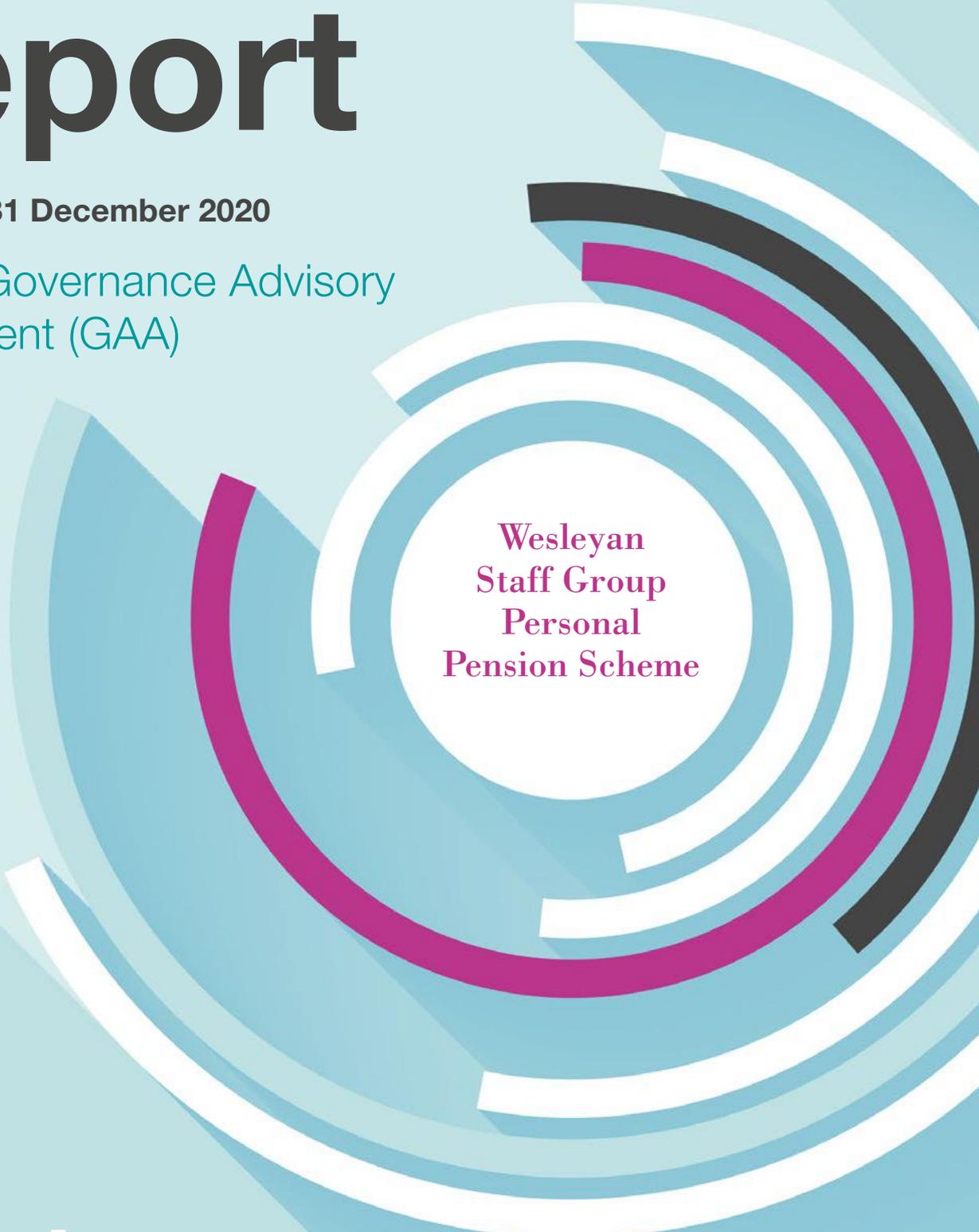


# Chair's Annual Report

Year ended 31 December 2020

The PTL Governance Advisory  
Arrangement (GAA)

A large, stylized graphic on the right side of the cover features several concentric, overlapping circles. The circles are rendered in various shades of blue, teal, and magenta, with some segments missing, creating a sense of motion and depth. The text 'Wesleyan Staff Group Personal Pension Scheme' is centered within the innermost white circle.

Wesleyan  
Staff Group  
Personal  
Pension Scheme

July  
2021



# Introduction and Executive Summary

This report on the Wesleyan Staff Group Personal Pension Scheme (‘the Staff Scheme’), has been prepared by the Chair of the PTL Governance Advisory Arrangement (‘the GAA’) and sets out our assessment of the value delivered to policyholders. This is our sixth annual report.

Further background and details of the credentials of the GAA can be found in Appendix 2. The GAA works under Terms of Reference, agreed with Wesleyan, the latest version of which is dated 22 October 2020 and are publicly available (see Appendix 2). References throughout this report to ‘the Firm’ relate to Wesleyan Assurance Society.

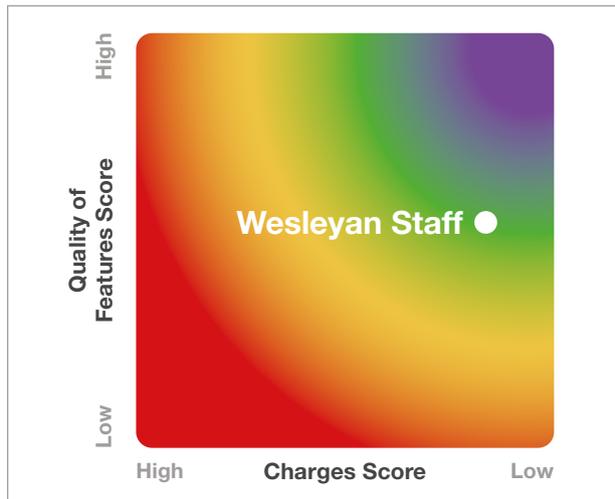
As Chair of the GAA, I am pleased to deliver this value assessment of the Wesleyan Staff Scheme. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2020 to 31 December 2020. The GAA has developed a Framework to assess Value for Money and further details are set out on page 6.

**A colour coded summary of the GAA assessment is shown below:**



	Weighting toward VfM assessment	Staff Scheme
Strategy Design and Investment Objectives	20%	●
Investment Performance and Risk	20%	●
Communication	30%	●
Firm Governance	5%	●
Financial Security	10%	●
Administration and Operations	10%	●
Engagement and Innovation	5%	●
<b>Overall Quality of Features</b>	100%	●
Overall Cost and Charge Levels	100%	●
<b>Overall Value for Money Assessment</b>		●

## Value for Money Scoring



The Overall Value for Money rating is determined on a rating scale based on the product of the Quality of Features score and the Charge Levels score and is visually represented by the heatmap opposite.

### **The overall conclusion is that the Staff Scheme provides good value for money.**

The GAA would like to challenge Wesleyan in the following areas:

- » The GAA would like to see a full review of the fund range offered, and more options being introduced, or evidence provided as to why this is not appropriate.
- » The GAA notes the specific challenges of 2020 and is reassured that Wesleyan have taken the administration issues arising seriously with measures taken to improve the service. The GAA will expect to see an improved position for next year's assessment.

Details of the numbers of policyholders and their funds were supplied to PTL for the assessment and a summary is included in Appendix 5.

The FCA has introduced a new requirement this year for the disclosure of costs and charges and further details can be found in Appendix 4.

The GAA has not raised any concerns with Wesleyan during the year.

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

Clare James

Chair of the PTL Governance Advisory Arrangement

July 2021



**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:**

**James Needham/Stacey Mason**  
**Wesleyan Assurance Society**

Colmore Circus  
Birmingham, B4 6AR

**Alternatively, you can contact the GAA directly at:**  
**[gaacontact@ptluk.com](mailto:gaacontact@ptluk.com)**

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# Overview of the Value 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 below.

## Our approach

The GAA believes that value for money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of cost versus benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the benefits and services provided to policyholders. We have attempted to make appropriate comparisons with other relevant pension providers, although there is limited information available in the public domain.

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 areas or quality features, 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 seven different overarching quality features. These quality features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, 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 innovation, culture and service, and a wider overview of the administration quality and processes, not confined to just the processing of [core financial transactions](#).

Within each of the seven quality features are a number of sub-features and these 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.

Each set of score descriptors set out what the GAA would expect to see to achieve each numerical score. These scores are then combined to produce an overall score for each of the seven quality features, as well as an overall score for the quality features combined. The Framework incorporates relative weightings for this purpose as shown in the table in the Executive Summary.

In making our overall assessment of the Quality of Features the GAA has, where possible, taken into account the likely needs and expectations of this group of policyholders, based on the information made available.

The GAA then went on to consider the Value for Money represented by the Cost and Charge Levels which policyholders bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and platform fees, but the GAA does also consider [transaction costs](#) in isolation and how they are controlled. The Cost and Charge Levels are rated on a scale of Low to High, taking into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The Quality of Features score and the Cost and Charge Level rating are then combined to determine an Overall Value for Money rating.

**In the sections on the following pages we have described each of the Firm's seven quality features, the rating the GAA has awarded, together with any areas for improvement we have identified. There is also a separate section on Costs and Charges and 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.**



Where we have used technical pensions terms or jargon, these are explained in the [Glossary](#) in Appendix 3.

# Strategy Design and Investment Objectives

## Value score: Good



### The Firm's approach

The Staff Scheme has a default investment strategy which was designed and implemented by Wesleyan in 2019, reflecting the requirements and choices being made by policyholders.

The default approach incorporates a lifestyle strategy, whereby funds are gradually transitioned from the managed fund (which is the default until nearing retirement) to a combination of the low risk/reward fund, along with the managed fund, over a nine year period prior to selected retirement age. This is designed to help manage investment risks at each stage of the policyholder's lifetime and aimed at a retirement fund suitable for policyholders entering income drawdown at retirement.

An alternative lifestyle is available, incorporating a transition to 100% deposit fund by retirement age, assisting those who wish to take their benefits as a cash lump sum at retirement.

Alongside the lifestyle strategies, there are five funds available in a self-select capacity; these include a with-profits fund and a higher risk/reward fund.

### 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 strengths

Wesleyan undertook a thorough process in 2019 in re-designing the investment options and default fund, with the assistance of an external advisory firm.

All funds have a risk rating, and clear aims/objectives contained on the fund factsheets, all of which are readily available on the Wesleyan website.

The funds available are designed to cover a range of risk appetites, but do not cater for specific niche areas (e.g. there is no property fund, or ethical fund). While the fund range was designed to satisfy a range of risk appetites, in practice there are some gaps and the range is limited for policyholders who might wish to have a greater diversification of assets.

The GAA is aware that the Staff Governance Committee, as well as policyholders on an individual basis have raised concerns over a lack of options, including representation made by one individual to the GAA. The GAA has discussed this with Firm, and understands that following a conversation the Firm had with the individual explaining the range of funds available covered various investment options appropriate for the majority of the membership, the individual is now satisfied. The GAA understands that the Firm will consider this further in 2022.

Wesleyan's Investment Committee meets quarterly and oversees the performance of funds. It reviews performance in line with the aims and objectives of the funds. Wesleyan has considered the fund range, with a preliminary decision to launch an ethical fund, which is expected to proceed in 2021. No further decisions on widening the fund range have been taken at this time.

The GAA has seen copies of meeting minutes which provide evidence of regular reviews of fund performance taking place as described above, but no evidence of the consideration of the fund range.

Wesleyan have shared with the GAA their Sustainable Investing Policy, which was introduced in 2020 and which sets out how [ESG](#) opportunities and risks are incorporated into the management of the internally managed funds. The GAA has also been provided with minutes of a Sustainability Task Force meeting.

## Areas of improvement



### GAA observations

The GAA is pleased to see [ESG](#) being integrated into the investment process with the launch of the Sustainable Investing Policy, although note that this was relatively new at the end of 2020. The GAA looks forward to examining the implementation of the policies in practice as part of next year's review.

While the fund factsheets are readily available with clear fund objectives, those objectives do not provide measurable targets either in terms of specified time periods or specific out-performance targets.

### GAA challenge

The GAA would like to see a full review into the fund range offered, and more options being introduced, or evidence provided as to why this is not appropriate.

## Investment Performance and Risk

### Value score: Satisfactory



### The Firm's approach

Wesleyan's Investment Committee and With-Profits committee each meet quarterly and oversee the performance of funds. RAG ratings are used by management to identify areas of concern. Performance is assessed over a range of short, medium and longer time periods, relative to benchmarks identified.

### 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 benchmark.

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.

### The Firm's strengths

The GAA has been provided with minutes of investment committee meetings during 2020, in which investment performance has been scrutinised. Performance over a range of periods has been provided. While clear evidence has been provided of the review of performance of the funds, 2020 proved a challenging period for the funds.

The performance over 2020 for the managed fund, which is the principal fund in the default arrangement, when compared to its benchmark of ABI Mixed Investment 40%-85% Shares, was in the 4th quartile, with a negative absolute return for the year. Over a longer time period, the fund's performance was 3rd quartile over a five year period and 2nd quartile over a 10 year period. At the beginning of 2020, the fund had been overweight to UK equities and with a value driven approach to equity investments, and so had missed out, in relative terms, on the large growth in the largest US technology stocks over the year. Towards the end of 2020, the investment team were looking more to growth stocks and examining the relative merits of the UK bias, with Brexit related uncertainties starting to reduce.

## Areas of improvement – GAA observation



Noting the poor performance over 2020 of the managed fund, we expect to see continued evidence of close monitoring of the fund, and actions taken where appropriate.

## Communication

**Value score: Good**



### The Firm's approach

Wesleyan have a range of communication materials and channels. Core communications undergo regular review and refresh (most at least once a year). In 2020, Wesleyan have developed a range of mid-life 'MOT' communication materials, which are scheduled for launch in 2021.

Communication by other means includes strong telephone support, and a comprehensive website available, where policyholders can log on to obtain up to date fund pricing information, while for confirmation of the value of their own funds, policyholders can obtain this via email, a telephone call, or instant messaging.

The website features include webchat, and other online materials such as guides to pensions and retirement options, as well as links to Pension Wise.

Policyholders are able to communicate with the Firm by letter, telephone, email, webchat and an option to request a call back. Communications to policyholders and the website provide this information.

At retirement, policyholders have access to the full range of flexibilities including a partial pension lump sum (known as a partial UFPLS). Policyholders must

make a transfer to another Wesleyan arrangement if they wish to draw benefits through Flexi-Access Drawdown. Wesleyan do not offer the option to take an annuity from Wesleyan, but have partnered with a third party to assist policyholders in seeking the best annuity quotations from the wider market.

Support for policyholders is provided by way of access to Wesleyan Financial consultants, which is provided as standard for active staff scheme policyholders (though there is a charge for deferred policyholders).

There is an annual staff newsletter, but there were no targeted staff surveys carried out in 2020. Staff are encouraged to engage by way of a range of internal forums, including the DC Governance Committee, which holds meetings six-monthly, and includes staff members from different areas of the business to ensure a range of representation.

### What are we looking for?

We would expect communications to be 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.

We would expect the online offering to be substantial, 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 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.

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 strengths

Wesleyan provides policyholders with a full range of communication materials. There are clear signposts to where additional information on retirement options can be found, and the development of midlife materials is evidence of Wesleyan's commitment to continually improve the communications.

The GAA has reviewed a range of sample communications which are clear and free from jargon and the GAA believes them to be of a good standard. These communications are reviewed regularly and updated in line with prevailing regulations and topical issues such as COVID-19. The communications provided have clear risk warnings built into them.

The access to advice from Wesleyan Financial Consultants as standard for active staff policyholders is a notable benefit. The Wesleyan website provides several guides to assist policyholders throughout the lifecycle of their policy, but there are no freely available online calculators.

The representation of staff members by way of the DC Governance Committee provides an opportunity for engagement with the policyholders.

## Areas of improvement – GAA observation



Wesleyan has not undertaken any targeted direct engagement with policyholders to obtain feedback over 2020, although routine engagement has continued via the staff newsletter, and the representation via the DC Governance Committee. The GAA notes that additional steps were not taken in this regard due to the anticipated arrival of a new Reward Manager in early 2021, who will be considering the need and appropriateness for any such survey.

## Firm Governance

### Value score: Satisfactory



#### The Firm's approach

The investment funds are all managed in-house by Wesleyan, with a series of committees which oversee the investment performance of the funds.

Wesleyan undertake regular internal reviews of different aspects of the business. There is a thorough approach to reviews with Regulatory and Corporate Audit functions conducting regular reviews across the Group.

The DC Governance Committee operates as a distinct and formal forum to review the operation of the Wesleyan Staff Group Personal Pension Plan. The Committee meets six-monthly and seeks to promote the highest levels of governance on matters concerning the management of the plan which includes investments, administration and communication issued to members. The Committee considers management information provided with respect to the administration of the Plan and the Plans investments, any changes made to the Product, any Regulatory Monitoring activity associated with the Plan, and the Committee's Risk Register.

#### What are we looking for?

We would expect to see a comprehensive governance structure in place, with evidence of regular reviews being undertaken and active changes being made as required.

#### The Firm's strengths

Wesleyan has a governance framework in place to appoint and monitor internal and external service providers, with evidence of regular reviews being undertaken.

Through this framework, in 2020, a Regulatory Monitoring review of the Staff GPP was conducted resulting in an overall grade of 'Major Improvement Needed'. The review findings highlighted the need to improve the management controls and the level of governance oversight. Senior Management have accepted the findings and have agreed actions to resolve the issues highlighted.

The issues identified related to the operations of the pensions department and are described more on page 19 of this report.

Wesleyan has reported that recommended improvements identified from a 2019 Regulatory Monitoring review have been progressed, including a clarification of duties and responsibilities in relation to auto-enrolment compliance, updates to the terms of reference for the DC Governance Committee, clearer escalations for any concerns raised by the DC Governance Committee, development of a formal Risk Register for operations with oversight from the DC Governance Committee, and development of the management information provided to the DC Governance Committee from the Customer Operations Birmingham team.

### Areas of improvement – GAA observation



The GAA welcomes the transparency of Wesleyan's internal controls processes. The GAA will seek confirmation that the changes identified as part of the review are implemented in 2021 as part of next year's assessment.



## Financial Security

### Value score: Excellent



### The Firm's approach

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

Solvency II regulations require Wesleyan to hold sufficient capital to cover a 1 in 200 stress event. In practice a significant buffer capital is held above this, holding capital to cover a 1 in 2000 event.

Wesleyan are alert to the risk of pension scams. Pension transfers considered at higher risk are subject to thorough due diligence including requests for further information from the receiving scheme and posing questions to the customer about how they have been contacted (e.g. by cold calls) and their level of understanding about their new scheme.

Systems are protected to a high standard from cyber-attacks and are constantly monitored and undergo regular penetration testing.

### 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 look for evidence of regular internal and external assurance audits on controls and 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 are looking for evidence of a clear process to warn policyholders about fraud and scams and to identify possible scamming activity.

## The Firm's strengths

Wesleyan Assurance Society operates under the PRA regime which provides the GAA with reassurance that policyholders' interests are protected and latest solvency figures show a financial robustness in excess of the required levels.

Wesleyan has demonstrated that it has a robust policy with regards to transfer requests, highlighting 16 transfer cases which were subject to significant extra review, including one case which was reported to the Pensions Regulator and Action Fraud.

Wesleyan has provided descriptions of the comprehensive Security Risk Management Framework in place overseeing IT security, cyber security and data protection, including regular cyber security testing.

## Areas of improvement



The GAA did not identify any specific areas for improvement.

# Administration and Operations

**Value score: Satisfactory**

Excellent
  Good
  **Satisfactory**
 Poor



## The Firm's approach

The Staff workplace policies are administered through the internal 'Customer Operations Birmingham' team, using Capita software / platform. The team work to a target of completing tasks within 3 to 7 days, depending on the task, including investing of new premiums within 4 days. All colleagues within the team are required to have a recognised industry qualification to improve knowledge & administration competency when working with pensions.

At the outset of the COVID-19 pandemic, the team made a successful adjustment to home working, while also dealing with a higher level of enquiries than usual, which did have some impact on service levels.

## What are we looking for?

We are looking for evidence of strong administration processes with appropriate service standards in place and regular reporting evidencing adherence to those service standards. In particular, we are seeking evidence that [core financial transactions](#) are processed promptly.

We are looking for a comprehensive business continuity plan and evidence of its effectiveness in maintaining business continuity during COVID-19.

We would expect to see a low level of complaints and demonstration of a clear process for resolving complaints.

## The Firm's strengths

Wesleyan have provided full details of their service levels over 2020. The GAA is satisfied that core contributions were invested within the required timescales, however in other non-core areas, there was a dip in service levels, particularly at the out-set of the COVID-19 pandemic. The GAA has been provided evidence of the additional monitoring and oversight that Wesleyan has been undertaking in relation to the administration service and we are satisfied that Wesleyan are committed to ensuring that past issues around service levels are resolved.

During 2020, Wesleyan's Regulatory Monitoring Team carried out an in-depth review into the administration function to provide assurance that the pensions department is functioning as a technically competent, well-controlled area with good customer service levels maintained. The GAA has been provided with a copy of the findings, which were that certain areas required major improvement.

The review uncovered two failures in administrative process, these being: firstly that no automated lifestyle switches took place from January to November 2020; and secondly that no wake up packs were issued to those reaching milestone birthdays for the same period of time. All failures have been corrected and steps taken to prevent recurrence. The failures were caused by a change in team members, without sufficient documentation of manual driven processes. Wesleyan has now built automated prompts into their online 'Magique' system and have ensured that additional documentation has been put in place for any future team changes.

The review also noted that towards the end of 2020 the Pensions department saw strong improvements particularly around service levels and staff competency. The report stated confidence that the area is now operating in a very different environment, with the department striving for excellence as well as continuing to look for areas of improvement.

Wesleyan was able to evidence a low level of complaints over 2020, with appropriate redress being provided for the very small number of complaints that were upheld.

The DC Governance Committee provides useful oversight and transparency into the administration service.

### Areas of improvement – GAA challenge



The GAA notes the specific challenges of 2020 and is reassured that Wesleyan have addressed the issues arising and put in place measures to improve the administration service. The GAA will expect to see an improved position for next year's assessment.

# Engagement and Innovation

## Value score: Satisfactory



### The Firm's approach

Wesleyan is a mutual organisation, owned by, and run for the benefit of, their members. In general, because of this, there is a strong engagement with its membership.

The DC Governance Committee enables engagement with the policyholders, with direct representation by employees.

Wesleyan has appointed a new HR Director and a Reward Manager and, off the back of this, further engagement exercises are planned.

Wesleyan has made clear strides in developing their [ESG](#) policy, more details of which are provided on page 23.

### 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.

### The Firm's approach

Wesleyan are very open to engagement with policyholders, and the DC Governance Committee is evidence of this.

Whilst no fundamental changes were made to the product over the year, Wesleyan was able to evidence continual improvements with the development of mid-life communications, as well as the routine review of the existing communication materials.

A further anticipated change for 2021 is the launch of an ethical fund, with a more fundamental review of the fund range anticipated.

### Areas of improvement



#### GAA observation

Wesleyan should consider utilising a targeted feedback exercise with policyholders to determine strategy in relation to fund choices.

#### GAA challenge

Wesleyan should consider a fundamental review of the fund range offered, as per earlier comments in this report.

# Overview of Policyholder Charges

## Charges: Low

High charges



Low charges



### The Firm's approach

There are no charges levied on policyholders, unless they have selected the Higher Risk Reward, where a 1.0% p.a. charge applies, which represents the underlying external fund costs.

No charge is made when policyholders switch from one fund to another.

### GAA comment and view



The GAA has considered the overall level of charges borne by policyholders over the year. This included assessing:

- » 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.

## GAA comment and view (continued)

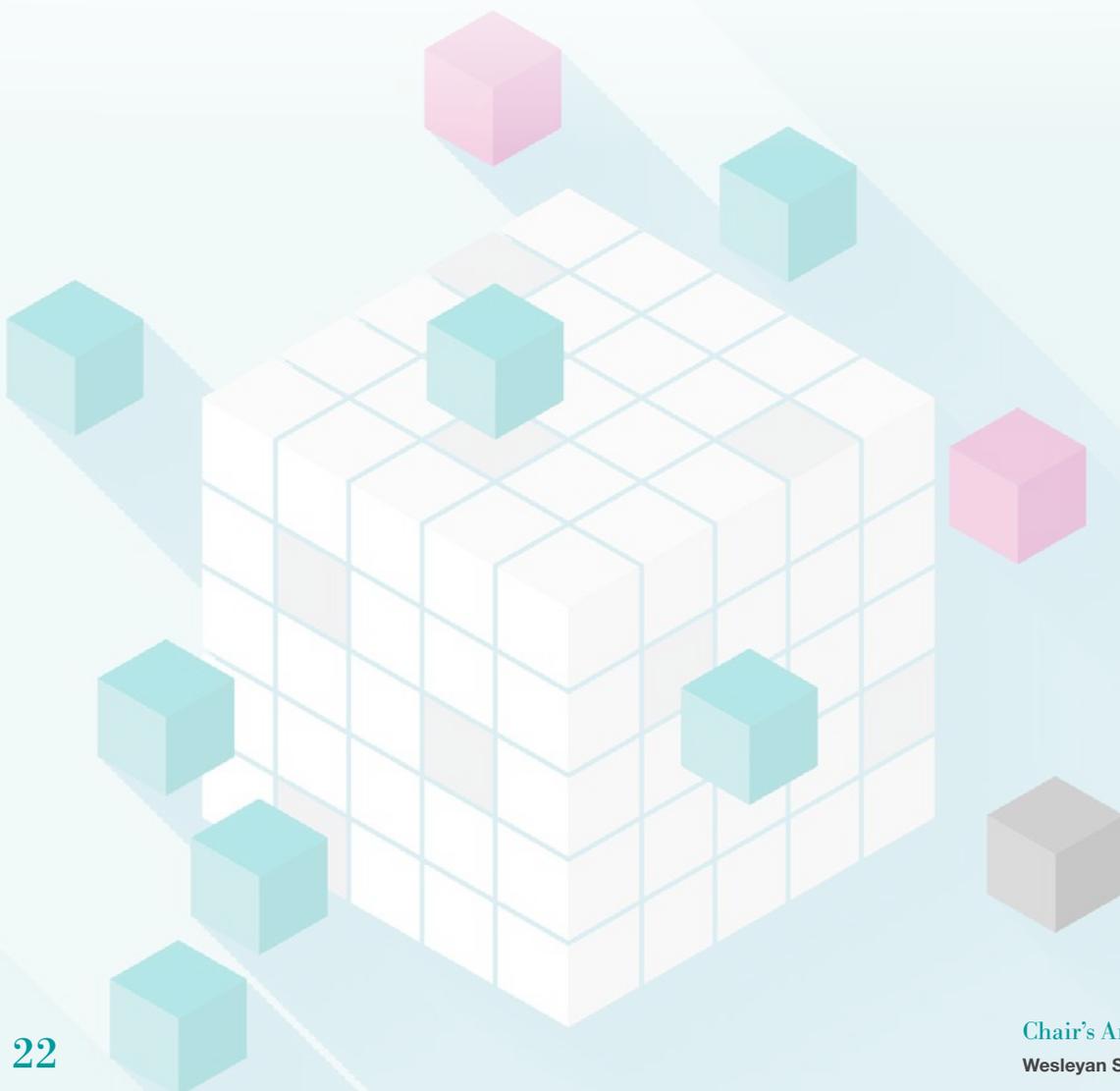


The GAA was provided with comprehensive details of policyholder charges including [transaction costs](#) calculated on the DC workplace methodology.

Overall investment charges are assessed to be Low on the basis that there are no Annual Management Charges applied for any of the investment options other than the Higher Risk / Reward fund, which we understand does not apply to many policyholders.

This assessment would change to High, if based solely on the ongoing charges figure for the Higher Risk / Reward Fund of 1% p.a. We understand that Wesleyan has no direct control over this charge and do monitor value for money for this fund.

The FCA has introduced new requirements that the administration charges and transactions costs information, in relation to each relevant scheme must be published by 31 July each year, 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. For this year, the requirement only applies to default funds but in subsequent years this is extended to all self-select fund options as well. Further details can be found in Appendix 4.



# ESG, Non-Financial Matters and Stewardship

## What are we looking for?

The FCA requirements set out in COBS 19.5.5 state that where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA should 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, and assess the adequacy and quality of the Firm's policy in relation to stewardship. 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 Investment Strategy and Objectives on page 8, how the Firm has integrated [ESG](#) financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

The GAA expected the Firm to be able to provide a clear explanation of the Firm's approach to taking into account [ESG](#) financial considerations, non-financial matters and stewardship, together with evidence of how these are implemented in practice. The GAA expected any policies to take into account the expected investment duration and be aligned with the interests of policyholders.

## GAA comment and view



Wesleyan has provided details of its Sustainable Investing Policy to the GAA, which was initially created in early 2020, and then updated in the second half of 2020. This clearly explains its approach to [ESG](#) financial matters. Wesleyan views sustainability concerns as being typically longer-term in nature, and believes that the inclusion of specific [ESG](#) factors into the financial analysis contributes to improved returns for policyholders.

The policy sets out how [ESG](#) considerations are incorporated into the management and decision-making process for the internally managed funds, along with three targets that the funds are measured on annually. Two of these targets are based on the [ESG](#) scores of each fund's holdings and one is based on the carbon footprint of the holdings.

The Investments department includes a dedicated Socially Responsible Investment team that specialises in assessing and reporting on the sustainability of global companies and industries through [ESG](#) factor analysis. Their work is focused on financially material concerns and is incorporated into all investment decisions. Based on the taxonomy provided by the Investment Association, the funds in question classify as 'Sustainable'. With the exception of firms with direct exposure to tobacco, Wesleyan does not exclude any investments based on the industry or sector a company operates in.

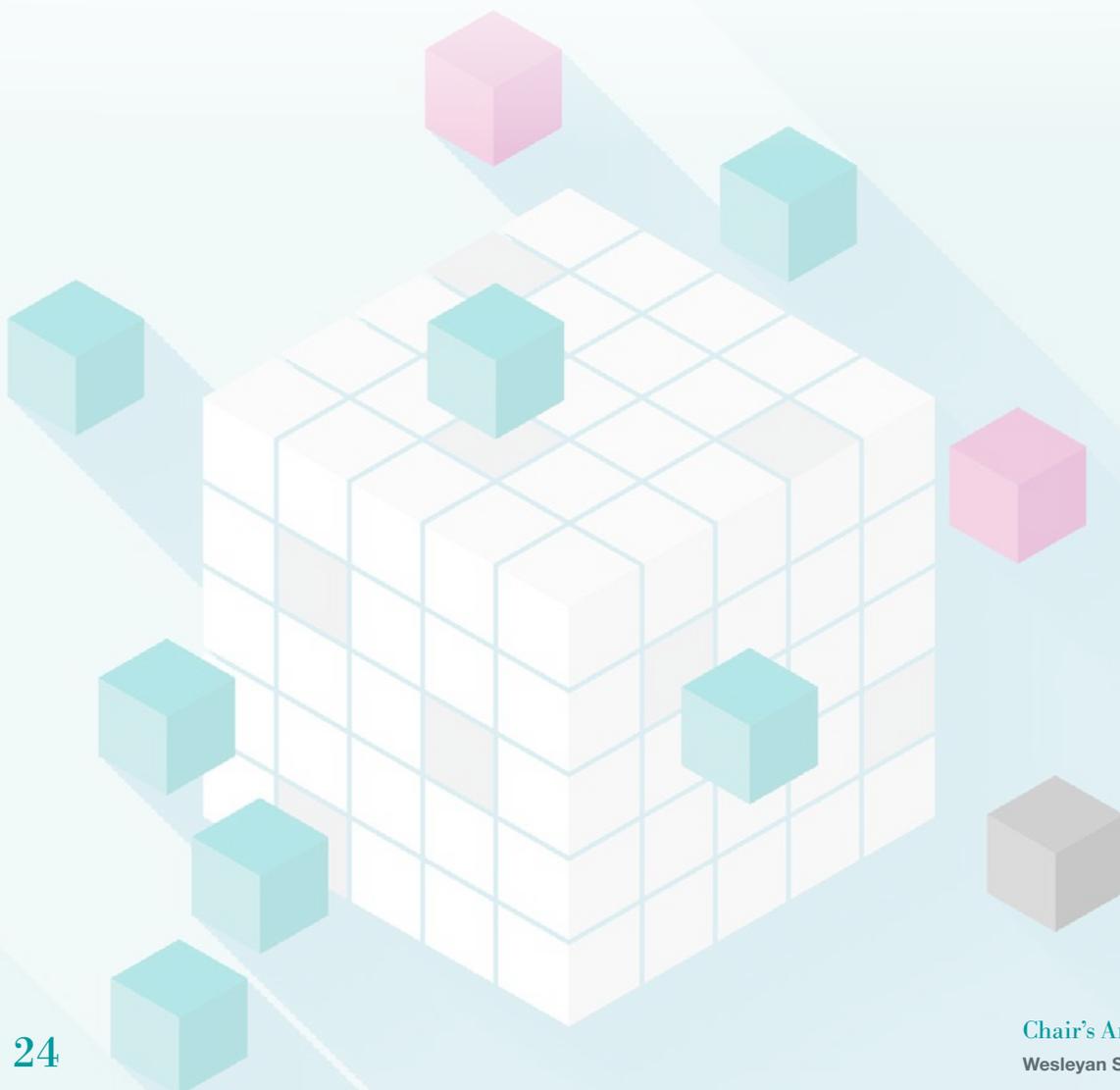
## GAA comment and view (continued)



As the policy was developed over 2020, this is an area that will take time to fully bed in, and the GAA looks forward to seeking evidence of this as part of next year's review.

Wesleyan has also provided details of its UK Stewardship Code, and Corporate Governance and Voting Policy, along with evidence where Wesleyan has voted against management.

The GAA considers the policies to be adequate and of good quality. This is an area which is evolving and the GAA will continue to monitor developments in this area.



## Appendix 1:

# 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 on 2 September 2020.

Members of the GAA had a meeting with representatives of Wesleyan on 12 October 2020 to kick off the Value for Money assessment process for the 2020 calendar year and to discuss and agree timescales.

On 21 December 2020, members of the GAA had a meeting with representatives of Wesleyan 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. Given government restrictions in light of COVID-19, this meeting was virtual.

On 7 May 2021, members of the GAA had a meeting with representatives of Wesleyan to discuss the approach for meeting the new cost and charges disclosure requirements in COBS 19.5.13.

On 27 May 2021 and 1 July 2021, members of the GAA had a meeting with representatives of Wesleyan to discuss the GAA's scoring of Value for Money of the in-scope Wesleyan workplace pensions and to clarify areas of remaining uncertainty.

As part of the Value for Money assessment process, Wesleyan 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. The GAA documents all formal meetings with Wesleyan and maintains a log which captures any concerns raised by the GAA with Wesleyan, whether informally or as formal escalations.

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

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

## The arrangements put in place for policyholders' representation

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

- » The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via the online platform.
- » 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 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 [gaacontact@ptluk.com](mailto:gaacontact@ptluk.com) so that policyholders can make representation to the GAA direct. Wesleyan will include details of this contact e-mail address on the online platform.

## Appendix 2:

# PTL 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](#).

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

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 [relevant policyholders](#) or pathway providers.

The Board of PTL has appointed PTL Governance Ltd to the GAA, including as Chair. All of PTL's Client Directors act as representatives of PTL Governance Ltd on the GAA and Clare James currently represents PTL Governance Ltd in the capacity of Chair. More information on each of PTL's Client Directors, their experience and qualifications can be found at [www.ptluk.com/Our-Team](http://www.ptluk.com/Our-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 PTL. Information on Dean's experience and qualifications can be found at [www.deanwettonadvisory.com](http://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 PTL Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of [relevant policyholders](#).

The terms of reference agreed with the Firm can be found at [www.wesleyan.co.uk/about/corporate-governance](http://www.wesleyan.co.uk/about/corporate-governance).

## Appendix 3:

# 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').

### Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

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

### 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.

### Lifestyling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

### 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.

## Appendix 4:

# Cost and Charges Disclosure

The FCA has introduced a new requirement for the publication and disclosure of costs and charges as set out in COBS 19.5.13. This year, the requirement only applies to default funds.

Wesleyan has provided the GAA with the following disclosures in respect of the period 1 January 2020 to 31 December 2020. In addition, these disclosures are provided on a publicly accessible website at [www.wesleyan.co.uk/about/corporate-governance](http://www.wesleyan.co.uk/about/corporate-governance) or internally on their intranet site or members MyBenefits portal.

Wesleyan Pension Managed Fund: 0% ongoing annual management charge plus 0.0009% (calculated as a percentage of the average Net Asset Value of the fund in 2020) by way of transaction costs.

Wesleyan Pension Low Risk/Reward Fund (becomes the default under the lifestyle strategy as someone approaches retirement age): 0% ongoing annual management charge plus 0.0463% (calculated as a percentage of the average Net Asset Value of the fund in 2020) by way of transaction costs.

**Appendix 5:****Summary of workplace Personal Pension Plan Data at 31 December 2020**

	<b>Staff workplace pension scheme</b>
<b>Number of employers</b>	
Non-qualifying for auto-enrolment	0
Qualifying for auto-enrolment	1
<b>Total number of policyholders</b>	<b>2,699</b>
Contributing	1,511
Non-contributing	1,188
<b>Total value of assets (market value)</b>	<b>£106.2m</b>

**ptl**

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**Personal**  
**Pragmatic**  
**Professional**

