and other information is available. Policyholder support is provided via written communication and telephone.
- We have seen sample communications. These are generally well written and of a good standard.
- Administration is in-house and the evidence we have seen shows this is of a good standard. We have seen evidence of good performance against service standards of 3 day turnaround. This has been reduced from the previous 5 day target for investment of premiums and settlement of benefits.
- Core financial transactions are processed promptly and accurately.
- A good range of options is available at retirement, although internal transfers to more modern policies may be required for certain options. The option form has been re-written this year to make it clearer.
- Operational and financial risk management is good.

The GAA considers that a good range of investment funds are available, with good written communications and good telephone support, administration services and choice of retirement options. Charges have been reduced during 2016 and 2017. These are now close to average typical charge for similar policies in the UK in percentage terms. This has led to the overall conclusion of reasonable to good value for money, with good value for contributing policyholders where loyalty bonuses are significant.



3 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.

3.1 GAA actions and engagement this year

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

On 6 September 2017, members of the GAA visited Canada Life to meet our main contact and representatives from the investment, IT and administration teams. We reviewed the analysis of the book of workplace pension policies and the 10 different policy types. We discussed and challenged how the investment funds are managed and governed. We reviewed the administration standards and member communications. We received a presentation on cyber security and data protection. Risk management, financial security measures and the product review and governance processes were also explained.

Canada Life provided all the information that we requested at the site visit and in subsequent follow up requests.

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.

We provided a list of possible questions to use in a policyholder survey.

3.2 Independent Project Board (IPB) and changes made to charges

The IPB issued a report into workplace pensions in December 2014 following a previous report from the Office of Fair Trading in 2013. The FCA required all pension providers who were subject to the IPB report to make proposals to governance committees (in this case the GAA) by 30 June 2015, and for the provider to agree a plan to address the risk of high charges of workplace pension savers in group pension arrangements. Canada Life provided their proposals to the GAA in line with this timescale and proposals were agreed with the GAA for this purpose.

These proposals were to remove fixed policy fees and were implemented with effect from 1 April 2016.

The IPB report and the FCA asked providers to sample the impact of charges for Individual Personal Pensions (IPPs) if members who had ceased paying contributions to Group Personal Pensions (GPPs) could not be separately identified on systems to be included in the GPPs analysis. The objective was that such members would be included in consideration of GPPs. For Canada Life, pensions offered for a workplace pension arrangement were identical to those used for an IPP, therefore workplace pension policies were not held separately on systems. All IPP cases were checked to see if they originated as workplace pension arrangements. Details of this exercise were shared with the GAA. Therefore, the GAA is satisfied that measures taken to reduce charges and increase value for money on GPPs have also incorporated policyholders who left GPPs and ceased contributions.

Canada Life capped exit fees at 1% for policyholders aged 55 and over with effect from 15 August 2016. A maximum surrender penalty of 1% was applied at all ages.

Exit fees for policyholders of all ages were further reduced to zero at all ages with effect from 5 September 2017. Where applicable, capital units were converted into standard accumulation units, which immediately increased surrender values for all affected policyholders and reduced future charges.

In addition, Canada Life reduced annual charges for all policyholders by 0.5% per annum with effect from 31 May 2017. This was communicated in June 2017.

Fewer than 50 policyholders have charges exceeding 1% per annum, and Canada Life wrote to them all in June 2017 to remind them of the option to switch to lower cost options. The charges on the 6 specialist funds chosen by these policyholders, most of which are externally managed, range from 1.05% to 1.51% per annum. To date, no feedback has been received and no action to switch funds has been taken by any of the policyholders.

3.3 Concerns and challenges raised with the Provider by the GAA and their response

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

Our first and second reports gave details of the concerns and challenges raised prior to 5 April 2017.

3.4 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.

A letter was sent in 2016 to all workplace pension policyholders to inform them of the appointment of PTL to act as a governance advisory arrangement to oversee workplace pensions. A link was given to the first annual report in this communication. In addition, the annual report explains that policyholders can make representations directly to PTL via Canada Life.

The appointment of PTL as a governance advisory arrangement was reiterated in the two communications mentioned above issued in June 2017. Members were also reminded that they are able to make representations to PTL.

Canada Life 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 Canada Life 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.

4 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 prepared.

In the next year the GAA will:

- Continue to seek feedback from policyholders and, where appropriate, consider this in our next value for money assessment.
- Continue to request further information so that we can assess the level of transaction costs within the individual funds.
- Monitor the product review process as it continues across the workplace pensions book.

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 Canada Life in the ways shown on page 4.

Colin Richardson
Chair: PTL Governance Advisory Arrangement

Appendix 1

Summary of workplace personal pensions data at 30 June 2017

	Product	Policies (of which paid up)	Employers	Fund value
Group 1	FGPPP	412 (376)	69	£3,143,170
	PPM	325 (303)	173	£4,639,534
	PRA	147 (134)	71	£2,252,096
	MPPP	112 (106)	54	£644,653
Group 2	PEN92	326 (285)	119	£3,894,629
	PEN88	296 (240)	111	£3,310,341
	PEN99	197 (187)	93	£1,320,689
	PEN98	130 (115)	83	£1,476,292
	PEN90	111 (96)	46	£1,242,253
	PEN01	88 (85)	37	£810,949
Total		**2,144 (1,927)**	**856**	**£22,734,608**

This year's data is based on the number of policies, rather than policyholders, so the number has increased slightly from last year, as a customer could have more than one policy. All workplace pension policies are now flagged on Canada Life's systems, meaning that the data is now considered to be robust.

Group 1 are Canada Life and the former Manulife policies.
Group 2 are the former Albany Life policies.

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 Canada Life to its workplace personal pension policyholders by looking at costs compared against our evaluation of the quality of the benefits.

We have looked at the benefits offered to policyholders in four main areas – investment, 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.

Description of arrangements	GAA assessment and opinion

Investment – Design and performance of investment strategies

Further details were provided about the lifestyling facilities within each product type this year and we have updated our description and opinion to reflect this. The personal pensions do not have a default investment fund or strategy, but the most popular funds within the range are the Canada Life Managed Pension Fund and the Multiple Investment Pension Fund. All policyholders had to choose their own fund when the policy commenced. Nine of the ten policy types (about 80% of policies) do not have access to a lifestyling strategy, although most policyholders are invested in funds which have a broad range of assets approaching retirement and can switch at any time between the funds available to them. The largest of the ten policy types (FGPPP, which is about 20% of policies) has a lifestyling option, which most policyholders have taken up. This switches from the Managed Pension Fund into gilts and cash, retaining 30% in the Managed Fund in the final stage (with 25% cash and 45% gilts). There is flexibility in the timing of the start of de-risking. Funds are generally actively managed and measured against market and/or peer group benchmarks.	The funds are typically measured against peer group or market benchmarks, rather than specific objectives. Funds are used across a range of different product types, including pensions. There is a good range for pensions saving but no funds with specific pre-retirement allocation strategies. The lifestyling strategy available for around 20% of Policyholders is appropriate in our view, as it does not focus purely on targeting annuity purchase and tax free cash.

Investment – Fund range available

Further details were provided about the fund range available within each product type this year and we have updated our description and opinion to reflect this. A wide range of investment options exist, including Canada Life and externally managed funds. These are generally actively managed. Only one of the ten policy types (fewer than 90 policies) has access to the full range of 147 funds. Otherwise Group 1 can choose from a range of 7 or 8 funds and Group 2 can choose from a range of 21 or 22 funds.	The vast majority of policyholders have access to a good range of funds. The most modern product has access to the full fund range, and whilst we understand the reasons for this, our observation remains that this small number of policyholders may find it difficult to select from such a wide range of funds and managers.

Description of arrangements	GAA assessment and opinion

Investment – How investment performance of the fund range is reviewed and any changes made

A description has been provided of the monitoring and governance process for the unit-linked fund range, including the roles and responsibilities of the Investment Working Group and the Investment Committee. There is a monthly process to review investment performance and volatility, using a Red/Amber/Green rating process. Two Red ratings will result in the fund going on the Watchlist for additional research and scrutiny by the Investment Working Group and, where appropriate, the Investment Management Committee. Evidence was provided of the process to change both internal and external fund managers.	Evidence has been provided that the characteristics and net performance of the investment strategies are regularly reviewed to ensure that they are aligned with the interests of policyholders. We saw evidence that changes to fund managers would be made when required. The review process is stretched in its task of reviewing all funds employed but effort is concentrated on the funds with the more significant number of policyholders invested.

Communications and Support – Statement of aims and objectives of investment strategies

The funds are measured against peer group and/or market benchmarks, which form their aims and objectives. In some cases, there is an overall objective stated in general terms, such as "to provide capital growth over the medium to long term".	In our opinion, there are not clear statements of the aims and objectives of the investment strategies. This could make it difficult for policyholders to choose the right fund or funds, particularly for the few with the very large fund range, unless they have access to financial advice. Canada Life intends to review the fund objectives for its most popular internal workplace pension funds in 2018, taking into account the feedback from the FCA working group and any consultation process following on from that.

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, policyholder communications are well written, easy to follow and are of a good standard overall.

Description of arrangements	GAA assessment and opinion

Communications and Support – Regular reminder to policyholders to review their investment choices

The covering letter sent with the annual benefit statement states that should customers wish to look at the options of switching funds they should contact Canada Life or a professional adviser. Canada Life will be adding a sentence to their 24 month and 12 month wake up packs about customers reviewing their funds and de-risking. This is to be implemented later in 2018.	We are pleased to note that this reminder will be added to wake-up packs. There is also a regular reminder about switching.

Communications and Support – Other support, including telephone and online

Telephone support is available from a dedicated pensions team, free of charge. Although members cannot log into a website to see their fund value, they can obtain this information over the phone during weekday working hours.	The telephone support team is well resourced and monitored for service standards.

Communications and Support – When choosing retirement options

Support is primarily provided in writing via retirement packs although telephone support is also readily available. The retirement option forms were re-written in 2017 to simplify the language. The pension teams were restructured in 2017 to create a specialised Pension Options team, specifically to deliver the risk warnings, provide detailed explanation and deliver useful information to policyholders at retirement.	Retirement packs are clear and easy to follow, in our opinion. We welcome the introduction of the dedicated team of specialists in this area.

Communications and Support – Proactive engagement with policyholders to seek their feedback

Canada Life have carried out several customer feedback surveys, specifically on annual statements and pension communications generally. There is also a monthly customer outcome survey where a random sample of customers are contacted about a recent query or communication and whether it was easily resolved or easy to understand. Customers who have made complaints are also surveyed every month to assess whether they were satisfied with the handling of their complaint.	We welcome this regular engagement to proactively seek feedback.

Description of arrangements	GAA assessment and opinion

Risk Management – Security of IT systems and data protection

Security of IT systems is covered by a detailed policy, which we have had sight of. We received a briefing on cyber security policies, incident management and awareness strategy at the site visit. At the site visit, we also received an overview of the data protection framework and plans for implementation of GDPR.	We believe that IT security and plans for GDPR compliance are good, 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 stability

Canada Life Ltd in the UK is a subsidiary of Great-West Lifeco Inc with the ultimate parent being Power Corporation of Canada. Great-West Life has received strong ratings from the major rating agencies.	We are satisfied that financial security of the organisation should not be a concern for policyholders.

Risk Management – Independent assurance of Firm controls

There is no independent assurance of internal controls, although processes are selected based on risk assessment for internal or external audit under the three lines of defence process. The Pension Benefits team is due for internal audit in 2018.	We believe the internal audit process is appropriate and that actions are addressed where the audit identifies areas for improvement.

Risk Management – Product Development process to assist policyholder outcomes

There is a regular process of internal product review, carried out by the Product Working Group for the legacy pensions business, to ensure that products remain fit for purpose and suitable for policyholders. This Group reports to the Product Management Group every 2 months. A new cycle of product review for the legacy life and pensions products began in 2017 and by September 2017, one product (PEN98) had been reviewed in July 2017 and the results shared with the GAA.	Operational challenges are addressed by the Product Working Group and in our opinion this process has worked well to implement the changes required from recent legislation and FCA guidance.

Description of arrangements	GAA assessment and opinion

Risk Management – Processes for protecting policyholders against fraud and scams

The processes for protecting against fraud and scams were presented to us at the site visit. As well as using the usual leaflets and following the Pensions Regulator guidance, every policyholder who requests a transfer is telephoned to discuss the circumstances and gather additional information which could highlight a fraud risk. Evidence was provided that a significant number of transfers had been stopped by the customer or Canada Life as a result of these processes.	We believe that good processes are in place to protect policyholders from fraud and scams.

Administration service and core financial transactions

Administration is carried out in house and evidence has been provided of very good performance against service standards of 3 working days. This has been reduced from 5 days for settlement of benefits and investment of premiums. Core financial transactions are processed to a target turnaround of 3 days and evidence was provided that these standards are achieved across the whole pension book, with no reason to believe that this would differ for the workplace pension book.	We believe that the administration service provided to policyholders is of a good standard and that core financial transactions are processed promptly and accurately. High service standards are achieved.

Other governance or support arrangements

There are no other relevant governance committees. There are other governance committees including the Investment Management Committee and the Product Management Group.	

Retirement options

A good range of decumulation options after retirement is available to policyholders without requiring an external transfer, including annuities, multiple Uncrystallised Funds Pension Lump Sum and flexible drawdown. For some options, an internal transfer to a more modern Canada Life product is required. An internal transfer into a product suitable for drawdown can be made without financial advice, provided that such clients (who decline to take advice) go through a set of risk warnings.	The full range of options is readily available to policyholders. Canada Life have made sure that the constraints of the legacy product can be overcome by facilitating a transfer to a modern product (subject to the appropriate risk warnings).

Description of arrangements	GAA assessment and opinion
Charges and direct and indirect costs borne by policyholders	
The charging structure is fairly complex, including bid/offer spreads, varying allocation rates by size of premium and/or term of policy and loyalty bonuses. However, all capital units were converted to standard accumulation units on 5 September 2017. This reduces the charges for the future. Also, exit charges are now zero at all ages. Annual charges were reduced by 0.5% per annum with effect from 31 May 2017. The ten policy types can be considered as two different groups with roughly the same number of policies in each. Group 1 have the Ongoing Charges Figure (OCF) for their investment fund included within the Annual Management Charge (AMC) and the AMC is capped at 0.75%. Group 2 have the OCF payable in addition to the AMC but this group generally see a larger impact of loyalty bonuses and this reduces the impact of charges to less than 0.9% per annum in the vast majority of cases, other than those using specialist investment funds. Some policyholders will find that the loyalty bonus outweighs the impact of charges altogether going forward, with an impact of charges being negative (up to -2.3% per annum for those still paying premiums). Fewer than 50 policyholders have charges exceeding 1% per annum, and Canada Life wrote to them all in June 2017 to remind them of the option to switch to lower cost options. The charges on the 6 specialist funds chosen by these policyholders, most of which are externally managed, range from 1.05% to 1.51% per annum. As of 6 September 2017, no feedback had been received and no actions to switch funds had been taken by any of the policyholders. Where contributions are still being paid (which applies to less than 10% of policyholders), it is expected that the impact of the bid/offer spread will be largely offset by allocation rates. In addition, the impact of loyalty bonuses will normally outweigh all charges, leading to a negative reduction in yield of up to -2.3%.	Canada Life has made charge reductions in the last 2 years leading to much lower direct charges for policyholders. The reduction to annual charges of 0.5% pa is welcome and brings charges below 1% pa for the almost all policyholders. The remaining typical charges of 0.75% to 0.9% pa, which are all now determined as a percentage of the fund value, remain slightly high relative to more modern pension products – for example those used for auto enrolment which must have charges no higher than 0.75% pa, but compare reasonably against other providers who ceased establishing new group pension contracts many years ago. In many cases, the impact of loyalty bonuses is significant, leading to ‘negative charges’.

Description of arrangements	GAA assessment and opinion
Transaction costs Transaction costs data has been provided for the majority of funds for the 12 months ended 30 September using the slippage method. The majority of workplace pension policies are invested in two funds. The Canada Life Managed Pension Fund (37% of assets) had transaction costs of 0.09%. The Multiple Investment Pension Fund (46% of assets) had transaction costs of 0.01%. All other funds with more than 1% of the total workplace pension assets are estimated or calculated at 0.42% or less, with some showing a negative transaction cost due to favourable market movements outweighing the costs of dealing.	The transaction costs are in line with what we would expect to see from these types of funds.

Overall assessment of value for money

In broad terms the GAA considers that a good range of investment funds are available for members, with good communications and good telephone support, administration services and choice of retirement options. After the reduction in charges with effect from 31 May 2017, apart from a small number of policyholders invested in specialist funds, all policyholders will have charges that have an overall combined impact of less than 1% per annum.

The GAA's opinion on the value for money delivered, in the context described above is that overall the personal pensions will offer reasonable to good value for money. There are approximately 10% of policyholders who continue to pay contributions. Loyalty bonus levels are more material for such policyholders and, in some cases, the bonuses credited exceed the charges deducted and therefore the GAA's opinion is that these particular policyholders are offered good value for money.

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 (IGC) or appointed a Governance Advisory Arrangement (GAA) 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 IGC and GAA produce an annual report setting out a number of prescribed matters.

The PTL GAA 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 **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 **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 **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.

Terms of reference

The terms of reference agreed with Canada Life are available on the Canada Life website at: **http://documents.canadalife.co.uk/ptl-governance-advisory-arrangement-terms-of-reference.pdf**

Glossary

Allocation rate

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

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').

Bid/offer spread

The amount by which the ask, or purchase, price exceeds the bid, or sell, price.

Capital units

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

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.

Decumulation

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.

Exit charges

A charge taken when you leave an investment option/provider.

Flexible drawdown or Flexi Access Drawdown

An option for an individual to receive payments from their pension fund as they choose.

Lifestyling

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.

Passively managed

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.

Ongoing Charges Figure (OCF)

The annual percentage reduction in return as a result of operational expenses.

Surrender value

The amount payable in the event the policy is terminated voluntarily.

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.

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