Independent Governance Committee (IGC) ANNUAL REPORT 2015/16

Produced by Zahir Fazal, IGC Chair
To reflect the opinions and findings of the Independent Governance Committee as a whole

For the 12 month period covering April 2015 to April 2016

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INTRODUCTION AND SUMMARY FROM THE CHAIRMAN

Dear Member,

The industry regulator, the *Financial Conduct Authority* (*FCA*), requires pension providers to ensure appropriate independent oversight is in place for *workplace personal pension plans*.

I was appointed by ReAssure to chair a new *Independent Governance Committee (IGC)* to help ensure *members* of workplace personal pension plans are getting *value for money*. Established in April 2015, the IGC has a duty to act solely in the interests of policyholders. Over the last 12 months we have been working with ReAssure to assess value for money and I am pleased to share with you our first annual report, detailing the scope of our work and the actions being taken.

We recognise that some pension terminology can be complex. This report has been written in a way that we hope enables good understanding, with any technical terms italicised the first time they appear and explained in the glossary at the back of this report.

ReAssure's business model is to grow through acquiring a wide range of products from different originating firms. Workplace pensions represent only a very small part of the ReAssure business. This has presented its own challenges as there are a wide variety of charging structures and ReAssure believes that any changes should apply to all of its business.

ReAssure has demonstrated to us that a good range of funds are available to members and that service standards have consistently met targets, leading to good customer satisfaction levels. ReAssure has a strong proposition for customers wishing to take benefits at retirement age, with annuities provided through a panel of leading providers and new online tools and products supporting access to *pensions flexibility* introduced in April 2015.

Our assessment found some areas where value for money should be improved and an action plan has been agreed with ReAssure. Our main findings are summarised below:

- 85% of the *unit-linked* and *unitised with-profits* workplace pensions administered by ReAssure have an ongoing regular charge of 1% or less. This is reasonable when compared with equivalent products in the current marketplace.
- The remaining 15% where value for money should be improved, comprise a wide range of older products with higher levels of ongoing charges. These older charging structures were common-place in the market at the time they were taken out. They differ from modern plans in that they can include a separate monthly *policy fee* and typically have *initial units* designed to cover set-up and distribution costs, which have no, or a restricted, value on exiting.
- We also found that outcomes can be adversely affected by member behaviour, in particular the impact of paying small amounts and ceasing *contributions* in the early years.

To address the areas for improvement ReAssure is making some new low-cost funds and alternative product options available to all pension customers. ReAssure will be writing to you to encourage you to consider making changes to your policy where appropriate. This gives all pension policyholders access to options that can reduce their regular ongoing charges to below 1%, proactively offering choices that enable all customers to choose what best meets their needs and circumstances.

It is important that all policyholders consider the options available and take appropriate action. The IGC will be closely monitoring ReAssure's implementation of these changes and how policyholders act. We will report on progress in future Annual Reports.

Zahir Fazal
IGC Chairman

CHAIR'S ANNUAL REPORT:

Independent Governance Committee

For ReAssure Limited Workplace Pension Schemes

1st April 2016

1. INTRODUCTION

Increasing numbers of workers are being enrolled into pension arrangements by their employers. These can be complex and it is important that appropriate independent oversight is in place.

Following a market study by the Office of Fair Trading (OFT), the industry regulator, the Financial Conduct Authority (FCA), set out new rules to help ensure members of workplace personal pension plans are getting value for money.

ReAssure established an Independent Governance Committee (hereafter referred to as 'the IGC') in April 2015, to provide additional governance over ReAssure workplace pensions.

Acting solely in the interests of relevant policyholders (i.e. the *members*), our principal duties are to operate independently to assess, and where necessary, to challenge ReAssure on the value for money of workplace personal pension schemes. You can find a copy of the IGC's full 'Terms of Reference' on www.reassure.co.uk or you can obtain a paper copy by calling ReAssure on 0800 073 1777.

This is the first annual report from the IGC in respect of ReAssure Limited workplace personal pension plans. This sets out the work undertaken by the IGC over the last 12 months and the actions taken by Reassure to address our findings.

Key activities included:

- To support ReAssure's development of a set of principles to assess value for money;
- To assess the levels of charges borne by relevant policyholders, including *transaction costs*;
- To ensure financial transactions are processed promptly and accurately;
- To review the characteristics and performance of investment strategies, including the use of *default funds*;
- To assess how the views of members are taken into account;
- To agree an action plan to address any issues from our findings;
- To establish a process to raise and escalate concerns.

Background to ReAssure and its Work Place Pensions

Originally founded in 1963, ReAssure is a life and pensions company which has grown through numerous acquisitions, as it buys and administers *closed books of business* from other companies. ReAssure currently has 1.7m policies, representing £26bn of funds under management.

The workplace pensions in IGC's scope represent a small proportion of the total ReAssure portfolio, with 16,193 small schemes, 65,108 members, and £952m assets under management.

- 91% of pension schemes invest in unit-linked or unitised with-profits policies, with the remainder being *conventional with-profits policies*
- 0.4% of schemes are open to new members
- 55% of members are *paid up* (no longer making contributions)

There are 33 different products in ICG's scope, nine of which are with-profits. These include policies originating from Crown Financial Management, National Mutual, Gan Life and Pensions, and HSBC Life (UK).

Acquisitions

HSBC Life UK

ReAssure entered into an agreement to acquire around 350,000 pensions and annuities from HSBC Life (UK) in 2014. These transferred to ReAssure in August 2015 and included approximately 55,000 work place pension policies. This presented additional challenges for the IGC as it significantly increased the volume of workplace policies, representing 85% of cases within its remit for review.

Due to the timing of the transfer, HSBC Life established a separate IGC during the period of April to August 2015. In order to provide continuity and facilitate an appreciation of the issues, HSBC selected the independent members of the ReAssure IGC to act as the independent members of its IGC. Legal advice was obtained to confirm that this did not represent any conflict of interest. ReAssure IGC members attended the HSBC IGC meetings to ensure all required information was obtained, with shared knowledge transfer and handover. The ReAssure IGC did not place any reliance on the work of the HSBC Life IGC, prior to acquisition.

The IGC have included HSBC as if part of the ReAssure assessment process from the outset. This report covers both the acquired HSBC business and ReAssure's existing customers.

Guardian

On 6 January 2016, ReAssure successfully concluded a deal to acquire 100% of the shares of Guardian Holdings Europe Ltd.

Guardian use a Governance Advisory Arrangement (GAA) to fulfil the independent governance requirements on its workplace personal pensions. They approved the selection of Pitman Trustee Services (PTL), a leading independent trustee company providing this service to a number of insurance companies.

A separate assessment and report will be published for this business. These workplace pensions will be integrated into the ReAssure IGC remit during 2016.

Independent Project Board (IPB)

Following on from the 2013 Office of Fair Trading (OFT) study of the workplace pensions market, the *Association of British Insurers* (ABI) agreed to undertake an audit of these schemes, which was overseen by an *Independent Project Board* (IPB) set-up by the OFT. This led ultimately to the creation of IGCs.

ReAssure shared details of the data submitted to the ABI with the IGC and this was used by ReAssure to help establish its principles for assessing value for money. In particular, the IPB's 1% p.a. total charge was applied as a reference for current market equivalents. The specific questions set out in the IPB report were also considered in supporting our assessment.

2. ASSESSING VALUE FOR MONEY

ReAssure provided the IGC with data and analysis which considered value for money by applying a number of tests, principally:

1. **Absolute value for money test** – This test determined whether, when the product was sold, it would reasonably have been expected to deliver a positive net value for members in aggregate. This was assessed on the basis of reasonable assumptions of future member and market behaviour, taking account of charges and fund growth. This test recognised that a member's behaviour might lead to an individual receiving a different outcome to the average person's experience within a product line.
2. **Current market equivalent comparison –** This test determined whether individual groups of members might be able to obtain products elsewhere in the market which meet their needs but deliver better value for money. Given challenges in getting market comparable data, a market equivalent benchmark of 1% p.a. total ongoing charge was applied for unit-linked schemes (thus maintaining consistency with the IPB reference point).
3. **A balance of cost versus benefits** – The IGC also subjectively considered soft benefits, such as ReAssure's service, communications, long-term financial security and governance. The IGC set out a framework of required information, which ReAssure provided to support this assessment.

As a result of its acquisition strategy, ReAssure operates a large number of older policies which have historic charging structures. This has made our assessment more complex as there are a wide range of pricing structures underpinning ReAssure's products. This made it difficult to compare any individual charge in isolation and our approach was therefore to look at the overall impact of charges rather than consider each charge individually.

After discussion and challenge with ReAssure, the IGC accepted that this year's assessment would be based on *in-force* polices, considering the impacts at a product level, as the most efficient way to deliver benefit to the largest group of members. We will monitor outcomes over time and future analysis will focus more on specific cohorts within products.

ReAssure will proactively offer forward-looking choices to all customers, so that they can choose what best meets their individual needs and circumstances.

We identified exit charges as a particular issue and asked ReAssure to consider whether it would formulate a policy for these. The Company has decided to wait until the regulatory standards are established, before taking any action on exit charges. This is expected to be in 2016.

Investment Strategies

Evidence has been provided that the characteristics and net performance of all the unit-linked funds are regularly reviewed by ReAssure's *Board Investment Committee* (BIC) to ensure that they are aligned with the interests of members. Their terms of reference include reviewing historic performance figures, including volatility of returns relative to benchmarks. The IGC will receive minutes and reports of the BIC on a quarterly basis to ensure that appropriate monitoring of investment performance is ongoing.

ReAssure currently use two main Fund Managers, with the majority of policyholder assets managed either by *Aberdeen Asset Management* (AAM) or *HSBC Global Asset Management* (HGAM). There are also a small number of external funds, managed by third parties. The investment strategy in place for policyholder assets aims to outperform benchmarks over the medium to long-term, which is considered as a period of at least three years.

Members can select funds from a wide range available, which represent the major asset classes. ReAssure allows its customers to switch funds free of charge, but fund switch volumes are minimal. ReAssure has been taking action to drive greater customer engagement with fund selection by making available richer information on funds and their risks and performance (via *Morningstar*) and making fund switches easier to do online or by phone.

A large proportion (63%) of customers' money is held in the diversified Managed Fund. This comprises approximately 75% equities and invests across a wide range of asset types, industry sectors and geographic areas.

The IGC has received quarterly data showing the investment performance of each underlying fund compared to the investment benchmark of its constituent assets. The average investment return (weighted by the total value of funds under management) has been above benchmark over the last five years but has underperformed over shorter periods. ReAssure's BIC monitors performance and we have seen evidence of action being taken where medium-term underperformance has persisted.

Some policies include an automatic *lifestyling* facility, which enables members to reduce the risk on their investment as they approach retirement. ReAssure have a factsheet to help improve customer understanding and engagement.

The with-profits fund has been overseen by the ReAssure Fairness Committee for many years, with independent Non-Executive members in place to ensure fair pay-outs to members.

Default Funds

There is no evidence of money being placed into specific funds by default. This means that members had to make an active investment choice from the range of funds available and were not automatically placed into a default fund.

Overall, we have concluded that the investment strategies are designed and executed in the interests of members and include clear statements of the funds' aims and objectives.

Transactions Processing

We received management information and reporting from ReAssure to confirm that important financial transactions, such as receipt of contributions, investment allocations, charges and the payment of benefits, have been processed promptly and accurately.

ReAssure presented details of the governance framework in place to ensure appropriate monitoring and oversight. There have been a minimal number of errors, which are investigated and corrected as set out in ReAssure's Unit Linked Guide (available on the website).

Policy transactions on the system are processed in a timely manner according to Customer Services' service level agreements. Any breaches due to delays or incorrect administration are logged and dealt with in agreed timescales. The identification, tracking and rectification of issues is done through a well-governed process, including the establishment of root causes and trends, to help prevent future breaches. This is managed by the Compliance function with appropriate monitoring and escalation in place, as necessary.

Transaction Costs

ReAssure's *Investment Management Charges* (IMCs) are charges or expenses incurred when trading or maintaining the underlying investments, including taxes. Trading costs currently include such items as stamp duty and dealing commission, while administration costs primarily include investment management and custodian fees.

IMCs vary by fund and over time, as each fund bears its own charges, based on the transactions made within each fund. ReAssure's approach is to group funds with similar investment mandates into a single base fund. This pooling of investments increases the size of funds and hence reduces the impact of IMCs through economies of scale. As a result, these do not have significant impact on the overall level of charges.

Transactions costs have been considered in assessing the impact of all charges, in totality. Based on available information, the IGC has not seen any evidence to suggest these are not reasonable for the nature of the investment, though it recognises the difficulties in ensuring that transaction costs in their entirety have been captured. We are aware that the FCA and the industry is currently working on some standardised methods for the assessment of transaction costs and we will therefore be looking at this area in more detail during 2016/17.

The Level of Charges to Members

The IGC received detailed analysis on the level of charges applied on workplace pensions and assessed the impact this had on overall value for money.

Products sold since 2000 have relatively low charges and reflect the advent of the single charge (stakeholder) environment.

Of the unit-linked and unitised with-profits policies, 85% have an ongoing regular charge of 1% p.a. or less. This compares reasonably against current market equivalents, using the IPB 1% p.a. reference point. These will benefit from recently enhanced communications and tools to support ReAssure customers with ongoing policy management.

ReAssure also has a wide range of older products and those sold in the 1980s and early 1990s show a higher absolute level of charge. These have complex charging structures which may include a combination of *Annual Management Charge (AMC)*, IMC, a monthly Policy Fee and for premium paying cases, a *Bid Offer Spread*. These charges may be offset by increased allocation rates. Many older products include initial units to cover set up and distribution charges that have no, or a restricted value, on exiting the policy.

- The average ongoing AMC is less than 1% but some are materially higher, up to 1.94%. Generally, higher charge funds within these products are more specialist in nature and were actively selected by a small proportion of members.
- Some legacy policies have a Bid Offer Spread of up to 5%, although in some cases increased allocation rates apply to help offset this. A large proportion (~55% by member count) are no longer premium paying, so are not being impacted by this charge.
- Some legacy policies contain a Monthly Policy / Service Fee. This is on average £2.00 per month, but ranges from £1.00 per month to the highest at £5.40 per month. This is not common on modern plans and can significantly impact legacy plans with small values where contributions ceased to be paid early in the policy life.

There is no simple “one size fits all” charge structure that will ensure that all savers get value for money all of the time. Due to the costs of policy set up and advice and the pooling of expense risk it is possible for charges to result in an individual receiving a negative net return. ReAssure’s value for money assessments demonstrated that single premium plans, and plans where regular premiums were maintained over the medium to long term, are generally projected to deliver reasonable post-charges returns. The impact of charges on returns was markedly increased where premiums ceased after shorter periods.

Where members choose to increase contributions, these are processed using modern style policies where ongoing charges are 1% or less (except where existing policies contain special features which are more valuable).

A small proportion of policies within the IGC scope are invested in the with-profits fund. Assessment of value for money shows maturity pay-outs from the with-profits funds are in the top quartile for sample policies. No *Market Value Adjustment* has been applied to policies on early retirement or transfer, for over five years. Due to strong observed returns, ReAssure do not believe there is a value for money issue for these policies, so detailed testing has been prioritised for during 2016.

Some older products include initial units which were designed to cover set up and distribution costs. These have little or no value on exiting the policy, although these normally have a value on death. The FCA is currently considering the introduction of a cap on exit charges from age 55. ReAssure are currently awaiting full details, to ensure that the action taken is aligned to the FCA’s exact requirements. ReAssure expect this to be implemented over the next 12 months.

Whilst ReAssure’s results demonstrate that at the outset, products were expected to deliver reasonable value and were consistent with the market conditions at that time, market equivalent rates have changed significantly. Based on this analysis and findings, the IGC have agreed with ReAssure that actions should be taken to enable, and where appropriate encourage, members to reduce their regular ongoing policy charges to 1% p.a. or less – see action taken detailed in Section 4 of this report.

ReAssure’s approach is to proactively offer choices that enable all pension customers to choose what best meets their needs and circumstances. Actions will in general be forward-looking only and apply to in-force policies. We have not revisited historic charges that customers have already paid or terminated policies (except in considering the overall value for money of impacted products).

We recognise that many members are no longer with their original employer, so ReAssure will communicate with individuals directly.

3. Consideration of the Interests of Members

To support our assessment of the quality of the benefits and services provided, the IGC requested completion of an information matrix, giving details of the communications and options by product. We also listened to calls made by customers into the ReAssure Call Centre.

The IGC has received detailed information on how ReAssure has embedded its fairness values into operational processes across the whole business, which includes the small subset of workplace personal pensions within the IGC remit. The IGC has received regular management information detailing the actual outcomes being delivered.

ReAssure have removed the concept of a pre-set retirement date, delivering annual retirement *wake-ups* from age 55 with projections to multiple ages. This aligns communications with the way members really behave as only minimal numbers were retiring on the date they had originally selected. This enables members to see what they get if they retire at different dates, managing expectations and enabling them to make an informed choice at a retirement age right for them.

For members who want a guaranteed income in retirement, rather than selling their own *annuity*, ReAssure offers the option to take an annuity from a wide panel of the UK's best known providers. This means that members get open-market equivalent outcomes, with access to both *conventional* and *enhanced annuities,* delivering consistent and strong outcomes.

ReAssure also have a new Online Retirement Planning Toolkit that helps customers to assess how much income they will need in retirement and understand their different retirement options. This supports customers in making the right retirement decisions in an interactive and accessible way, so that they can appropriately plan for their retirement needs.

Customer communications are of a high standard overall and ReAssure provides access to good online tools and telephone support, to help customers make well-informed choices. The information included in Annual Statements helps support a good retirement proposition, helping customers to achieve good outcomes and delivering flexible access to their pension pot in a tax-efficient way.

ReAssure has recently launched a new website with the layout and content designed to improve customer understanding about their retirement options, right through to offering the ability to apply for some options online.

Member Interaction and Engagement

The IGC recognise that we will be more effective if there are arrangements in place for interested members to make their views known.

An online mailbox facility has been set up on the ReAssure Website for members to raise concerns directly with the IGC. This has been communicated in Annual Statements, and the ReAssure website contains more details about the role of the IGC and its members. No material issues have been raised during this 12 month reporting period.

The IGC have also received the findings of ReAssure's customer surveys alongside complaint analysis, to help support us in understanding customer views. Complaint volumes on Work Place Pensions have been minimal. Customer Satisfaction levels across the whole ReAssure book show that 83% of customers who responded are either "satisfied" or "very satisfied", suggesting that service levels are generally meeting expectations. It is not possible to extract data for only the policies within the scope of the IGC, as the low volumes would not be statistically meaningful.

4. ACTIONS TAKEN

Based on the above analysis and findings, the IGC agreed with ReAssure that actions should be taken to enable members to reduce their regular ongoing policy charges to 1% or less. Whilst some actions will be taken unilaterally by ReAssure, others will require members to select the most appropriate course of action for them and ReAssure will support them in making these choices.

It is important for members to engage with this call to action.

Options will be communicated using targeted messaging sent to policyholders alongside their Annual Statement. ReAssure consulted with the Behavioural Economics experts in their organisation when designing the communications to help maximise the chances of member understanding.

Actions include:

1) Three new funds offered on ReAssure's new business (Global Equity, Bonds and Deposit) will be made available to customers within their existing pension product. These have an Annual Management Charge of 0.65% and no Bid Offer Spread.
    a. Policyholders can make a free switch from their existing accumulator funds into these three funds.
    b. One of the benefits of selecting this approach is that policyholders can reduce ongoing charges and retain existing valuable benefits (such as, life cover, *waiver*, *Guaranteed Annuity Rates* and *Employer Contributions*). By staying in their existing policy, policyholders can also avoid realising any exit charges.

2) Where members are in existing funds with an exact investment match to one of the new funds, the existing fund charge will be automatically reduced to 0.65%.

3) Policyholders can also transfer their existing policy into ReAssure's new low-cost Retirement Account which has an Annual Management Charge of 0.65%, with no Policy Fee or Bid Offer Spread. This product also enables access to pension flexibility from age 55.
    a. ReAssure will support members in evaluating whether any valuable benefits are likely to be lost as a result of this action.

4) Members who may benefit most from consolidation of policies (either with ReAssure or alternative providers) will also be encouraged to consider this.

The IGC has asked ReAssure to survey members who have received the targeted communications to gauge understanding of the material. In addition, we will also assess whether direct contact with schemes' administrators or employers materially impacts outcomes.

Our priority for 2016-2017 will be to see what take-up there has been as a result of the communications and to request ReAssure to demonstrate that the communications have had the desired effect.

5. STATEMENT OF IGC CREDENTIALS

The IGC comprises five individuals, the majority of which (including the Chair) are independent. We act solely in the interests of members, with any potential conflicts of interest considered, in accordance with the conflict of interest policy, to ensure they do not interfere with our capacity to act independently of ReAssure.

The IGC members were carefully selected to ensure that, individually and collectively, we have the appropriate skills, knowledge and experience in relation to Workplace Personal Pensions, to be able to execute our duties, and assess and make judgements on value for money. As the IGC concept was new, ReAssure determined that a key skillset related to the ability to act as independent "trustees" and thus external members were sourced from leading professional services firms providing such skills to the well-established Defined Benefit Pension Scheme trustee market. An open and transparent recruitment process was implemented, which involved the IGC Chair in the appointment of other IGC members, to ensure credibility and independence.

Short Biographies for each of the IGC Members

- *Zahir Fazal - Chairman*
  Zahir is a Chartered Accountant and a Director of BESTrustees plc. His current appointments cover a wide range of pension schemes, both defined benefit and defined contribution, and diverse industry sectors. He has several appointments as Chair of Trustees and also Chairs two Governance Committees for contract based pension arrangements. Prior to joining BESTrustees in June 2008, Zahir was a partner in a major accountancy practice, where he established their highly successful Pensions Group. A Fellow of the Institute of Chartered Accountants, he is currently Chairman of the Institute's Pensions Sub-Committee and has recently acted as Chairman of the Pensions Research Accountants Group, where he remains on the Board. In these capacities he has regular contact with the Department for Work and Pensions (DWP) and the Pensions Regulator on regulatory developments.

- *Giles Payne*
  Giles has over 25 years' experience in pensions, having worked for consultancies, an insurance company, an asset manager and now as an Independent Trustee. Giles chairs five schemes and works with another four investment sub-committees. Before joining HR Trustees, he worked for ten years for Legal & General Investment Management as a client manager, looking after a range of schemes covering various investment mandates, including both defined benefit and defined contribution. He was involved in the design and implementation of strategies including liability driven investment solutions and multiple managers. Before moving into investment management, Giles gained experience within pensions, including administration, legal documentation, technical training and consultancy, covering both defined benefits and defined contributions arrangements.

- *Andrew Parker*
  Andrew is involved in a number of pension trustee boards of varying sizes and complexity, in both defined benefit and defined contribution areas. He chairs several of these trustee boards. He joined Law Debenture from BT Group where he was a sponsor-nominated trustee director of the BT Pension Scheme (BTPS). Andrew is also a director of Law Debenture Governance Services and leads the governance services practice across corporate and pension trustee boards. Andrew is a solicitor by training. He spent time in private practice in the City before joining BT Group where he worked in a variety of legal, regulatory, and governance roles before becoming General Counsel of BTopenworld and subsequently BT Retail; and BT Group Company Secretary in 2008. He was a member of the London Stock Exchange Primary Markets Group (2008-2012), the All Parliamentary Corporate Governance Group, the GC100, and the chair of the Chief Legal Officers' Forum (2007-2010). Andrew recently stood down as director of the Conference Board European Pensions Council. Andrew is a council member of the Association of Professional Pension Trustees.

- *Paul Parsons*
  Paul has worked in Management and Executive positions within the Customer Services and Information Technology functions of ReAssure and other group companies for the past 30 years. During that time he has contributed towards the implementation of the key business administration and system strategies of the Company and played a key operational role in historic business acquisitions and migrations. His current focus is to guide the development of future strategies, systems and processes to support growth within the business and provide strong customer outcomes. Paul has a Bachelor's degree in Economics and Accountancy from the University of Southampton.

- *Simon Thomlinson*
  Simon has over 25 years of experience in financial services in both mutual and proprietary organisations. He joined ReAssure in 2006 with the acquisition of the GE Life group of companies, where he was responsible for the development of individual pensions business. He sat on the Trustee Board of the defined benefit pension scheme, with particular focus on the terms on which schemes were merged. Prior to that he was the Deputy Actuary for National Mutual Life. His initial focus within ReAssure was the transfer of the business into a single company. He was appointed Actuarial Function Holder of ReAssure in 2010, responsible for actuarial reporting and the transfer of successive acquisitions into ReAssure.

The two non-independent members were selected to bring valuable in-depth ReAssure policy-specific knowledge and understanding to the work of the Committee. They are bound to act in the interests of scheme members, in their capacity as IGC members.

Membership will be reviewed on a regular basis, to ensure that the independent IGC members continue to be independent and the balance of expertise is appropriate. Action would be taken if it is considered that any member has subsequently taken on other responsibilities that compromise their independence. Single fixed terms of no longer than five years (with a cumulative maximum duration of ten years if reappointed) ensure members continue to be able to challenge effectively.

This satisfies the requirements to ensure current members have the appropriate skills and expertise. ReAssure provided good support to the Committee during 2015. The Committee intends to build on this first year of activity and continue to serve its purpose and act in the interests of ReAssure's workplace pension plan customers.

6. Other

Engagement with the ReAssure Board / FCA

Under the Terms of Reference of the IGC, we have the responsibility to raise and escalate any concerns relating to the value for money of schemes and a clear escalation process has been documented.

The IGC shared its findings and recommendations with the ReAssure Board who agreed and supported all appropriate actions. During this period the process of further escalation was not required. Any issues raised at the meetings of the IGC were appropriately addressed by management to the satisfaction of the Committee.

Conclusion

This IGC report is for the twelve month period up to 5 April 2016. The process of annual reports under the FCA requirements is ongoing and further annual reports will be provided.

Having reviewed the charges on ReAssure's workplace pensions, we identified some areas where value for money should be improved. We have agreed an action plan with ReAssure and it is important that all policyholders consider the options available and take appropriate action.

Overall, the IGC can see evidence that ReAssure are taking appropriate action to help members achieve value for money. Over the next year the IGC will monitor member take-up rates in respect of the options provided and assess in more detail the areas which will continue to be of prime importance in providing value for money for policyholders.

If you are a member and require any further information or wish to make any representation to the IGC, you can contact us via the link on the ReAssure website, or write to me via ReAssure Limited, Windsor House, Ironmasters Way, Telford, Shropshire TF2 4NB.

Zahir Fazal, IGC Chair

APPENDIX 1 - GLOSSARY OF CERTAIN TERMS USED IN THIS REPORT

AAM	Aberdeen Asset Management
ABI	Association of British Insurers
Accumulation Units	Units with relatively low charges. For some unitised policies premiums for an initial period are allocated to capital units for the purpose of recovering the product provider's initial costs. After the initial period subsequent premiums are invested in accumulation units which have lower charges.
Annual Management Charge	The charge made over the year by product providers to cover the expenses associated with administering the pension plan. Although expressed as an annual percentage figure, the charge is usually taken from the fund daily.
Bid Offer Spread.	The difference between the selling price and the purchase price for units of investment. The bid price is the price at which you can sell your shares, and the offer price is the price at which you can buy them. The offer price is usually higher than the bid price.
Book	The policies under administration by ReAssure
Closed books of business	A portfolio of with-profits life insurance funds that is closed to new business.
Contribution	The money you pay into a policy. Typically, the money you pay into a pension is called a contribution and the money you pay into a life policy is called a premium, but the two terms can be interchangeable. Pension contributions are often also paid by employers into their employees' pensions.
Conventional With-Profits Policies	A long-term investment policy that participates in the profits of the provider. The money you invest is pooled together with money from other people and invested in the insurance company's with-profits fund. Costs are deducted from the fund and what is left over (the profit) is available to be paid to the with-profits investors. It guarantees minimum amounts payable at certain dates and you get your share of the profits in the form of annual bonuses added to your policy. The company usually tries to avoid big changes in the size of the bonuses from one year to the next. It does this by holding back some of the profits from good years to boost the profits in bad years.
Conventional Annuity	Provides a known level of income throughout your lifetime, in return for a lump sum payment.
Custodian Fees	A charge levied by our Custodian in return for holding securities in electronic or physical form. We use a Custodian, which is a separate financial institution, to hold the securities for safekeeping.
Default Funds	Funds into which customers' investments are placed unless they specifically select another fund
Defined Benefits	The income received from a defined benefit pension is a predetermined monthly amount rather than being dependent on investment performance
Defined Contribution	The income you get from a defined contribution pension depends on factors including the amount you pay in, the fund's investment performance and choices made at retirement.
DWP	Department for Work and Pensions
Employer Contributions	Contributions paid to an employee's pension by his/her employer.

Enhanced Annuity	An enhanced annuity pays out a higher level of guaranteed income based on health and lifestyle factors.
FCA	The Financial Conduct Authority.
Guaranteed Annuity Rates	Also known as a Guaranteed Annuity Option (GAR). This is a guarantee to pay a minimum amount of retirement income, or use a minimum rate to work out how much retirement income will be paid. These guarantees were set when policies were taken out and are usually more generous than current market annuity rates.
HGAM	HSBC Global Asset Management
IGC	Independent Governance Committee
In-Force Policies	Policies that are still live, i.e. not terminated, irrespective of whether premiums are still being paid.
Initial Units	Units that carry relatively high charges. For some unitised policies premiums for an initial period are allocated to initial units for the purpose of recovering the product provider's initial costs. After the initial period subsequent premiums are invested in accumulation units which have lower charges.
Investment Management Charge	The charge made over the year by fund managers to cover the expenses associated with running the investment fund.
IPB	The Independent Project Board set up by the Office of Fair Trading to oversee the audit of workplace pensions.
Lifestyling	Lifestyling is a process where the money invested in your pension is gradually moved out of riskier (but higher potential return) assets, such as shares, into lower risk (but lower potential return) assets, such as cash deposit funds or bonds. Lifestyling strategies are usually considered around 5 years before retirement, by people interested in trying to help preserve their existing pension savings.
Market Value Adjustment / Reduction	A reduction made to the value of a with-profits fund if you cash in some or all of your with-profits investment before your selected pension age. MVAs help ensure a fair distribution, policyholders who cash in some or all of their with-profits investment before the end of the policy term do not disadvantage the remaining policyholders.
Member	ReAssure's workplace pension plan policyholders within the remit of the IGC.
Morningstar	Morningstar is an independent investment research company that ReAssure uses to provide detailed fund information on their website, e.g. performance, fund objectives and asset allocations
OFT	Office of Fair Trading
Paid-up Policies	A policy is made paid-up when a customer ceases to pay premiums before the end of the term but continues to hold the policy.
Passively Managed Funds	The fund closely tracks a market index. Passive management is the opposite of active management in which a fund manager attempts to beat the market with various investing strategies and buying/selling decisions.
Pensions Flexibility	A series of changes which were made to pension tax rules in 2015 to give people increased access to their pension savings from age 55.

Policy Fee	A regular fee deducted from a policy to cover administration costs.
Retirement Wake-ups	Communications sent to customers as they approach retirement to advise them of their options
Small Pots	A pension pot worth £10,000 or less. If you're eligible, you can take the entire pension arrangement as a cash lump from age 55. The first 25% is tax free, with the remaining 75% taxed as income.
Stamp Duty	A tax placed on legal documents usually in the transfer of assets or property. For example stamp duty is frequently payable when a fund buys shares.
Terminated Policies	Policies that are no longer in force.
Trading Costs	These are costs incurred by the fund on your behalf for buying and selling the assets the fund invests in. They include commission paid to stockbrokers and *stamp duty* on UK equities.
Transaction Costs	Transaction costs are the charges or expenses incurred when trading or maintaining the underlying investments, including taxes. Trading costs currently include such items as stamp duty and dealing commission, while administration costs primarily include investment management and custodial fees.
Unitised With- Profits Policies	A with-profits investment is where premiums buy units in a with-profits fund. The value of the units increases in line with bonuses declared, either through the addition of units at a fixed price or through increases to the unit price.
Unit-Linked Policy	A policy giving access to a unit-linked fund. A unit-linked fund is a type of pooled investment where the premiums buy units in a fund of the investor's choice. The value of the policy is measured by the total value of the units allocated to it.
Value For Money	The balance of cost versus benefits.
Waiver	This is a provision to maintain the policy during a period of long-term ill-health or incapacity when the policyholder cannot work.
With-Profits Funds	A long-term investment policy that participates in the profits of the provider. It guarantees minimum amounts payable at certain points, such as death, and provides growth in the form of bonus payments. The policy is subject to smoothing of investment returns, which means that some profits are held back in years where investment performance is strong, and used to top up bonuses in years when performance is poorer. ReAssure has two with-profits funds: the National Mutual With-Profits Fund and the Windsor Life With-Profits Fund.
We, Us, Our	ReAssure's Independent Governance Committee (IGC)
Workplace Pension Policies	Workplace personal pension schemes include personal pension schemes and stakeholder pension schemes which employers either use for automatic enrolment or make available to their employees. i.e. when employees join a personal pension scheme through the workplace, a contractual agreement is established directly between the scheme provider and the employee.