

The logo for PTL (Personal Trust Limited) is displayed in a white, lowercase, serif font within a teal rectangular box. The background of the entire page features a repeating pattern of stylized, overlapping leaf or petal shapes in various shades of teal and light blue.

ptl

Chair's Annual Report

The PTL Governance
Advisory Arrangement ('GAA')

March 2019

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1

Introduction and Executive Summary



This report on the workplace personal pension plans provided by Wesleyan has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA'). It is our fourth annual report.

This report sets out our assessment of the value for money delivered to policyholders (see [Section 2](#)). It also explains the background and credentials of the GAA (see [Appendix 3](#)). The GAA works under Terms of Reference, agreed with Wesleyan, effective from 6 April 2015. These are publicly available (see [Appendix 3](#)).

This report focuses on the Wesleyan Staff Group Personal Pension Scheme ('the Staff Scheme'), details about the numbers of policyholders and their funds are shown in [Appendix 1](#).

The GAA believes that deciding what represents 'value for money' is subjective and that value for money will mean different things to different people. We think value for money can be judged by looking at the balance of all the costs paid by policyholders against the benefits and services provided from their policy.

The GAA's opinion on the value for money delivered is that the Staff Scheme offers good value for money.

See [Section 2](#) and [Appendix 2](#) for more details of the value for money assessment.

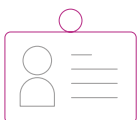
A colour-coded summary of our value for money assessment is shown below:

Good ← ● — ● — ● — ● — ● → **Poor**

	Grouped Personal Pensions
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	●

The GAA has not raised any formal concerns with Wesleyan during the year (see [Section 3.3](#)).

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](#)). We have only received one representation to date. This was in relation to the 3% advice fee in connection with flexible drawdown which we comment on later in this report.



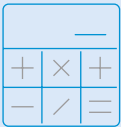
If you are a policyholder and have any questions, require any further information or wish to make any representation to the GAA you should contact:

David Nottingham
Wesleyan Assurance Society

Colmore Circus
 Birmingham
 B4 6AR

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Value for money assessment



The GAA has assessed the value for money delivered by Wesleyan to its Staff Scheme 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 for the Staff Scheme:

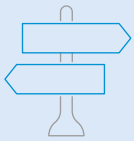
- » Wesleyan are in the process of carrying out an overall review of the Staff Scheme, including charges, funds available and life-styling option to ensure that they remain 'fit for purpose'.
- » The investment options available provide a reasonable range of funds.
- » The objectives of each investment fund are clearly stated and published in factsheets.
- » Investment performance is reviewed monthly via a robust structure of specialist teams and committees who analyse performance and it's attribution to ensure appropriate action can be taken. If there is sustained underperformance, action is taken to revise the relevant element of performance.
- » Wesleyan have carried out work to ensure that transaction costs are available and processes in place to produce these figures as required (although some require some manual intervention).
- » Policyholder support in terms of administration and communication is generally of a high-level. Wesleyan have improved communications to ensure consistency and encourage members to take an active interest in their investment and retirement choices and have introduced an annual newsletter.
- » At retirement, policyholders are able to access their pension flexibly, although they are required to transfer into a different policy to take advantage of drawdown.

- » An internal DC Governance Committee and a Staff Forum exists with the objective of promoting the highest levels of governance for the Staff Scheme and ensuring members' voices are heard.
- » Wesleyan has invested additional resource into managing operational and financial risks. A strong focus has been placed on ensuring optimal cyber security and a very high level of capital adequacy is maintained.

The GAA's opinion on the value for money delivered is that the Staff Scheme, with a default fund option available with no annual management charge for policyholders, represents good value for money.

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 engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies on 31 May 2018.

On 24 September 2018, members of the GAA visited Wesleyan to meet our main contacts and representatives from the investment and administration teams. Key items of the discussion included:

- » How the investment funds are managed and governed and we discussed the performance review process with members of the team responsible for this.
- » Meeting the new manager of the administration team and discussing her plans to ensure a continued high level of service for members.
- » Visiting the investment management suite and gaining a clear understanding of how the team operates. This gave a good insight into the research function, how decisions are made, how investment funds are managed and trades carried out by the team.
- » The risk management processes that Wesleyan have in place and their improvements to manage cyber risk and data protection requirements.
- » The process for product reviews and the enhancements made to communications.

The GAA held 4 meetings during the year 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.

3.2 Independent Project Board (IPB)

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. Wesleyan provided their proposals to the GAA in line with this timescale and proposals were agreed with the GAA for this purpose.

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

The GAA has raised a number of challenges with Wesleyan for their consideration, current areas for consideration are:

- » We believe it is appropriate to review the range of funds available to members and the structure of the default strategy to ensure that it remains appropriate for the membership and we look forward to hearing the results of the review that is currently underway.
- » We understand that in order to access flexible drawdown, members must transfer to another arrangement. This involves the member taking financial advice Wesleyan provides advice from a separate company, Wesleyan Financial Services (WFS), to members for this purpose. Members of the scheme can also take independent financial advice. WFS charges an advice fee of 3% of fund value. We recommend that Wesleyan consider making drawdown accessible at a lower cost to members and understand this is currently under review.

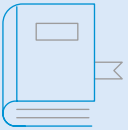
3.4 The arrangements put in place for policyholders' representation

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

- » The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been communicated via the Wesleyan website and has been highlighted on annual benefit statements since April 2017. A paragraph has been added to the Key Features Document for any new policyholders. Wesleyan have been pro-active in making policyholders aware of the GAA and its role.
- » Wesleyan 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 Wesleyan determines that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

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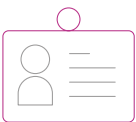
Next steps



This GAA report is for the year to 5 April 2019. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

In the next year the GAA will:

- » Asses the outcome of the reviews being undertaken into the investment range, charges and default strategy.
- » Assess the level of transaction costs within the individual funds and consider how these are being assessed by Wesleyan.
- » Look at value for money monitoring carried out by Wesleyan on the High Risk / Return Fund.
- » Work with Wesleyan to understand how Environmental, Social and Governance factors are incorporated into the investment process. We understand that Wesleyan already has a draft policy on this subject which is currently under review.



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 Wesleyan at the address shown on page 4.

Keith Lewis
Chair: PTL Governance Advisory Arrangement

Appendix

1

Summary of Staff Scheme data at September 2018

	Staff Scheme
Charges	No AMCs on default and most investment options. AMC of 1.0% on High Risk / Reward
Number of policyholders	2,318
Assets under management	£76.55m

Wesleyan has confirmed that all policyholders within the Staff Scheme can be identified from Wesleyan's data.

We understand that the High Risk / Reward investment option is a Fund of Funds and that the 1.0% AMC is purely as a result of the charges levied by the external managers. Wesleyan do not apply any charges in relation to their services for this option and can not control the level of fees directly. However, Wesleyan do regularly monitor the value for money provided by this option.

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 Wesleyan to its Staff Scheme 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 three main areas – investment, communications 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

The Staff Scheme has a default investment strategy with life-styling. Life-styling occurs in the 10 years before retirement, starting in the Pensions Managed Fund; 5.5 years before retirement the monies are held in the Pension Low Risk / Reward Fund and then by the Selected Retirement Date split 50% Low Risk / Reward and 50% Deposit.

Wesleyan is currently reviewing the ongoing appropriateness of the life-styling strategy.

Policyholders are contacted specifically about life-styling and asked if they wish to opt out. Those who opt out are contacted subsequently to check they are still happy with their decision.

Wesleyan have written to all members over the last year to encourage them to consider the appropriateness of their investments for their retirement plans.

Top-up contributions during the life-styling period are automatically invested in the Deposit Fund unless otherwise directed.

Wesleyan have considered the Staff Scheme membership in determining the default strategy and stated their rationale. The choice of default was also consulted upon externally with Aon Hewitt.

The default life-styling results in a relatively cautious investment strategy at retirement age. This may be suitable for many but not all policyholders and we welcome the current review that is taking place.

Investment – Fund range available

For the Staff Scheme there are 5 separate funds available, Pension Deposit, Low Risk / Reward, With Profits, Managed and Higher Risk / Reward.

All funds are managed in house by Wesleyan with the exception of the Higher Risk / Reward Fund which is a Fund of Funds.

A previous internal review of the investment options available in the Staff Scheme has concluded that there is a limited fund range available and this is being considered in a review that is currently underway.

In our opinion, the fund range for the Staff Scheme is likely to be appropriate for most policyholders. However, the review of options available is a positive step.

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

All funds have a statement of objectives which are published in factsheets. Performance is reviewed monthly by the Investment Committee. The With Profits Committee also reviews management of the With Profits Fund.

The DC Governance Committee also reviews investment performance. This Committee enables policyholder engagement and reviews investments to aim to continue to ensure the funds meet the needs of policyholders.

Information on investment performance has been provided but, for the purposes of this report, the GAA has not reviewed in detail the investment performance of each available fund by reference to consistency with its objectives and the expected degree of volatility.

Description of arrangements

GAA assessment and opinion

There is clear responsibility allocated to specialist teams within Wesleyan to review performance and attribution of performance so that action can be taken at the appropriate point to correct sustained under performance.

The investment philosophy is a 'buy and hold' strategy with low turnover.

Investment performance is reviewed on a monthly basis and the GAA have been provided with examples of actions that have been taken to revise stock and manager selections to improve performance.

The investment management is fairly cautious. Aggressive funds are not available although most policyholders may not be expecting such funds from Wesleyan. The philosophy is clear and the investment team is stable.

The volatility within the main funds is very consistent over time showing stable management.

Investment – Transaction costs

Wesleyan have implemented new processes to ensure that they are able to provide full transaction cost information on all of their Funds in a timely manner.

The information is available at a Fund level and will be included in the Wesleyan annual report. There are no plans to break down the costs to customer or arrangement level.

Most information can be produced automatically, but the Fixed Interest trading is less transparent and requires some manual intervention.

The investment philosophy of Wesleyan leads to an expectation that transaction costs will be relatively low. Wesleyan have implemented new processes to ensure that they are able to provide full transaction cost information on all of their Funds in a timely manner.

The information is available at a Fund level and will be included in the Wesleyan annual report. There are no plans to break down the costs to customer or arrangement level.

Most information can be produced automatically, but the Fixed Interest trading is less transparent and requires some manual intervention.

Wesleyan have provided full information and have processes in place to ensure this can be done in future years.

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

Factsheets are available setting out the stated aims and objectives of the investment strategies.

In our opinion, communication of the stated aims and objectives of the investment strategies is satisfactory.

Description of arrangements

GAA assessment and opinion

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.

Improvements have been made to the communication process and an annual newsletter has been introduced to aid education and engagement.

Feedback is regularly sought from members, particularly current employees through team meetings, the DC Governance Committee and a quarterly Staff Forum.

In our opinion, policyholder communications are of a good standard overall and policyholders have access to very good telephone support. Continued focus on this area is welcomed to enable the Staff Scheme to keep pace with market developments.

Communications and Support – Other support, including telephone and online

Staff Scheme policyholders have access to a dedicated page on the intranet. There is a Handbook with detailed information on the Scheme and its benefits.

Online capability for Staff Scheme policyholders is to be reviewed as part of Wesleyan's digital strategy.

In our opinion, policyholders have access to good telephone support but would benefit from enhanced on-line capabilities.

Communications and Support – When choosing retirement options

Policyholders can contact Wesleyan Head Office to speak to a dedicated pensions team for general information. There is also the option to seek further specialist advice from their Wesleyan Financial Consultant.

Policy information and requests for changes are available online if a policyholder registers for the My Wesleyan facility. There is also a secure online web chat facility.

Wesleyan issue a series of 'wake-up' communications to policyholders before the expected retirement date. These commence within 5 or 10 years from retirement according to policy type.

Communications and the support available are generally of a high quality. Workplace pension policyholders can contact their Wesleyan Financial Consultant.

Risk Management – Security of IT and data protection

Wesleyan have implemented a new Group Security strategy which includes proactive management of cyber risks using a specialist external supplier and links to the National Cyber Security Centre. Wesleyan also operate a business continuity management system for managing business interruption events.

Wesleyan have reviewed policies, updated communications and carried out training for staff on GDPR requirements.

We believe that IT security and plans for GDPR compliance are robust based on the description of the frameworks given to us.

Note we have not taken any independent advice from cyber security or data protection experts to support this opinion. Recent experience discussed with Wesleyan and Wesleyan's interactions with the FCA gives us confidence in this assessment.

Description of arrangements**GAA assessment and opinion****Risk Management – Financial strength and security**

Wesleyan is required to hold capital to protect against the impact of downside events. At the end of 2017 Wesleyan's capital coverage was 350% vs an industry norm of 157%. Regular stress and scenario testing is undertaken to check the impact on financial strength.

We are satisfied that financial strength of the organisation should not be a concern to policyholders.

Risk Management – Independent assurance of Firm controls

An extensive program of internal controls is undertaken. The Product Risk and Governance Committee consider conduct risk including internal controls.

Whilst there is no external audit process, the internal controls seem appropriate.

Risk Management – Product development process to assist policyholder outcomes

The approach to product review has recently been restructured to enable individuals to specialise in one product type and the process of internal product review to ensure that products remain fit for purpose and suitable for policyholders has been enhanced. A Product Governance Committee which considers reviews in more depth has also been introduced.

Product development is considered regularly and there is a process in place to look at potential changes.

We understand that an overall review of the Staff Scheme is currently underway with assistance from external advisers and we await the results.

Risk Management – Processes for protecting policyholders against fraud and scams

Wesleyan have outlined their process for transfer and open market option payments and provided a copy of the checklists in use for these processes. The checklists are detailed, well thought out and designed to identify any potential fraudulent activity.

Wesleyan are taking all reasonable steps to protect policyholders against fraud and scams.

Administration service and core financial transactions

Administration is carried out in house by a team based in Birmingham and evidence has been provided of performance against service standards. We met the new manager of the administration team on 24 September 2018. Information on how service standards are being achieved has been supplied. Service levels are monitored daily and plans are in place to ensure high standards in future and further staff training.

The DC Governance Committee acts as a forum for feedback on service in relation to the Staff Scheme.

The GAA's meeting with the administration team showed a well resourced team committed to good service for the benefit of policyholders.

We believe that the administration service provided to policyholders is of a good standard and that core financial transactions are processed promptly and accurately. Service levels achieved are high and are monitored closely.

Description of arrangements

GAA assessment and opinion

Other governance or support arrangements

Additional governance structures for the benefit of policyholders include the with-profits committee for relevant policyholders. There is a governance committee for the Staff Scheme which includes policyholders and acts as a forum for Staff to give their views on the Staff Scheme.

There are additional benefits to policyholders by virtue of their membership of the Wesleyan, as follows:

- » Policyholders are entitled to participate in the Annual General Meeting, which gives them a say in the administration of Wesleyan.
- » Policyholders receive a discount on general insurance policies taken out with Wesleyan.

There is strong governance in place.

There are additional financial benefits to policyholders by virtue of their membership of these workplace pension schemes.

Retirement options

At retirement, Policyholders have access to the full range of flexibilities which now includes Partial UFPLS following member interest.

Members must make a transfer to another Wesleyan arrangement if they wish to draw benefits through Flexi-Access Drawdown (FAD). To do so, members must take advice – this can be provided by Wesleyan Financial Services, a separate company. This company charges 3% of Fund Value for this advice. This is not a cost that Wesleyan can directly control. We understand investigations are being carried out to determine if this charge can be reduced.

Wesleyan withdrew the option to buy the standard Wesleyan annuity from 1 March 2018 as it was not competitive and members are instead given a whole of market annuity choice via a 3rd party.

The range of flexibilities at retirement is good.

The charge made by the company that members can use to access advice to move to FAD, seems high and we would welcome any steps Wesleyan can take to make drawdown easily accessible to members at a lower cost.

Charges and direct and indirect costs borne by policyholders

Policyholders of the Staff Scheme pay no charges for the default fund (the Managed Fund) but do pay a 1% Annual Management Charge (AMC) if they select the Higher Risk/Reward Fund.

As there are no AMC's for most of the investment options, overall investment charges are very low.

An AMC of 1.0% on the Higher Risk / Reward Fund represents a level of charge slightly above average, particularly when other indirect costs are taken into account. We understand that Wesleyan have no direct control over this AMC and do monitor value for money.

Overall assessment of value for money

The GAA's opinion on the value for money delivered is that the Staff Scheme, with a default fund option available at no charge to policyholders, represents good value for money.

Background and credentials of the PTL Governance Advisory Arrangement

In February 2015 the Financial Conduct Authority (FCA) set out new rules for Providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, Providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- » Act solely in the interests of the relevant policyholders of those pension plans and to
- » Assess the 'value for money' delivered by the pension plans to those relevant policyholders.

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

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

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

www.wesleyan.co.uk/pdf/62860/gaa_terms_of_reference

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 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').

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.

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.

Default investment strategy

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

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.

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.

ptl



Contact

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