



ZEDRA

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Chair's annual report

Wesleyan – Workplace Group Pension Plans

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

September
2022



Executive summary

This report on Wesleyan Workplace Group Pension Plans 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 Wesleyan'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 Wesleyan, the latest version of which is dated 29 March 2022 and are publicly available (see Appendix D).

This is our seventh annual report.

As Chair of the GAA, I am pleased to deliver this value assessment of the Wesleyan Workplace Group 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 6.

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

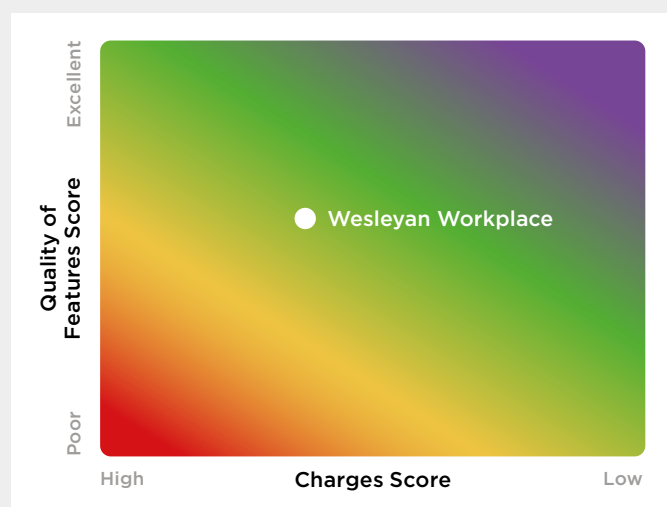
	Weighting toward VfM assessment*	Workplace Plans
1. Product strategy design and investment objectives	7%	●
2. Investment performance and risk	20%	●
3. Communication	13%	●
4. Firm governance	5%	●
5. Financial security	7%	●
6. Administration and operations	13%	●
7. Engagement and innovation	3%	●
8. Cost 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
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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 the Wesleyan Workplace Group Pension Plans provide **good** value for money.

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

- | The GAA would like to see a review into the fund range offered, and more options being introduced, or evidence provided as to why this is not appropriate. The GAA would also like to see consideration given to the introduction of a lifestyling option for the Group Retirement Account and Group Stakeholder policies.
- | The service level agreement (SLA) statistics provided in relation to the administration appear to vary substantially. We would like to see a more consistent attainment of the SLA targets in 2022.
- | The charges are assessed to be moderately high, particularly so for the Group Stakeholder and Group Pension policies. While these are historic policies, they do provide lower value for money than the Group Retirement Account and the GAA challenges Wesleyan to consider if it can reduce the level of charges for these policies.

Additionally, the GAA has the following key observations:

- | The GAA would like to see clear evidence that historic policies receive same level of rigour and review as other ongoing and open books of business.
- | Wesleyan should consider some periodic proactive engagement with this group of policyholders, as per earlier comments.

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

We also concluded that Wesleyan's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship were well documented and significant work has gone into ensuring these are properly embedded into business processes.

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 Wesleyan during the 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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Alternatively, you can contact the GAA directly at zgl.gaacontact@zedra.com



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Overview of the value assessment

The GAA has assessed the Value for Money delivered by Wesleyan to its Workplace Group Pension Plan policyholders by looking at costs versus investment and service benefits. More detail about how we have done this is set out below. Throughout this report Wesleyan is referred to as ‘the Firm’.

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 GAA's 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 24, 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

Wesleyan has three types of policy under the scope of this workplace pension plan review. These are the Group Retirement Accounts (GRA), the Group Personal Pensions (GPP) and the Group Stakeholder Pensions (GSP).

None of the plans offer a default as there was no requirement to do so when these pension plans were sold. Lifestyle is only available for GPP policies, which phases from the Managed fund to the Deposit fund over the 5 years before the individual's Selected Retirement Age. Post April 2005 policyholders are opted into life-styling, whilst pre April 2005 policyholders are opted out.

There are only three fund options available to policyholders (two for GSP policies): the managed pension fund, the with-profits fund, and a deposit fund. Each of these funds is managed in-house by Wesleyan.

The Firm's strengths

All funds have a clear risk rating, and clear aims and objectives, all contained on the fund factsheets, which are readily available on the Wesleyan website. The factsheets are reviewed monthly and it is clear that the risk level of the fund is monitored internally and has guidelines around which each fund should operate.

Policyholders have only very limited funds to choose from, with no choice for the GSP policies if you exclude the deposit fund as a genuine option for the growth phase of a policy.

Policyholders of the workplace pensions can move into an individual pension product with no exit fee, to access a wider choice of specialist funds. This is a useful facility. We note that the Fund choices have not been fully reviewed recently and would challenge the Firm to conduct a review to consider if more choice should be made available to these members.

While the fund objectives do not contain specific measurable targets (e.g. a specified timeframe or commitment of out-performance against benchmark), each fund has a defined benchmark in place. Wesleyan has reviewed the fund objectives in light of the comments which we have raised in this area, and are comfortable that the timeframe reference covering a "medium to long term period" reference remains appropriate and that it should not be linked to a specific number of years or a range of years. In our experience, this is not an uncommon approach, although we do see some firms offering funds with a more defined target (e.g. over a five year period), which we believe is helpful when measuring fund performance.

Wesleyan has shared with the GAA their updated Sustainable Investing Policy, which was first introduced in 2020, and then refined during 2021. Over the period from the introduction of the revised policy (1 October 2021) to the end of the review period (31 December 2021), all in-scope funds under review exceeded the requirements of the sustainability targets and met the objectives of the "three pillar approach".

The GAA has been provided with evidence of Wesleyan's strong stewardship credentials over the course of 2021, with Wesleyan voting at c.95% of all voteable meetings, and citing numerous examples of engagement with companies.

Improvements since last year

It is clear that sustainable investing is an area that Wesleyan has continued to develop significantly and takes extremely seriously. This was recognised when Wesleyan won an award for responsible investor of the year at the Insurance Asset Risk Awards 2022.

Areas for improvement

GAA challenge

The GAA would like to see a review into the fund range offered, and more options being introduced, or evidence provided as to why this is not appropriate. The GAA would also like to see consideration given to the introduction of a lifestyle option for the GRA and GSP policies.

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

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.

The Firm's strengths

The GAA has been provided with copies of meeting minutes for 2021 which provide evidence of regular reviews of fund performance and risk taking place as described above. Discussions were held around investment philosophies being followed and feedback to internal fund managers was provided.

The performance over 2021 for the managed fund, which is the principal fund for the workplace policies, beat its benchmark of ABI Mixed Investment 40%-85% Shares, by over 3.5% over the year. Furthermore, all funds performed ahead of benchmark over the year to 31 December 2021, as seen in the table below.

Improvements since last year

The funds in question have performed more strongly against their benchmarks over 2021 compared to the prior year, although to some extent this will reflect the wider economic environment (and acknowledging that the first half of 2020 was particularly challenging from a growth perspective, due to the onset of the Covid-19 pandemic and the resulting shock to global equity markets).

Net investment performance

The [net investment performance](#) over 2021 of the funds available to policyholders and the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table.

Fund Name	Net Investment Performance	Benchmark
Pensions Managed	13.88%	10.3%
With Profits	12.7%	11.9%
Deposit Fund	0.07%	-0.44%

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 the benchmark set.

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.

Areas for improvement

The GAA did not identify any specific areas for improvement.

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

Wesleyan has a range of communication materials and channels. Core communications undergo regular review and refresh (most at least once a year). In 2021, Wesleyan launched a range of mid-life "MOT" communication materials.

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, and case studies.

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, however there is an additional charge for this for workplace policyholders.

There is limited proactive engagement with the policyholders (aside from the core communications), which reflects this being an historic and reducing book of business, with no new policies being sold.

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, as well as clear signposting towards Pension Wise and Money Helper. 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. The communications provided have clear risk warnings built into them.

The Wesleyan website provides several guides to assist policyholders throughout the lifecycle of their policy, but there are no freely available online calculators.

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 close to the median relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.

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

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 Product Governance Committee meet monthly and consider conduct risk, including internal controls for the historic product range including these policies, including their administration. The Operations Delivery Forum also meets monthly to consider any matters relating to remediation, policy retention, as well as considering any areas highlighted within the Customer Operations Birmingham team. They will also consider product updates if appropriate.

The IT underpinning the operations of the Plans is provided by Sapiens. Wesleyan look to Sapiens in the first instance to apply their own governance for the IT systems, and this is overlaid by oversight of Sapiens provided by a designated person within Wesleyan, and any issues would be reported to the Product Governance Committee.

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. For our previous year's assessment, the GAA was provided with evidence by way of a report on matters raised by the Regulatory Monitoring team in several areas (wider than the workplace policies, but also incorporating these). The conclusion of this report was that the workplace policies were operating in a satisfactory way. We have not been provided with any specific information relating to an assessment carried out since then, although we note that many of the committee structures in place do incorporate processes/performance which is relevant for the workplace policies.

Areas for improvement

GAA observations

The GAA would like to see clear evidence that historic policies receive same level of rigour and review as other ongoing and open books of business.

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 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

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. The solvency ratio for the Firm at the end of 2021 was 306%, which is well in excess of the required level.

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.

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 four transfer requests (not necessarily workplace pensions) which were subject to in depth investigations in 2021. All four cases proceeded as they were found to be legitimate.

Relevant Wesleyan staff were also provided with additional training in relation to vulnerable customers in 2021, and there is a Vulnerable Customers Forum held every two weeks to allow key areas of the business to discuss issues arising.

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

The team work to a target of completing tasks within 3 days to 3 weeks, depending on the task, including investing of new premiums within 4 days. In practice, all contributions are invested using unit pricing relevant on the date that they are received. The target for achieving the SLAs, aside from investing of new contributions, is 85%. The SLAs are monitored on a daily basis.

All colleagues within the team are required to have a recognised industry qualification to improve knowledge & administration competency when working with pensions, or be working towards such a qualification.

The Firm's strengths

Wesleyan have provided full details of their service levels over 2021. The GAA is satisfied that core contributions were invested within the required timescales with an attainment of 100% for this. SLA adherence beyond investment of contributions varied more widely, with achievement ranging from 50% to 100% over 2021, with the average monthly pass rate at 83%.

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. The output of the cyber security maturity assessment for the year showed a marginal improvement on the prior year. Additional measures were also described as having been implemented more recently, to enhance existing protections in response to potentially a higher level of geopolitical security risk, for example associated with the Russian invasion of Ukraine in early 2022.

There was a slight increase in data protection related errors in 2021 (primarily associated with sending of letters to the wrong address). Wesleyan assessed each case at the time of incident and concluded in all cases that they were not serious incidents that required notification to the Information Commissioners Office. Wesleyan are continuing to monitor this situation.

Wesleyan undertake call monitoring, to ensure the quality of the information provided to staff members on telephone calls. Over 2021, 44 calls were monitored, with a pass rate of 80%.

Improvements since last year

As mentioned in section 4, in the second half of 2021 the Customer Operations Birmingham (COB) underwent some structural changes impacting on the administration teams. Although it is relatively soon to determine the full impact of this, it is believed that restructure has yielded an improvement in the operations of the team as a whole.

Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firms 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 close to the median relative to the comparator group.

Areas for improvement

GAA challenge

The SLA statistics provided appear to vary substantially. We would like to see a more consistent attainment of the SLA targets in 2022.

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

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.

However, the workplace policies are an historical and reducing book of business and as such, does not benefit from specific engagement exercises. For example, there have been no targeted policyholder surveys for this population carried out in the last couple of years.

Wesleyan have continued to prioritise and develop their sustainability policies and embed the resulting processes into the investment framework.

The Firm's strengths

Whilst no fundamental changes were made to the product offering over the year, Wesleyan was able to evidence continual improvements, for example with the launch of the mid-life communications.

The Firm continued to demonstrate a clear commitment to sustainability, with significant and challenging commitments made in this area.

Areas for improvement

GAA observations

Wesleyan should consider some periodic proactive engagement with this group of policyholders, as per earlier comments.

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

The three policy types have the following Annual Management Charges applied:

- | Group Retirement Account: 0.75% p.a.
- | Group Stakeholder Pension: 0.9% or 1.0% depending on whether the policy was first taken out before or after 6 April 2003.
- | Group Pension Policies: 0.9% or 1.0% depending on whether the policy was first taken out before or after 6 April 2003. For policies issued after 1 June 2005, there was an initial AMC of 1.5% p.a. applied for the first 10 years, reducing to 1.0% p.a. thereafter.

For the Group Retirement Account, there is an allocation rate of between 91% and 104% for new contributions, along with a 5% bid/offer charge.

No charge is made when policyholders switch from one fund to another (although as stated, there is very limited fund choice and hence few transactions are carried out in practice).

The Firm's strengths

The funds are actively managed, for which you would expect a higher charging structure than funds which are set up to track an index. Nonetheless, the GAA consider that the AMCs at between 0.75%p.a. and 1.0% pa are moderately high. Wesleyan has provided full transaction costs for the year, and the GAA believe these to be of a relatively low level (potentially moderate for the with-profits fund).

Transaction costs are monitored on a monthly basis by Risk Department and used for reporting purposes as appropriate. They would be discussed by exception at Investment Governance Committee as required.

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 of above average charge level, relative to the comparator group.

This assessment would come out as at an average level if we were to consider the charges for the Group Retirement Account alone, where the charges are 0.75%, however the charges for the Group Stakeholder and Group Personal Pension are more expensive, and are reflected in the assessment.

Areas for improvement

GAA challenge

The charges are assessed to be moderately high, particularly so for the Group Stakeholder and Group Personal Pension. While these are historic policies, they do provide lower value for money than the Group Retirement Account and many other comparators. The GAA would like to challenge Wesleyan to consider if it can reduce the level of charges for these policies.

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 characterise 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 8, 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

During the period Wesleyan, as asset owner, revised the Sustainable Investing Policy that it expects asset managers to adhere to when managing directly invested customer funds. In addition to the existing sustainability targets, the policy now includes the requirement to adhere to Wesleyan's "three pillar approach" which covers the areas of reducing harm, having a positive impact, and driving change.

During the period Wesleyan became members of Climate Action 100+, Access to Medicine Foundation, and the UN Principles for Responsible Investment.

The Firm's strengths

For the period from introducing the new sustainable investing policy (1 October 2021), to the end of the review period (31 December 2021), Wesleyan has confirmed that all of the in-scope funds under review exceeded the requirements of the sustainability targets and met the objectives of the “three pillar approach”.

In the period 1 January 2021 - 31 December 2021 Wesleyan voted at around 95% of all voteable meetings. The majority of those instances where they did not vote related to companies who operate in jurisdictions where share blocking rules applied.

Wesleyan engaged directly with a number of companies during the period including: BMO Responsible Housing and Home REIT regarding the social impact of their operations; Wesleyan contacted the Board of Shin Nippon to challenge their poor diversity; and spoke to representatives of Easyjet, Shell, and Tesco concerning their environmental impact.

Wesleyan won an award for responsible investor of the year at the Insurance Asset Risk Awards 2022 and whilst being a relatively small firm, responsible investing has been integrated into the heart of its decision making.

Overall, the GAA concludes the policies on ESG financial considerations, non-financial matters and stewardship are adequate and of good quality.

Areas for improvement

The GAA did not identify any specific areas for improvement.



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.

Wesleyan has provided the GAA with the following disclosures in respect of the period 1 January 2021 to 31 December 2021. In addition, these disclosures are provided on a publicly accessible website at www.wesleyan.co.uk/about/corporate-governance

Transaction costs for Workplace Group Pension Plan funds from 1 January 2021 to 31 December 2021

Fund Name	Transaction Costs as a % of the overall fund
Wesleyan Pension Managed Fund	0%
Wesleyan Pension With Profits Fund	0.04%
Wesleyan Pension Deposit Fund	0%

Illustration of impact of projected costs and charges on fund value over time

Year	Managed Fund		With Profits		Deposit	
	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted
1	11,700	11,700	11,700	11,700	11,200	11,200
3	15,500	15,500	15,500	15,500	13,900	13,900
5	19,800	19,800	19,800	19,800	16,800	16,800
10	33,100	33,100	33,100	33,000	24,600	24,600
15	50,800	50,800	50,800	50,600	33,500	33,500
20	74,400	74,400	74,400	74,000	43,700	43,700
25	105,000	105,000	105,000	104,000	55,200	55,200
30	146,000	146,000	146,000	145,000	68,200	68,200
35	199,000	199,000	199,000	197,000	82,900	82,900
40	268,000	268,000	268,000	265,000	99,400	99,400

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 £10k
3. Inflation is assumed to be 2% each year
4. Contributions are assumed from age 22 to 68 and increase at 2% per year
5. Values shown are estimates and are not guaranteed
6. The projected growth rate for each fund are as follows:
 - Managed fund: 5%
 - Higher risk reward fund: 5%
 - With Profits Fund: 5%
 - Deposit fund: 0.9%

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'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 Wesleyan Workplace Group Pension Plans.

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.

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 close to the median 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 close to the median 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 management 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, were of above average charge level, 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 Wesleyan 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 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.

Members of the GAA had a meeting with representatives of Wesleyan to discuss the GAA's provisional scoring of Value for Money of the in-scope Wesleyan 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, 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.

In particular, the GAA has seen evidence of ESG integration within Wesleyan's investment decision process, and evidence of voting rights with fund managers. 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 Wesleyan and maintains a log which captures any concerns raised by the GAA with Wesleyan, whether informally or as formal escalations. In all cases the meetings were virtual.

The key dates are:

Item	Date
Issue data request	01/12/21
Kick off meeting	02/12/21
Site visits	19/04/22 21/04/22 22/04/22
GAA panel review meeting	25/04/22
Discuss provisional scoring	03/05/22

Concerns raised 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 wesleyan.co.uk/about/corporate-governance
- | 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 zgl.gaacontact@zedra.com so that policyholders can make representation to the GAA direct. Wesleyan will include details of this contact e-mail address on their website.

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 Ltd 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 Ltd can be found at www.zedra.com/pension-schemes

The members of the GAA are appointed by the Board of ZEDRA Governance Ltd. 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 Ltd’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 Ltd’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. 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.wesleyan.co.uk/about/corporate-governance

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.



Appendix F: Data table

Summary of Workplace Group Pension Plan Data at 31 December 2021

	Workplace Group Retirement Account	Workplace Group Personal Pensions and Group Stakeholder Pensions
Number of employers	431	626
Non-qualifying for auto-enrolment	431	626
Qualifying for auto-enrolment	0	0
Total number of policyholders	431	626
Contributing	28	47
Non-contributing	403	579
Total value of assets (market value)	£7.96m	£9.47m



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