



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

Utmost Life and Pensions Ltd Workplace Personal Pension Plans (Accumulation only)

- | Year ended 31 December 2021
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2022



Executive summary

This report on the workplace personal pension plans provided by Utmost Life and Pensions Ltd ('the Firm'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') 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 Utmost Life and Pensions Ltd, the latest version of which is dated 15 March 2022 and are publicly available (see Appendix D).

This is our second annual report covering the policies with Utmost Life and Pensions Ltd following their transfer from the Equitable Life Assurance Society. This report covers the accumulation phase of the workplace personal pension plans only; there is a separate Chair's Annual Report which covers the Investment Pathways product i.e, the [decumulation](#) phase of the workplace personal pension plans.

As Chair of the GAA, I am pleased to deliver this value assessment of Utmost Life and Pensions Ltd workplace personal pension plans. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2021 to 31 December 2021. 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*	Utmost Life and Pensions Workplace Personal Pension Plans
1. Product strategy design and investment objectives	7%	●
2. Investment performance and risk	20%	●
3. Communication	13%	●
4. Firm governance	3%	●
5. Financial security	7%	●
6. Administration and operations	13%	●
7. Engagement and innovation	3%	●
8. Cost and charge levels	33%	●
Overall value for money assessment	100%	●

* May not add to 100% due to rounding

Quality and investment features

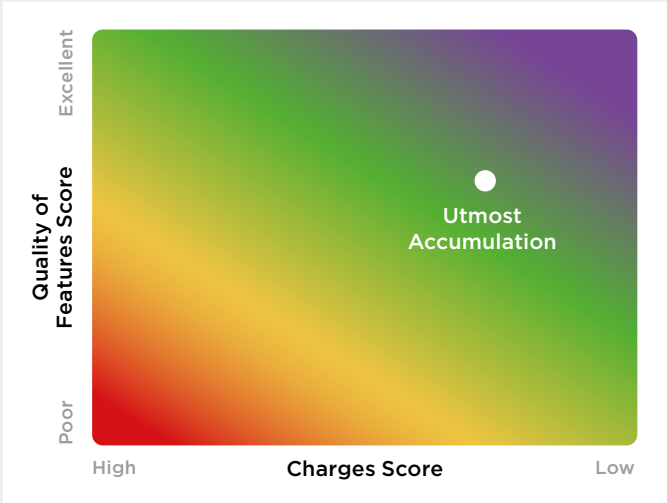
● Excellent ● Good ● Satisfactory ● Poor

Cost and charge levels

● Low ● Moderately Low ● Moderately High ● High

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 Investment and Quality Features combined representing two-thirds of the overall score and the Cost and Charge Level representing one-third of the overall score. It is visually represented by the heatmap below.

VALUE FOR MONEY SCORING



The overall conclusion is that Utmost Life and Pensions Ltd's workplace personal pensions provide **good** value for money.

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

Product strategy design and investment objectives

- | The GAA expect the investment committee to continue to review the aims and objectives on the fund factsheets.
- | The GAA would expect to see continued progress on the integration of **ESG** financial considerations within the investment options, appreciating that this is still an evolving area.

Investment performance and risk

- | The GAA expects to review the outcome of Utmost Life and Pensions Ltd's review of the property fund as part of its next annual review.

Communication

- | The GAA have noted that Utmost Life and Pensions Ltd are currently building an online portal for its policyholders and investors. The GAA hope this will be made available to workplace personal pension plan policyholders during 2022 and will form part of our next annual review.

Firm governance

- | The GAA would like to see ongoing evidence of good governance practices with changes being made as appropriate particularly with any changes to investment managers and governance of the funds available to policyholders.

Administration and operations

- | The GAA expect Utmost Life and Pensions Ltd to continue to monitor service levels to ensure these are met and to take action where appropriate.

Engagement and innovation

- | Utmost Life and Pensions Ltd should continue to develop its proactive engagement with policyholders in order to obtain feedback on its product, for example through the ongoing use of policyholder surveys.

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

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

The FCA has introduced new requirements this year. One of these new changes require us to undertake 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 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.

The GAA has not raised any concerns with Utmost Life and Pensions Ltd during the year. In our previous report we identified that further improvements could be made in some areas of the Strategy Design and Investment Objectives and are pleased to be able to report that the Firm has made progress in addressing the points we raised last year.

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

Clare James

Chair of the ZEDRA Governance Advisory Arrangement

September 2022



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

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enquiries@utmost.co.uk

www.utmost.co.uk/about-us/governance-advisory-arrangement/

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	11
3. Communication	13
4. Firm governance	15
5. Financial security	16
6. Administration and operations	18
7. Engagement and innovation	20
8. Cost and charge level	21
ESG financial considerations, non-financial matters and stewardship	23
Appendices	
A. Cost and charge disclosures	25
B. Comparison report	27
C. GAA activity and regulatory matters	29
D. ZEDRA GAA credentials	31
E. Glossary	32
F: Data table	34



Overview of the value assessment

The GAA has assessed the Value for Money delivered by Utmost Life and Pensions Ltd to its workplace personal pension policyholders by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.

Regulatory changes

The Framework used for this year's assessment has been updated to reflect changes to the Conduct of Business Sourcebook ([COBS](#)) in effect from the 2021 assessment year. This has included an explicit assessment of [net investment performance](#), and the assessment of any charges the policyholders might need to pay in operating their policy which are in addition to any [annual management charges](#) and [transaction costs](#).

Our framework already included assessment of communications and processing of [core financial transactions](#). These changes have been reflected in the assessments reported on in sections 2. Investment Performance and Risk, 3. Communication, 6. Administration and Operations and 8 Cost and Charge Levels.

In addition, the regulatory changes introduced a requirement to undertake comparisons of the Firm's product offering against a suitable comparator group of providers products across net investment performance, communications, processing of core financial transactions, and costs & charges. We have included comments on these comparisons in each relevant section of the report. Details of how the comparator group was selected and a consolidated view of the comparison outcomes are included in Appendix B.

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.
- | 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 Costs and Charges borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

The Quality of Service Features and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, 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 outline 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 GAAs 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 GAAs 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 communication and quality of the administration service including processing of core financial transactions, and costs and charges relative to a suitable comparator group of product providers. Comments on the outcome of these assessments is included in the sections for the relevant Features. We have also considered whether 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 23, 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

Utmost Life and Pensions Ltd has a default investment strategy which was designed in conjunction with JP Morgan Asset Management ('JPMAM'). It is however not a conventional default in that as a legacy book, nearly all policyholders have made a fund selection already. The use of the default is restricted to those legacy Equitable Life With-Profits policyholders who did not make a choice regarding their future investments when the With-Profits policies were converted to [Unit-Linked](#) policies and transferred to Utmost Life and Pensions Ltd in 2020. These policyholders' funds were initially invested in cash before being invested in the default investment strategy. The default strategy consists of a series of risk graded funds where the strategy de-risks by age of the policyholder. The underlying funds are managed by JPMAM.

There is also a reasonable range of Unit-Linked funds for policyholders to choose from. These cover both single asset classes and multi-asset managed funds. Prior to 2020, these funds were managed solely by abrdn (formerly called Aberdeen Standard Investments) but, from 1 January 2020 JPMAM were also introduced into the Utmost Life and Pensions Ltd funds and the investments with abrdn will be diluted over time.

There has been no change to the current default strategy over the course of the year.

The Firm's strengths

Policyholders are provided with choice of fund and fund factsheets now easily available on a website hosted by Morningstar (there is also a link to the sustainability target).

Utmost Life and Pensions Ltd's product review committee reviews the suitability of products on offer.

Utmost Life and Pensions Ltd have been reviewing ESG with the fund managers and looking at ESG more closely during the year when compared to the previous year. However, the fund range has not been changed.

ESG also formed part of the assessment in the new abrdrn contract. Consideration of these factors is inherent within the management of the funds and forms part of Utmost's regular reviews with abrdrn. Utmost's internal investment monitoring and MI pack reviews ESG, and ESG forms part of the SLA with abrdrn. A revised contract with abrdrn also gives access to abrdrn's Sustainable Index Funds, which are under review and can be made available to policyholders at short notice if it is decided to offer these.

Improvements since last year

The GAA had challenged Utmost Life and Pensions Ltd on the design of the default investment strategy as this had not been revisited to take into account the demographics of the workplace personal pension plan policyholders who did not make an active investment choice. Utmost Life and Pensions Ltd considered this during the year and believe the default investment strategy remains appropriate for this group of policyholders.

The GAA also noted that the fund factsheets could have relevant aims/objectives to make them more measurable and time-specific. Utmost Life and Pensions Ltd considered this at an asset and liability meeting (ALCO) but did not agree that the fund factsheets should have a quantifiable investment performance target. Utmost Life and Pensions Ltd will be reviewing whether to add a timeline to the objectives but had no desire to do a full scale change during the year. The ALCO reports into the investment committee.

Utmost Life and Pensions Ltd have improved the signposting of the fund factsheets on their website and all the fund factsheets are now readily available on a website hosted by Morningstar.

Areas for improvement

GAA observations

The GAA expect the investment committee to continue to review the aims and objectives on the fund factsheets.

The GAA would expect to see continued progress on the integration of ESG financial considerations within the default and self-select investment options within Utmost Life and Pensions workplace personal pensions, appreciating that this is an evolving area.



2. Investment performance and risk

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable and stated benchmark. Performance should be 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

Utmost Life and Pensions Ltd's investments are with JPMAN and abrdn.

Utmost Life and Pensions Ltd have regular performance review meetings with JPMAN and abrdn.

All performance is reviewed monthly and compared against benchmark. A detailed explanation of this review was provided to the GAA by Utmost Life and Pensions Ltd.

The fund managers provide RAG ratings which are considered by the Fair Customer Outcomes Committee (FCOG) and the investment function. The Terms of Reference for the FCOG were provided to the GAA to support this.

The Firm's strengths

Utmost Life and Pensions Ltd have demonstrated there is a robust governance framework in place and have provided clear evidence of the monitoring undertaken during the year. The GAA saw evidence of Utmost Life and Pensions' Ltd process for challenging poor performance from abrdn and monitoring this going forward.

Although only a small proportion of workplace personal pension plan policyholders' assets are invested in the property fund, Utmost Life and Pensions Ltd have been looking at the future of the property fund due to relatively poor performance and have been considering whether to keep it unchanged, move funds to a multi-asset moderate fund or to an age-related fund. A paper was submitted to the investment committee in June 2022, which will be considered as part of our next annual review.

Improvements since last year

The abrdn contract was re-negotiated so there is no longer a fixed end date notice period and the contract can be terminated if performance is constantly below the benchmark.

Net investment performance

The net investment performance of the most significant funds available to policy holders and, where available, the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table. The figures shown are before taking into account Utmost Life and Pensions Ltd's [Annual Management Charge](#) ('AMC'). Most policyholders are charged an AMC of 0.75%, or below apart from the property fund where the AMC is 1.0%.

Fund Name	Net Investment Performance	Benchmark
Multi-Asset Moderate	13.2%	10.2%
Multi-Asset Cautious	5.7%	3.6%
Managed Pension	14.6%	13.9%

The Multi-Asset Moderate and Multi-Asset Cautious hold the largest investments of the workplace personal pension plans and are also used for the default investment strategy.

Note that past performance may not be a reliable guide to future performance.

The property fund performed below benchmark in 2021. This fund is used by some workplace personal pension plan policyholders but is a very small proportion of the total workplace personal pension plan assets under management (less than 1%). Utmost Life and Pensions Ltd are taking action to review this fund.

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 2021 was at the top end relative to the comparator group in relation to default and other funds on offer.

Areas for improvement

GAA observations

The GAA expects to review the outcome of Utmost Life and Pensions Ltd's review of the property fund as part of its next annual review.



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

The main support is the telephone helpline which is managed by experienced operators who are empowered to assist policyholders. Forms are available on the website and can be emailed but must be followed up by post.

Utmost Life and Pensions Ltd offer guidance on drawdown. Utmost Life and Pensions Ltd do not offer annuities for workplace personal pension plans but point policyholders towards Canada Life and the open market option. Members have access to a help line and are also pointed to Pension Wise too.

The communications are of a good standard and are generally clear and complete. However, there is currently no online functionality available for policyholders, although GAA note that the firm intends to launch an online facility during 2022. Although policyholders cannot log onto the website to see their fund value, they can obtain this information over the phone during weekday working hours.

The Firm's strengths

The GAA has been provided with a range of sample communications to review. Written communications are clear and engaging for members to take any action necessary and they are supported by the telephone helplines.

When policyholders are nearing their chosen retirement date, they receive a letter and have the ability to call but there is no financial guidance provided, other than fund factsheets, and policyholders are pointed to Money Helper/ Pension Wise.

At the point the policyholder has all the information about Utmost Life and Pensions Ltd's Drawdown, Utmost Life and Pensions Ltd also include a form to transfer to an alternative Drawdown arrangement. The product guide encourages policyholders to consider whether investment pathways and their underlying investments are right for their personal circumstances.

If the policyholder contacts Utmost Life and Pensions Ltd for information about Utmost Life and Pensions Ltd's Drawdown, if during the call it transpires that one of the investment pathways does not meet the policyholder needs, Utmost Life and Pensions Ltd suggest they purchase Drawdown from an alternative provider or consider other retirement options.

Although policyholders cannot log onto the website to see their fund value, they can obtain this information over the phone during weekday working hours.

Improvements since last year

There have been some improvements on the call handling framework during the year which has been reflected in this review.

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 2021 were average relative to the comparator group.

Areas for improvement

GAA observations

The GAA have noted that Utmost Life and Pensions Ltd are currently building an online portal for its policyholders and investors. The GAA hope this will be made available to workplace personal pension plan policyholders during 2022 and will form part of our next annual review.



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 for appointing and monitoring service providers, with evidence of regular reviews being undertaken and active changes being made as required.

The Firm's approach

Utmost Life and Pensions Ltd have put in place a governance framework for appointing and monitoring internal and external service providers, including external investment managers.

Administration and IT operations are carried out in house and internal SLAs are monitored regularly and are fit for purpose.

The Firm's strengths

Utmost Life and Pensions Ltd has a reasonable governance framework in place to appoint and monitor internal and external service providers.

The GAA has been provided with the product review Terms of Reference and assessment criteria and are satisfied that this is a robust process.

Areas for improvement

GAA observations

The GAA would like to see ongoing evidence of good governance practices with changes being made as appropriate particularly with any changes to investment managers and governance of the funds available to policyholders.



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 investment manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

We are looking for evidence of a clear process to warn policyholders about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

Utmost Life and Pensions Ltd is part of Utmost Group PLC, a specialist life assurance group.

Utmost Life and Pensions Ltd is authorised by PRA and regulated by PRA and FCA. Policies in the scope of the GAA review are subject to relevant FSCS protections should Utmost Life and Pensions Ltd, or one or both of the Investment Managers be in default.

The GAA have had sight of the Utmost Life and Pensions Ltd Enterprise Risk Management Framework. All key matters of risk are the responsibility of the Chief Risk Officer.

Significant security measures are in place. Many of these incorporate staff procedures, requirements, and training.

The Pension Scams Industry Group code forms the basis of Utmost Life and Pensions Ltd's process for assessing and dealing with cases where further information is deemed necessary to assess whether the transaction could be fraudulent, a scam or high risk investment. The GAA has been provided with example transfer documentation which has clear scam warnings and points policyholders to the FCA website to check for their list of known scams as well as providing policyholders with a leaflet on scams.

The Firm's strengths

The 2021 Solvency and Financial Condition Report ('SFCR') for Utmost Life and Pensions shows a solvency ratio of 184% at 31 December 2021.

As an insurer, policyholders would be protected in the unlikely event of bankruptcy. As the accounts with asset managers are held in pooled funds Utmost Life and Pensions Ltd is relatively protected from fraud at the investment managers. Utmost Life and Pensions Ltd has appropriate fraud controls in place.

The likelihood of fraud is low especially for scams in subsequent transfers out of policyholders. The Utmost Life and Pensions Ltd customer service team are experienced and well trained. There was no detected fraud in 2021.

Customer Service have followed the DWP regulations introduced on 30 November 2021 for statutory transfers which further strengthens policyholder protection against the risk of scams.

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 evidence has been provided of performance against service standards of 5 and 10 working days.

The service levels dropped during the mid-part of 2021 due to the introduction of a new image and workflow system.

Utmost Life and Pensions Ltd prioritised what needed to be done first (financial transactions) to address the backlog.

Service levels for payments fell below the internal SLA measure of dealing with 95% of payments within 5 days to 92% in March and 85% in April before recovering and remaining above the 95% for the remainder of the year. Service levels fell further in other areas and remained low for a few months longer due to this prioritisation but had recovered by October 2021.

Payments are treated as a priority. Payments out are valued on the date of receipt of the final item required to make payment.

Utmost Life and Pensions Ltd had a very low level of complaints and dealt with these satisfactorily.

Cyber security is reviewed at quarterly meetings and includes testing of security at various levels. Outsourced IT suppliers are vetted after a comprehensive tendering process.

The GAA has been provided with a copy of the business continuity plan and aside from the drop in service levels noted above, did not see any additional interruption to service levels due to the impact of COVID-19.

The Firm's strengths

The GAA has reviewed the annual customer service levels and we believe the administration service provided to policyholders is of a good standard and that core financial transactions are processed promptly and accurately.

Utmost Life and Pensions Ltd provided details of complaints to the GAA in respect of policyholders and the outcome of the complaints. There was a very low level of complaints over the year and these were resolved satisfactorily.

The GAA believe that the process for complaints is robust.

Utmost Life and Pensions Ltd have strong security systems, especially with regard to cyber security.

Penetration testing took place regularly in the year to 31 December 2021 and continued into early 2022. All actions resulting from the tests are being addressed by Utmost Life and Pensions Ltd.

There was one data breach during 2021. This was a minor breach and not reported to ICO.

Comparator results

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

This assessment identified that the administration services provided to the Firm's policyholders over 2021 were average relative to the comparator group.

Areas for improvement

GAA observations

The GAA expect Utmost Life and Pensions Ltd to continue to monitor service levels to ensure these are met and to take action where appropriate.



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

Utmost Life and Pensions Ltd have introduced a new image and workflow system as well as simplified tracing of members using electronic means.

Utmost Life and Pensions Ltd are currently building an online portal which should be available to policyholders during 2022.

Utmost Life and Pensions Ltd has a robust product review process which includes consideration of improving the offering to policyholders.

The Firm's strengths

Utmost Life and Pensions Ltd demonstrated a reasonable culture of innovation to the GAA.

Utmost Life and Pensions Ltd send out member surveys and act on comments made (e.g. the introduction of an online service).

Utmost Life and Pensions Limited provided details of compliments received across all products (not limited to the workplace personal pension policies).

Areas for improvement

GAA observations

Utmost Life and Pensions Ltd should continue to develop its proactive engagement with policyholders in order to obtain feedback on its product, for example through the ongoing use of policyholder surveys.





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 Firm's policyholders can be found in Appendix A.

The Firm's approach

Most policyholders are charged an [Annual Management Charges](#) ('AMC') of 0.75%, or below apart from the property fund where the AMC is 1.0%.

Transaction charges for active funds are 0.09% to 0.41%.

The Firm's strengths

The GAA was provided with comprehensive details of policyholder charges including transaction costs calculated on the DC workplace methodology.

Transaction costs are reviewed when received each quarter from the Investment Managers. Any queries are raised with the Investment Manager and the Finance area manage this with updates to the Asset and Liability Committee ('ALCO').

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

The GAA rating reflects the charges applied for the funds made available by the Firm, and we believe that the Firm offers appropriate charges to the workplace personal pension plan policyholders. The GAA considers the charges to be moderately low.

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 2021 were average relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.



ESG financial considerations, non-financial matters and stewardship

What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on 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, 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

Utmost Life and Pensions Ltd has provided a copy of Utmost Group PLC policy (incorporating ESG financial considerations, non-financial matters and stewardship) to the GAA.

This policy was finalised in 2021 and adopted by Utmost Life and Pension Ltd. This clearly explains the Firm's approach to ESG financial considerations and stewardship. Utmost Life and Pensions Ltd continue to work with their Investment Managers to monitor, review and understand the ESG approach of companies in which they invest. The Firm has embedding ESG financial considerations, non-financial matters and stewardship into an updated investment policy reflecting Utmost Group PLC ESG policy.

Utmost Life and Pensions Ltd is continuing to review its approach to ESG and the underlying investment funds used and is looking at various options. ESG (and climate risk) are regularly discussed in meetings.

The Firm's strengths

Utmost Life and Pensions Ltd have been reviewing ESG with the fund managers and looking at ESG more closely during the year when compared to the previous year. However, no changes have been made to the fund range to date.

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

Areas for improvement

GAA observations

Utmost Life and Pensions Ltd's approach to ESG is still evolving and the GAA would expect to see ongoing developments in this area.



Appendix A: Cost and charge disclosures

The FCA has introduced requirements that the administration charges and transactions costs information, 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.

Utmost Life and Pensions Ltd has provided the GAA with the following disclosures in respect of the period 1 January 2021 to 31 December 2021 for the underlying funds used by the default strategy.

The default investment strategy known as “Investing by Age” was designed to aim to protect a policyholder’s money by gradually transitioning from the Multi-Asset Moderate fund to the Multi-Asset Cautious fund between the ages of 55 to 65 and then transitioning to the Money Market between the ages of 75 to 85. The costs and charges set out below have been provided by Utmost Life and Pensions Ltd for the three underlying funds used by the default strategy.

Fund	Annual Management Charge %	OEIC Transaction costs %	Stocklending %	Utmost Life and Pensions Fund Transaction Cost %	Total Annual Charges %
Multi-Asset Cautious	0.75	0.0915	0.0005	0.0000	0.8420
Multi-Asset Moderate	0.75	0.1334	0.0004	0.0000	0.8838
Multi-Asset Growth	0.75	0.1295	0.0014	0.0002	0.8811

In addition, disclosures for the self-select funds are provided on a publicly accessible website at www.utmost.co.uk

The following table shows the impact of charges for the default fund. The fund is projected over several years and shown before and after cost and charges have been deducted.

Term Name of stakeholder pension fund	Default Investment Strategy (Investing by Age)	
	Before charges	After costs and charges deducted
1	1,007	996
3	1,021	989
5	1,035	982
10	1,063	958
15	1,067	911
20	1,053	851
25	1,037	794
30	1,009	734
35	937	658
40	840	575

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 £1,000

3) Inflation is assumed to be 2.5% p.a. in line with specified assumptions used in Statutory Money Purchase Illustrations

4) Values shown are estimates and are not guaranteed

5) The projected growth rate for before inflation is taken into account, based on Utmost Life and Pensions' expectations of return before expenses or charges, are as follows:

Multi-Asset Moderate 3.6% p.a.

Multi-Asset Cautious 2.65% p.a.

Unit-Linked Cash 0.75% p.a. (Money)



Appendix B: Comparison report

Commencing with the 2021 year assessments the FCA introduced a requirement 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 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.

As this is the first year when these disclosures are required the availability of public information relating to the sub-features that need to be compared is limited prior to the publication of this year's reports. ZEDRA Governance Limited'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 in order to improve the meaningfulness of the comparisons undertaken 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 workplace personal pension plans of the Firm.

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 2021 was at the top end relative to the comparator group in relation to default funds and all other 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 2021 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 2021 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 2021 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 late 2021.

Members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd to kick off the Value for Money assessment process for the 2021 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, 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 given COVID 19 considerations, this meeting was virtual.

Members of the GAA had a meeting with representatives of Utmost Life and Pensions Ltd to discuss the GAA's provisional scoring of Value for Money of the in-scope Utmost Life and Pensions Ltd 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, Utmost Life and Pensions Ltd has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

The GAA held several meetings during the year to review and discuss the information we received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. Some of these changes were made in response to regulatory amendments relating to the Value for Money assessment criteria and what must be disclosed to workplace pension fund members.

The GAA documents all formal meetings with Utmost Life and Pensions Ltd and maintains a log which captures any concerns raised by the GAA with Utmost Life and Pensions Ltd, whether informally or as formal escalations. The key dates are:

Item	Date
Issue data request	17/12/2021
Kick off meeting	14/01/2022
Site visit	03/03/2022
GAA panel review meeting	03/05/2022
Discuss provisional scoring	21/06/2022
Comparators discussion	27/06/2022

Concerns raised with the Provider by the GAA and their response

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

The arrangements put in place for policyholders' representation

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

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via www.utmost.co.uk/about-us/governance-advisory-arrangement/
- | Utmost Life and Pensions Ltd 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 Utmost Life and Pensions Ltd 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. Utmost Life and Pensions Ltd will include details of this contact e-mail address on www.utmost.co.uk/about-us/governance-advisory-arrangement/



Appendix D: ZEDRA GAA credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions 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 Governance Limited 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 ZEDRA Governance Limited can be found at www.zedra.com/pension-schemes/

The members of the GAA are appointed by the Board of ZEDRA Governance Limited. 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, including as Chair. All of ZEDRA Governance Limited’s Client Directors act as representatives of ZEDRA Governance Ltd on the GAA and Clare James currently represents ZEDRA Governance Ltd in the capacity of Chair. More information on each of ZEDRA Governance Limited’s Client Directors, their experience and qualifications can be found at www.zedra.com/zedra-team/

Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, is also appointed to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA Governance Limited. Information on Dean’s experience and qualifications can be found at www.deanwettonadvisory.com

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

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



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.

Pathway investor

A retail client investing in a Firm's pathway investment offering.

Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

Relevant policyholder

A member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme.

Transaction costs

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

With profits

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

Unit-linked

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



Appendix F: Data table

Summary of workplace personal pension plan data at 31 December 2021

Number of employers:	
Non-qualifying for auto-enrolment	1,966
Total number of policyholders:	
Contributing	73
Non-contributing	13,166
Total value of assets (market value)	
	£334.3m

Notes:

Some employers have a mixture of the policies and therefore there may be some double counting of employers.
The workplace personal pension plans are not used for auto-enrolment purposes.



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