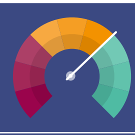
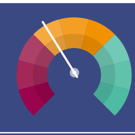
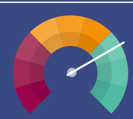
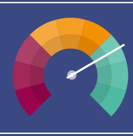
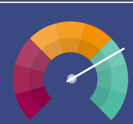
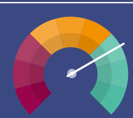
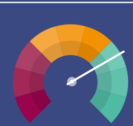
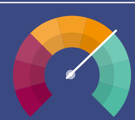
Annual Report of the ReAssure IGC

2021

	ReAssure Ltd	ReAssure Life
Do customers get good value for money?	Yes	Yes
Costs and Charges Are the costs and charges you pay reasonable for what you get in return?		
Investment Performance How are your investments performing?		
Investment Services Are your investments well managed?		
Customer Service What is the quality of the service?		
Communication and Engagement How well do we communicate with you and keep you up-to-date with your pension?		
Environmental, Social and Governance Is enough allowance made for ESG considerations in how your pension savings are invested?		
Investment Pathways Are ReAssure's Investment Pathways performing as they should?		

Independent Governance Committee

Welcome to this, the seventh annual report of the ReAssure Independent Governance Committee (IGC). This report is particularly relevant to you if you have a workplace personal pension plan provided by ReAssure Limited or ReAssure Life Limited (together, "ReAssure"). It is also of relevance to readers who have recently taken out an investment pathways plan with ReAssure Limited. It provides you with important information about your plan and how to compare it with possible alternatives in the market. It also tells you what the IGC thinks of the value for money that you are receiving.

Readers who would prefer more of a summary view are encouraged to read the Value for Money Summary that can be found on the IGC **webpage**.

Cost of living crisis

The IGC is very conscious that we are publishing our report on 2021 at a time of economic turmoil and real worry for many of the ReAssure customers within our scope. While we hope that our VfM analysis and the targets that we place on ReAssure are of long-term benefit to you, we realise that many of you will have short-term pressures that you need help with. To that end, we are encouraging ReAssure to be as flexible as possible with requests from customers who are exploring their options.

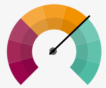
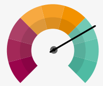
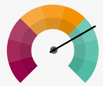
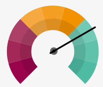
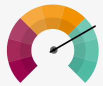
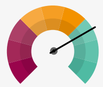
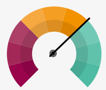
We are also pleased to see that ReAssure is doing what it can to provide helpful guidance and also point you to other sources of information and guidance. You can find this material on the ReAssure website **here**.

Contents

Value for Money Dashboard

Value for Money Dashboard

This dashboard gives you a summary of whether we think you are getting value for money from your pensions within the remit of the IGC. As there are two distinct entities managing these pensions where appropriate, we have provided two separate Value for Money scores. Much more information can be found in the pages that follow.

		ReAssure Ltd*	ReAssure Life
Do customers* get good value for money?		**Yes** Despite drop in service in Q4, following transfer of policies from L&G	**Yes** Despite drop in service in Q4, following transfer of policies from L&G
Costs and Charges	Are the costs and charges you pay reasonable for what you get in return?		
Investment Performance	How are your investments performing?		
Investment Services	Are your investments well managed?		
Customer Service	What is the quality of the service?		
Communication and Engagement	How well do we communicate with you and keep you up-to-date with your pension		
ESG and Stewardship	Is enough allowance made for ESG considerations in how your pension savings are invested?		
Investment Pathways	Are ReAssure's Investment Pathways performing as they should?		

* **ReAssure Ltd** is made up from a range of heritages (including Gan, Crown, Aegon, Gresham, ReAssure, National Mutual, HSBC, and Guardian), and includes the mature savings business acquired from Legal and General, which transferred onto ReAssure systems in September 2020.

Introduction from the Chair

Introduction from the Chair

Welcome to this, the seventh annual report of the ReAssure Independent Governance Committee (IGC). This report is particularly relevant to you if you have a workplace personal pension plan provided by ReAssure Limited or ReAssure Life Limited (together, "ReAssure"). It is also of relevance to readers who have taken out an investment pathways plan with ReAssure Limited. It provides you with important information about your plan and how to compare it with possible alternatives in the market. It also tells you what the IGC thinks of the value for money that you are receiving.

There are other companies within the Phoenix Group that also provide workplace personal pension plans. They have their own IGCs, but with aligned membership across the Group. There are also other pension customers of ReAssure who are not within the remit of the IGC – predominantly holders of individual pension plans, rather than workplace arrangements. While some of our findings may be relevant to other portfolios of business within the Phoenix Group, the focus of this report is on what ReAssure is delivering for its pension customers within our scope.

There have been a number of changes impacting the work of the IGC since the publication of last year's report:

- **Membership changes:** There were two changes in membership of the ReAssure IGC during 2021 and these, along with the further changes that took effect this year are set out later in this report.
- **Wider ESG analysis:** The requirement to consider and report on how Environmental, Social and Governance ("ESG") considerations, along with other aspects of what is often called "Responsible Investment", are taken into account in ReAssure's investment decisions that impact in-scope customers' pension pots and/or investment pathway funds is now wider. Last year, the requirement was just to consider the relevant policies in place; this year, IGCs are also to consider how well they are implemented.
- **Increased costs and charges disclosure:** The requirement to publish certain information around the costs and charges that can apply to in-scope customers' investments, and give an indication of the long-term impact these can have on retirement outcomes, is also now wider. Last year, the requirement was just in respect of charges that apply to default funds; this year, IGCs are to ensure publication of the costs and charges that apply to all fund choices available to members.

While some of the members may have changed and our scope increased, **the primary role of the committee remains the same – to act solely in the interests of ReAssure in-scope pension and investment pathway customers and assess the value for money that you are receiving from your workplace pension or investment pathway plan.**

Assessing Value for Money (VfM)

The FCA (Financial Conduct Authority, the regulator which oversees the way pension providers like ReAssure treat their customers) wants to make it easier for IGCs to compare the VfM of pension products and services. To that end, they require that IGCs assess ongoing VfM by considering at least the following three factors.

- the level of charges and costs;
- investment performance; and
- the quality of services,

and how what is being provided compares with comparable options across the marketplace.

In order to support the FCA's intention, we have mapped our existing VfM framework onto these three factors, but with some further subdivisions within the third factor in order to separately assess:

- customer communications and engagement;
- customer service; and (as a new introduction this year)
- investment services (e.g. default investment fund design and execution).

The IGC believes that "ongoing VfM" is fundamentally a forward-looking measure. Thus, of the following three questions:

1. Have you received VfM?
2. Are you currently receiving VfM?
3. Going forward, can you expect to receive VfM?

our assessment is mainly addressing questions 2 and 3.

Of course, past performance is still important, since it determines customers' experiences to date and, in particular, the current size of your pension pot. However, past good performance is not a guarantee that VfM will be delivered in the future, nor is past poor performance a sign that VfM cannot be delivered going forward. Nevertheless, where we find:

- poor customer service which is not being addressed, or addressed quickly enough;
- charges that are out of line with appropriate comparators and which are not being reviewed and/or reduced;
- poor investment performance (relative to the benchmarks set and/or relative to appropriate comparators within the industry) which is not being called out and the reasons for it being not addressed quickly enough

the IGC would see these as potential barriers to a "clean bill of health" as far as ongoing VfM is concerned. However, where past issues with an aspect of the pension proposition have been addressed and, looking forward, what is being delivered and at what cost, compares well with appropriate comparators across the industry, the IGC's assessment of ongoing VfM from that factor is likely to be positive.

This is particularly the case for the IGC's assessments of:

- costs and charges
- communication and engagement; and
- customer service.

In previous reports, the IGC has taken the same ongoing VFM approach to investment matters. However, because the FCA have stipulated that IGCs should consider investment performance separately from the assessment of the design and execution of default investment funds (which is to be included in the IGC's assessment of the quality of services), we have split our VfM assessment of investment matters into two parts, and considered Investment Performance separately to Investment Services, by which we mean all the other aspects that we feel it is appropriate to consider (e.g. investment proposition design, execution, governance and oversight).

As a consequence, poor past investment performance, even if already addressed by the provider, will be separately identified in the IGC's overall VfM assessment.

Within this new grouping, we have still retained much of the previous detailed scoring of performance in order to maintain appropriate rigour in our assessments. More detail on the various components of each factor that we look at can be found **here**.

It is currently not possible to get the equivalent level of detail across the market. However, we do what we can to draw conclusions from what other IGCs publish in their annual reports, from the results of the benchmarking exercises that ReAssure takes part in and from our research of other publicly-available information. In particular, this year's analysis has benefited from the results of a cross-industry comparison exercise that covered a high proportion of the contract-based workplace pensions business across the UK market. The comparison gave helpful insights on how Reassure performance compared with other providers across all the key VfM areas, and included contracts that are no longer open to new members as well as current contract designs. The IGC is grateful to Reassure for willingly supporting our participation in this important cross-industry exercise.

We are keen to hear what you think – about the report, or any aspect of our work. Please do get in touch with us **at**.

Many thanks for reading our report.

Purpose and structure of the report

The requirement on IGCs to produce an annual report, as well as the minimum content that it must contain, are set out in FCA rules and guidance. The IGC is fully supportive of the need for transparency around the work of the committee, particularly in providing enough information to enable relevant stakeholders to assess how thorough the VfM assessment has been. However, research carried out for the IGC in 2020 and again in 2021 confirmed that, the longer the report, the less likely customers are to engage with it.

In order to cover the detail required, but in as accessible a format as possible, we have again structured this year's report around three levels:

- Key Messages;
- Further Commentary; and
- Supporting Material.

We hope that the clear sign-posting, and the embedded links between the different levels, will enable you to engage with the material at whatever depth works for you. However, in response to the findings of customer research carried out following last year's report, we have introduced a separate, IGC Value for Money Summary, which is available on the IGC's **webpage** and is aimed at readers who would prefer more of a summary.

IGC Independence and Membership Information

IGC Independence and Membership Information

Current membership

Dr David Hare – Chair, Independent

Rachel Howarth – Independent Member (from August 2022)

Jo Hill – Independent Member (from July 2022)

Ingrid Kirby – Independent Member (until September 22)

Andrew Milligan – Independent Member (from July 2022)

Venetia Trayhurn – Independent Member

Steven Blight – Company Nominee

Rona Cameron – Company Nominee

Changes of Membership

As noted in last year's report, with effect from 1 February 2021, the membership of the ReAssure IGC was aligned with that of the other IGCs within the wider Phoenix Group. There was one further change in membership during 2021. In September 2021, Michael Pennell reached the end of his tenure on the IGC as a company representative and was replaced by Steven Blight.

In 2022, Sheila Gunn reached the end of her tenure on the committee as an independent member in January, and the committee operated with five members until two new independent members, Jo Hill and Andrew Milligan, joined in July 2022. Another new member, Rachel Haworth, joined the committee in August 2022 in anticipation of Ingrid Kirby's retirement from the Committee in September 2022. For further information about the Committee please **click here**.

Independence

The role of the IGC is to make sure that customers are getting value for money from their provider. It is therefore crucial that we are independent. We maintain our independence in a number of ways. We make sure that there is a majority of independent members on the Committee and that company representatives do not have a direct link to any areas they are scrutinising. The two nominee members were selected to bring valuable in-depth Phoenix Group policy-specific knowledge and understanding to the work of the Committee. In addition, both nominee Members were provided with side letters to their employment contract which made it clear that, when acting on the IGC, they must act solely in the interest of the in-scope policyholders and put aside the commercial interests of Phoenix Group, and ReAssure in particular. We also instruct independent consultants to carry out research on our behalf to ensure that the customers are getting value for money from their provider.

Competence

Members of the IGC are selected for the skills and experience they can bring to the committee. In order to ensure we function appropriately, we carefully map the expertise required to provide robust oversight and then seek members who fulfil those criteria. For more information about how members of the committee are selected please **click here**. We also undertake regular training to ensure that as a committee we maintain the expertise necessary to represent customers.

Key Messages

Key Messages

Costs and Charges

Key Messages

Costs and Charges

Overall, the IGC has given ReAssure Ltd a rating of GREEN/AMBER for costs and charges.

This section considers the costs and charges you pay to ReAssure Ltd for the ongoing administration of your workplace pension. The costs and charges are a vital part of our overall assessment of value for money, as they reduce the amount of your end pension pot, so need to be justified against the benefits delivered to customers.

- Regular Ongoing Charges for Unit-Linked Customers – ReAssure have previously capped the regular ongoing charges you pay on unit-linked policies at 1% per annum. Many of ReAssure Ltd workplace pension arrangements have ongoing charges below this; in fact, the average regular ongoing annual charge on the unit-linked policies is 0.68%. If we look at how this is split out, for the policies transferred from Legal & General it is 0.62% on average, and for the ReAssure Ltd (other heritages) it is 0.98%. This difference drives the split rating, with ReAssure Ltd (other heritages) customers receiving an Amber rating. This is due to the assessment of value for money for the charges you pay now being primarily focused on comparing to the charges of reasonable comparators, and as such, we believe the majority of you could get better value for money for the following reasons:

  – there are lower cost products available in the new business market; and

  – there are lower cost options available to you within ReAssure by switching to their Universal fund range.

However, some of you pay significantly less than 1% or may have additional valuable benefits that are unavailable elsewhere.

All ReAssure Ltd customers have the option to switch to low cost funds with an ongoing charge of 0.65% per annum with ReAssure Ltd and, in your Annual Statement, you will find information regarding these funds and alternative product options ReAssure has made available.

CALL TO ACTION: We strongly encourage you to engage with these communications. By taking action you could reduce your regular ongoing charges to 0.65% p.a.

The 1%, charge cap, excludes **initial units, which remain present on around 4% of workplace pensions within ReAssure**. The key challenge identified in last year's report was to consider if any further action should be taken on initial unit charges. We are very pleased to report that ReAssure has made the decision to extend the 1% charge cap to include workplace pensions that have initial units. In addition to this, the 1% cap applied to exit charges (which includes initial units), will be extended to members with initial units who are looking to transfer their pension benefits prior to age 55. This means all members will now benefit from a maximum exit charge of 1%.

Transaction costs have been benchmarked using industry surveys and were competitive compared to other participants. ReAssure Ltd's processes for monitoring and the quality of the reporting of this information to us has improved over the year.

The **With-Profits funds** have continued to provide value for money, with ongoing charges expected to be largely offset by future estate distributions.

Key Challenge for 2022

- Delivery of the 1% ongoing charge cap and 1% cap on exit charges to those customers with initial units prior to the end of 2022.

Overall the IGC has given ReAssure Life Limited a rating of AMBER for costs and charges.

The average costs and charges paid by policyholders (weighted by fund value) is 1.42% pa, which is significantly higher than those paid by policyholders of other workplace pension providers. These policies were initiated through Independent Financial Advisers (IFAs) and have a defining characteristic that investment choice was based on an "open architecture" approach, which gave IFAs access to hundreds of external investment funds.

Following the migration onto ReAssure systems in Q4 2021, the administration of these policies has been aligned with the ReAssure proposition and the internal product charge has been capped at 1%. This has resulted in a reduction in ongoing charges for over 3,000 ReAssure Life policyholders. However, if you continue to choose an external third party fund, then any additional associated charge will still apply.

ReAssure has also confirmed that that its universal fund range is available to ReAssure Life policyholders and has said it will actively write to customers every year with information on alternative funds and product options that can reduce charges to around 0.65% p.a. Details will be included with the annual statement you receive in 2022 and we encourage you to consider if this option is right for you.

The reporting of **Transaction costs** for Third Party Funds has been identified to be excluding an element of data that is resulting in an understatement of the overall transaction costs quoted in this report for these funds. We have benchmarked transaction costs using industry surveys and these seem reasonable after making an allowance for an estimate of the current understatement in reported costs.

The key challenge we identified in last year's report was to ensure that the advised business continued to deliver value for money. We are comfortable that internal product charges are now capped at 1%, but continue to encourage you to discuss with your adviser your investment choices, taking into consideration overall performance for the level of charges which you pay.

CALL TO ACTION: We strongly recommend that customers review their fund performance and charges with their IFA, to ensure they are happy with their investment choices and decide if these charges are justified by the overall performance.

Key Challenges for 2022

- Addressing the issues identified with transactions costs data and closing these gaps to ensure transaction costs reporting is in line with the wider Phoenix Group and industry methodology.
- We will continue to challenge whether the ReAssure Life Limited business delivers value for money, in the context of advised business, and will monitor that customers receive information around alternative fund options within their annual statements. We will look to monitor any actions members take upon receipt of this information.

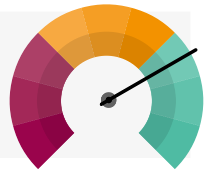
Key Messages

Investment Performance

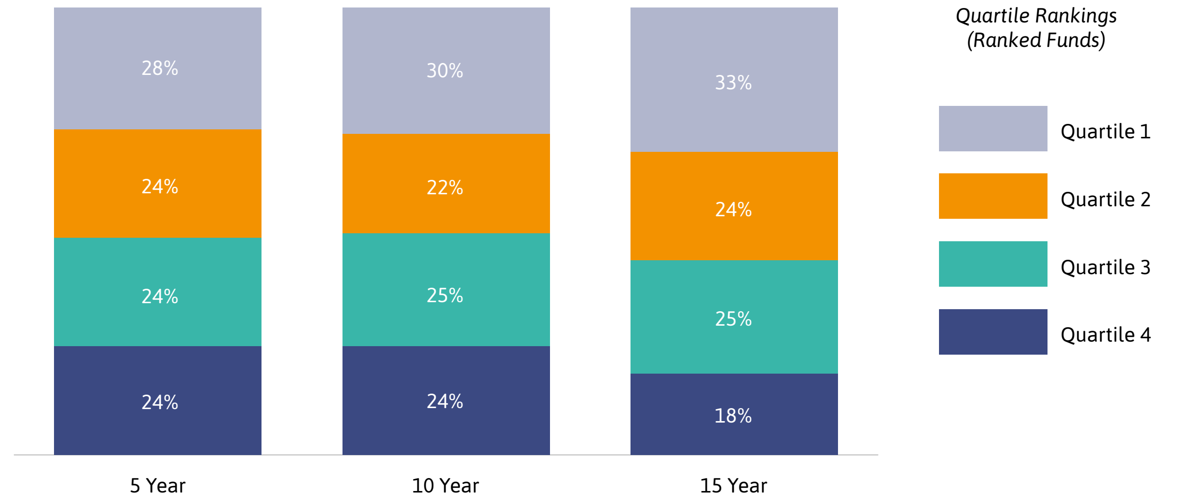
Key Messages

Investment Performance

Overall, the IGC has given ReAssure a rating of GREEN for Investment Performance for the following reasons:



- The 5 key funds in which around a third of in-scope IGC assets are held, delivered strong returns in 2021 as economies started to recover from the worst impacts of the pandemic, so retirement pots continue to grow at a reasonable rate. UK-only funds bounced back strongly after lagging badly last year but, with their narrow base, we remain concerned as to whether they are the most suitable long-term investment for you. However, rising inflation means that fund returns need to be strong to continue to show positive returns once inflation is taken into account.
- More than half of all available funds were ranked in the top half of the table against similar competitor funds over all the periods we look at, continuing the strong results we have seen previously.



Source: Morningstar

Key Challenge for 2022

- To implement the Group's Responsible Investment Policy in your funds, and to continue the strong performance vs peers.

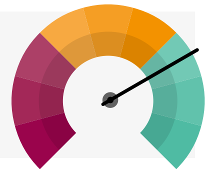
Key Messages

Investment Services

Key Messages

Investment Services

Overall, the IGC has given ReAssure a rating of GREEN for Investment Services for the following reasons:



What do we hope to find?

- That the funds offered to you are well-designed, well-managed and governed in order to meet your expectations

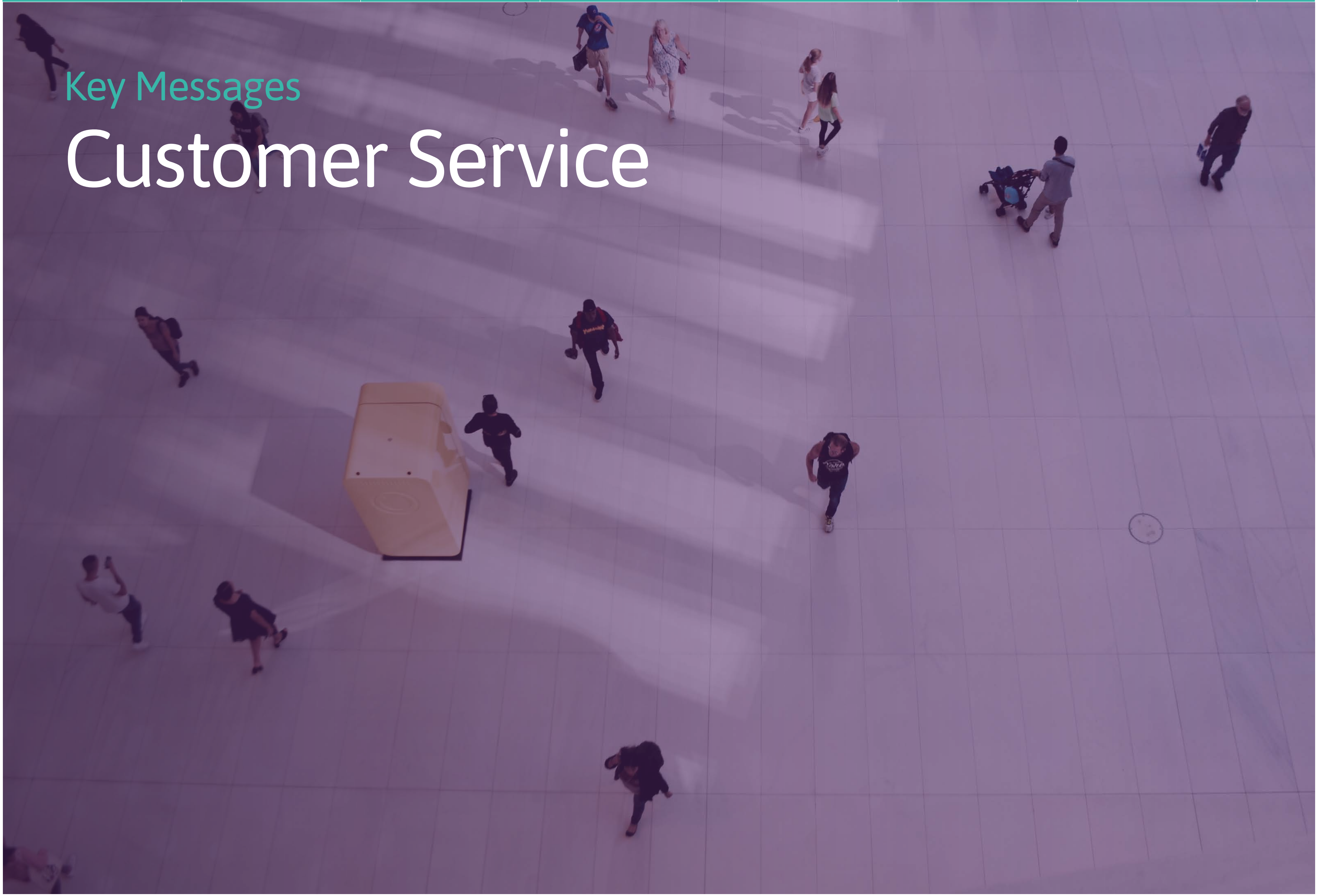
To assess this we look at regular governance reports, particularly focusing on actions taken to address any issues uncovered.

What we found:

- Oversight of key manager relationships has been integrated into the wider Phoenix Group Manager Oversight team, increasing the leverage in common relationships such as abrdn;
- ReAssure Life customers now have access to cheaper ReAssure universal funds, following a successful platform migration; and
- Strenuous and prompt action was taken to identify Russian/Ukrainian exposures, responding accordingly and communicating effectively to customers.
- However, Phoenix Group's Responsible Investment Policy has yet to be reflected in any of the funds you invest in.

Key challenge for 2022:

- To embed the Phoenix Group Responsible Investment Policy in mandates under ReAssure's control.



Key Messages

Customer Service

Key Messages

Customer Service

Overall, the IGC has determined a score of 27 out of 42 (64%) and a rating of AMBER for the customer service element of value for money for the following reasons:

- The vast majority of transactions were completed within their target time, despite some challenges from the 2020 L&G policy migration continuing into 2021.
- Significant efforts have been made to normalise service levels during 2021 and service levels improved from Q2 onwards. Customer satisfaction levels improved over the year and, by Q4, over 90% of customers said they were “very satisfied” or “satisfied” with their experience.
- Progress has been made in complaints handling, with around 70% now resolved within 10 days.
- Improvements have been made to processes supporting vulnerable customers. In addition, online account viewing services are available to more of you.
- The integration of ReAssure Life policies into the main proposition went well – this was a key challenge for 2021.
- External benchmarking has assessed ReAssure favourably in relation to other providers for core transaction processing, automation and the tracing of customers the firm has lost contact with. However, call wait times were longer and complaint levels were higher in 2021 compared to other providers.

Key Challenges for 2022

- Completing the normalisation of service levels and maintaining targets over 2022.
- Continuing to enhance digital servicing options to include more transactional services, and increase registration and usage.
- Identifying and recording customer vulnerabilities, and developing responsive processes and procedures.

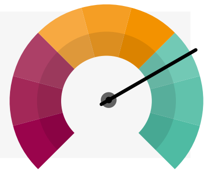
Key Messages

Communication and Engagement

Key Messages

Communication and Engagement

Overall, the IGC rated ReAssure Ltd and ReAssure Life Limited GREEN.



- The IGC consider this to be an area of growing strength for ReAssure, with a clear commitment to producing quality, engaging communications and tools to help you keep track of your pension savings and make informed decisions throughout your journey to, and through, retirement. The IGC were pleased to see the growth of the Behavioural Science team within ReAssure, which now has three behavioural scientists helping to assess and drive the effectiveness of ReAssure's engagement tools and communications, to help support better customer outcomes.
- The effects of the Covid-19 pandemic continued throughout 2021, and ReAssure maintained its focus on supporting customers during this very challenging time, continuing the initiatives introduced at the start of the pandemic to help customers access information to make them aware of the financial implications of making changes to their pension plans, and the range of options available to them.
- New online functionality has been rolled out in 2021, including development of online forms allowing customers and their representatives to take actions such as request full policy details, notify ReAssure of a death, or change personal details. This has helped with some of the servicing issues experienced by former Legal & General customers following their migration to ReAssure in 2020.
- ReAssure has demonstrated that it has embedded throughout the business a 'Fit for Purpose' Protocol that aims to ensure that:

  i. all communications from ReAssure to IGC in-scope customers are fit for purpose, taking into account customers' needs and objectives; and

  ii. there is evidence to show that each communication has had the desired outcome for the customer (or, if not, identifying what changes need to be made to achieve this objective).

Embedding of the Fit for Purpose Protocol has been achieved through training 100% of ReAssure colleagues who work on communications content in November 2021, with examples of completed Protocols submitted to the IGC for assessment at the end of the year. The IGC was pleased with the quality of the completed Protocols.

- A key challenge the IGC presented to ReAssure in last year's report was to speed up access to its secure online portal, ReAssure Now, throughout 2021. This has proved to be an area of focus for the business throughout the year, with an additional 72,229 IGC customers proactively invited to take up portal access and 10,240 of those going on to access ReAssure Now.

Key Challenges for 2022

- Ensuring that the Fit for Purpose Protocol continues to be utilised, and that it becomes second nature to all ReAssure colleagues to consider the Protocol in advance of, during and after drafting any material customer communication within the IGC's scope.
- Continuing to follow through with assessments of the effectiveness of communications once they have been issued, monitoring action taken (or inaction), and seeking customer feedback.
- Delivering on simplified and engaging new style annual benefit statements, which help to improve customers' understanding of their pension savings.

ReAssure should continue the momentum with its objective of all IGC customers being able to access ReAssure Now. The delivery of an 'eligibility checker' at the ReAssure website in early 2022, which gives customers the option to generate their own ReAssure Now activation request rather than waiting to be invited, will be a big step forward towards this goal.

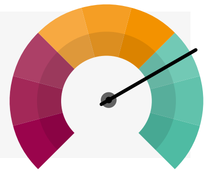
Key Messages

ESG and Stewardship

Key Messages

ESG and Stewardship

Overall, the IGC has given ReAssure (predominantly ReAssure Limited) a rating of GREEN for its approach to ESG and Stewardship in relation to your pension savings for the following reasons:



- ReAssure Life Limited is not rated on ESG as the investment decisions are not covered by the IGC.
- ReAssure continues to have a strong **policy framework** that sets out clearly how ESG and Stewardship considerations should be taken into account in investment decisions that impact customer outcomes. The policy framework covers factors that can influence the financial return from investments, but also recognises that some customers may wish to have their ethical, non-financial, values reflected in how their pension savings are invested. During 2021, the policy framework was strengthened in a number of ways, most notable through the introduction of an **Exclusions Policy** and an explicit **Stewardship Policy**.
- The policy framework is backed up by a strong governance **framework**, to ensure that the policy intentions are carried out. All investment decisions that ReAssure takes are required to meet minimum ESG standards. In addition, ReAssure offers a number of investment choices that incorporate more extensive requirements (e.g. screening out certain industries, or deliberately focusing investment decisions on companies with positive ESG attributes).
- ReAssure Life Limited does not take investment decisions that impact its customers' outcomes. This is because the business model of that provider is to provide access to a fund range that consists of externally-managed funds rather than ones that are the responsibility of ReAssure. The ESG and Stewardship policies within Phoenix Group (and which apply to all of ReAssure) differentiate between these two situations and recognise that, in the former, the potential for significant influence over investment decisions and their impact on climate change, for example, is limited. Nevertheless, the policies require ReAssure to do what it can to influence in line with the requirements placed upon investment decisions that are the responsibility of Phoenix Group (and ReAssure Limited in particular). However, given this distinction, the IGC's assessment in this regard should be considered to apply predominantly to ReAssure Limited.
- During 2021, a number of key internal appointments were made that strengthen the governance framework, including the appointment of a Head of Stewardship. The size of the team that oversees the investment decisions carried out on ReAssure's behalf by its fund manager external partners was also increased, and the extent of scrutiny on ESG and Stewardship activity that they carry out significantly deepened.
- Phoenix Group carries out regular **research** on what customers want regarding ESG investment choices and the findings are used to inform the range of **funds** made available to you. During 2021, preparations were made to launch a range of "low carbon" investment funds that will be available to ReAssure Limited customers in 2022.

- Phoenix Group (and hence ReAssure) continues to improve the **visibility** of its ESG and Stewardship activities to you as customers. It is also taking more of a leadership role in the industry, championing good practice in this important area.

In last year's report, we set out two key challenges for ReAssure, and the wider Phoenix Group – to provide better information on how funds score against ESG metrics and to communicate better the impact on the environment and society of ReAssure's responsible investment activity. Whilst the first challenge was not met in 2021, considerable progress has been made in 2022. In terms of the latter challenge, Phoenix Group's publications in this area still focus at a more corporate level, rather than showing the difference at an individual fund level. While disappointed that fund-level impacts are not yet available, the IGC recognises the quality and value of the reporting that has been published, and the huge amount of effort that has been put into its development – both in terms of the commitments that have been made and the sourcing of robust data in order to evidence progress against them. The Phoenix Group 2021 Sustainability Report is available **here** and the Phoenix Group 2021 Climate Report is available **here** and both are worth reading.

Key Challenges for 2022:

- Communication – particularly helping customers like you to see the beneficial impact on the environment and society of how ReAssure pension pots and drawdown funds are being invested; and
- Widening further the range of Responsible Investment fund choices available to you.

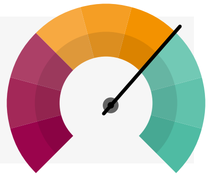
Key Messages

Investment Pathways

Key Messages

Investment Pathways

The IGC has given ReAssure's Investment Pathways proposition a Green/Amber overall rating for VfM.



For some customers, the VfM rating is **Green**, but **Amber** is more likely to be the case for many, as can be seen from the following ratings for the individual VfM components:

- Costs and charges – Amber – some competitors are significantly cheaper, especially for larger pot sizes
- Investment performance – Green/Amber – funds are performing as designed, but it is too early to tell if other designs (i.e. different risk profiles) would be preferable
- Customer service – Green
- Customer communications and engagement – Green
- Investment services – Green

The key reasons for these ratings are set out below, with supporting detail presented in the associated **Further Commentary section**.

Costs and charges

ReAssure's rates of Investment Pathway charges are lower than many existing customers are paying on their pre-retirement workplace savings pot. However, they at the top end of market comparators, particularly for larger pension pot sizes (since competitor rates of charge tend to fall with increasing pot size, whereas ReAssure charges levels do not vary by pot size).

Because some competitors charge more for Investment Pathway 3 and less for Investment Pathway 4, the rates of potential savings in charges are likely to be greatest for those customers choosing Investment Pathway 4 and, to a lesser extent, pathways 1 and 2. (For example, a customer with an average pot size of £50,000 in Investment Pathway 1 could save £100pa in charges by moving to one of the cheaper providers in the marketplace.)

The transaction costs incurred in the investment management of the four investment pathway funds appear reasonable in the circumstances and do not raise any VfM concerns.

Investment performance

Given the recent launch of the Investment Pathways proposition, there is only limited past performance data available for the four funds. The one year performance figures as at 31st December 2021 demonstrate that the four funds are performing broadly in line with the targets set when they were designed.

When the 1 year performance is compared with that of other providers' investment pathway funds, a very wide spread of results can be seen. This seems largely a consequence of different risk levels being chosen by different providers for the same investment pathway choice. It is too early for the IGC to form a judgement on whether this means changes should be considered to the ReAssure fund designs and, in particular, the level of investment risk targeted.

Customer service

The customer service for Investment Pathway customers is carried out by the same teams that carry out all the other retirement-related servicing. The IGC monitors the associated performance data every quarter. The results for 2021 showed good levels of performance across the retirement customer journeys, against a challenging background for customer service within ReAssure more generally.

Communication and engagement

The IGC reviewed the customer communications as part of the pre-launch review and found them to be clear and understandable. Findings from customer research and industry benchmarking exercises confirm that the communications are "fit for purpose".

Customer research findings are generally positive about the Investment Pathway customer journey, even though ReAssure does not yet offer a fully online joining option.

Many customers seem more focussed on using Investment Pathways to access tax-free cash now rather than make longer-term decisions about future income in retirement. The IGC is keen to see how ReAssure responds to this and strengthens its communications to reduce the risk of customers taking inappropriate actions.

Investment services

The operation of the four Investment Pathways funds is subject to the same levels of oversight as other ReAssure-designed funds within the IGC's scope. This oversight confirms that the funds were operating as intended during 2021.

The design of each of the four Investment Pathway funds was subject to IGC oversight before launch. While still "early days", in due course the IGC will be keen to see how ReAssure responds to the very different strategies that some providers have chosen for some of their investment pathway funds.

Key challenges for 2022

- Review charging levels
- Develop additional customer communications in light of research findings
- Consider whether any design modifications would be appropriate concerning the risk/return trade-offs for each of the four Investment Pathway funds
- Develop Investment Pathway-specific customer servicing MI

Further Commentary

Further Commentary

Costs and Charges

Further Commentary

Costs and Charges

What we look for

A number of costs and charges may apply to customers' plans and include:

- charges deducted from plans on an ongoing basis ('**ongoing charges**'); and
- deductions to cover the costs of buying and selling the investments within the plan, called '**transaction costs**'.

Some of you have other benefits or services on your plan – certain guarantees that apply to with-profits investments; protection benefits e.g. life insurance or waiver of contribution cover; where customers have specialist investments, or advice from an adviser. Customers typically pay extra for these benefits through '**other charges**'. Additionally, there may be an '**exit charge**' deducted from the value of a plan if it is transferred to another provider.

We have always believed that **ongoing charges** greater than 1% per annum do not represent value for money unless there are associated additional benefits as described above. We have always looked at what alternative options may be available both in ReAssure and in the wider market and how these charges compare to those that you are paying. Revised guidance from the Financial Conduct Authority about how we should be assessing whether a scheme provides you with value for money means that this comparative assessment is now a primary driver of our value for money assessement.

Given ReAssure do offer universal funds and alternative product options, to all unit-linked customers, with an ongoing charge of 0.65%, if your ongoing charge is significantly above this and you do not have additional benefits or guarantees, as described above, then you may not be receiving value for money. It is critical that customers are aware of, and regularly review, their options and take actions where appropriate.

We expect **transaction costs** to be within normal market ranges or, where they appear materially higher, to understand why this is the case and any action taken to offset the impact on members. Where customers pay other charges for other benefits and services, then we consider this to be reasonable, provided customers know that they are paying for those **other charges**, understand (and still need) the benefits or services, and receive adequate communications. We also look to see that these other charges are reviewed periodically to ensure that they remain appropriate.

We are concerned if **exit charges** are above 1% of the value of the plan.

Initial Units – an Explanation

Some of you have policies which still have what are known as initial units. These incur an ongoing charge of more than 1% per year and were originally designed to help pay, over time, for the costs of setting up the policy.

If you were to transfer your policy to another provider, your 'transfer value' would also incur an exit charge based on those units – also designed to pay for the costs of setting up the policy because you were exiting earlier.

The exit fee reduces over time, so if you compare the transfer value of the policy from one year to the next, the policy will have seen an effective charge of 1% because the charge on the initial units will be higher over the year but the exit charge will have reduced.

We are pleased to report that ReAssure will include charges relating to initial units within the 1% charge cap going forward.

Regular Ongoing Charges

ReAssure Ltd

The average regular ongoing annual charge on ReAssure Ltd workplace pensions is 0.68%. You will note from our previous IGC reports that, with effect from January 2017, ReAssure Ltd capped the regular ongoing charges you pay at 1% per annum. (This excludes initial units and any additional charge for choosing a third party fund.) We are pleased to see that, for a typical policy (i.e. one that invests in the managed fund), the actions taken will reduce the likelihood of charges on small pots exceeding the expected investment return and hence reducing the policy value.

The table below shows the spread of regular ongoing charges for in-scope customers – excluding initial units and any third party fund charges.

	0%-0.25%	**0.25%-0.5%**	**0.5%-0.75%**	**0.75%-1%**	**1%+**
Ex-L&G	11,717	60,217	59,662	40,040	0
	(6.8%)	(35.1%)	(34.8%)	(23.3%)	(0%)
Other ReAssure Ltd	232	2,050	1,592	40,382	0
	(0.5%)	(4.6%)	(3.6%)	(91.2%)	(0%)

The table above shows that the level of charge you pay, and the value for money you are receiving, depends on the legacy company that your workplace pension was originally with. For ex-L&G customers your average charge is 0.62% pa, whilst for the rest of the ReAssure Ltd customers the average charge you pay is 0.98%.

Our review of reports from other IGCs shows that a maximum ongoing charge of 1% per year is typical amongst other firms with 'legacy' workplace pension policies. 'Legacy' is a term that tends to be used to describe older style pension policies sold a number of years ago, usually now available to new employers or even open to new members, and rarely used by employers for auto-enrolment. The IGC took part in external benchmarking research amongst workplace pension providers that supported the conclusion that 1% per year was in line with other providers of older style pensions.

Whilst this demonstrates that ReAssure Ltd compares reasonably amongst its peers, we hold the view that 'legacy' is not a meaningful term for members or necessarily a reason why a member should be charged more than someone in a more 'modern' pension product. For example, pensions used for auto-enrolment, where the default investment fund is chosen, have charges that are capped at a maximum of 0.75% per year, whilst also offering more in terms of online servicing and support, engaging communications etc. In addition, ReAssure Ltd offers universal funds and alternative product options to all unit-linked customers, with the option to reduce their ongoing charges to 0.65% Therefore, if what you are being charged is above this, we would strongly encourage you to review your options.

However, it does remain the case that many (but not all) ReAssure Ltd pension pots are relatively small, are not receiving new contributions, and the number of customers within each employer arrangement may also be small, so even a 1% charge may not in fact cover the costs to ReAssure Ltd of administering the policy. Nevertheless, the IGC is glad that ReAssure continues to invest in making improvements to customer service, the support for vulnerable customers and its digital offering.

Options available to reduce your regular ongoing charges to 0.65% p.a.

The more you pay in charges, the less you will have invested in your pension pot when you come to retire. Some ReAssure Ltd customers already have charges below 0.65% pa, or valuable guarantees, which is why ReAssure Ltd are engaging with customers every year and providing additional options. As part of the Annual Statement, unit-linked workplace pension customers will find a colourful insert actively encouraging you to consider some lower cost options ReAssure Ltd has made available.

1. Four low cost funds (Global Equity, Bonds, Deposit and the Mixed Investment Fund) have been made available to you within your existing unit-linked pension product. These have an Annual Management Charge of 0.65% and no Bid-Offer Spread, so could help reduce the charges on your policy.
   a. You can make a free switch into these funds.
   b. One of the benefits of selecting this approach is that you can reduce ongoing charges and retain existing valuable benefits (such as life cover, waiver, Guaranteed Annuity Rates and Employer Contributions). By staying in your existing policy, you can also avoid exit charges.
2. For any customers in existing funds with an exact investment match to one of the new funds (primarily Deposit), where the existing fund has a higher charge, the existing fund charge has been automatically reduced to 0.65%.
3. You can also transfer your existing policy into ReAssure's Retirement Account, its current New Business product.
   - This has an Annual Management Charge of 0.65%, with no Policy Fee or Bid-Offer Spread. So this option may be particularly helpful if your existing policy has a policy fee.
   - The Retirement Account also enables full access to pension flexibility from age 55, and so can be good for customers who want to access some of their pension savings but keep the rest of it invested.
   - ReAssure is supporting members in evaluating whether any valuable benefits are likely to be lost as a result of this action.
4. Some customers with very small pots may benefit most from consolidation of policies (either with ReAssure or alternative providers) and ReAssure also encourage you to consider this. This can also make it easier for you to keep track of your pension savings and monitor your investments.

CALL TO ACTION: We strongly encourage customers with a unit-linked policy to engage with these communications. By taking action you could reduce your regular ongoing charges to 0.65% p.a.

Initial Units

For some unitised policies, premiums for an initial period (usually the first 2 years) were allocated to initial units which had little or no value on exiting the policy. These were designed to recoup historic initial set-up costs (including advice) actually incurred, rather than cover current ongoing costs. ReAssure has demonstrated that, in aggregate, the presence of such charges did not undermine the economic rationale of the products. These units do have a value on death, so this structure provides an additional benefit to customers over the typical alternative in place for products of that heritage e.g. a nil allocation period structure to cover set-up costs.

Initial units remain present on around 4.1% of workplace pensions within ReAssure Ltd. Customers with these plans would normally be subject to an exit charge on their initial units if they wished to transfer their pension pot before age 55. For members wishing to access their pension benefits from age 55, a 1% cap is applied to all exit charges (which includes these initial units).

The IGC has continued to challenge ReAssure Ltd over what options there may be to improve value for the customers affected and we are very pleased to report that ReAssure Ltd has made the decision to extend the 1% charge cap to include workplace pensions that have initial units. In addition to this, the 1% cap applied to exit charges (which includes initial units), will be extended to members with initial units who are looking to transfer their pension benefits prior to age 55. This means all members will now benefit from a maximum exit charge of 1%.

ReAssure Ltd are currently working through the implementation timeline of this change, but are hopeful these changes are implemented prior to the end of 2022.

Other Charges

There are some members who have **protection benefits** (the majority of which is waiver of contribution benefit which ensures that contributions to your plan continue if you are unable to work for an extended period through long-term ill health or disability). The IGC remains comfortable that ReAssure Ltd maintains processes to regularly review the charges for those benefits, and to ensure that letters are periodically issued to members to remind them of these benefits, to consider if they might have a valid claim, and to encourage them to consider if they still want the benefit. The IGC is keen to ensure that the levels of charges for such benefits are reviewed regularly.

Around 2.6% of ReAssure Ltd workplace policyholders invest in specialist **third party funds** (TPF). Any additional charges incurred by the customers that have chosen to invest in externally managed funds are outside the 1% charge cap. The IGC accepts that such funds were specifically chosen by members and can offer reasonable value for money provided members understand that suitable alternative and lower charging options may be available and/or that the investment performance is adequate given the extra cost. However, we strongly recommend that customers review their fund performance and charges with their IFA, to ensure they are happy with their investment choices and decide if these charges are justified by the overall performance.

Heritage	Total Policies in Scope	Total Policies with TPF	% of Heritage with TPF	TPF AUM	Average Ongoing Charge (%) (of entire Heritage)
ReAssure	44,256	1,284	2.9%	£58,525,291	0.98%
L&G	171,636	4,378	2.6%	£217,192,414	0.62%

Costs and Charges

ReAssure Life Limited

The table below shows that, for ReAssure Life Limited customers, the average charge weighted by fund value is 1.42%, which is significantly higher than those paid by policyholders in other in-scope workplace pensions. The IGC assessment shows that this is due, in the main, to the open architecture nature of the proposition, which has additional charges associated with using third party funds.

Total Policies in Scope	Total Fund Value	% of Policies with ongoing charges <= 1%	Total Average Ongoing Charge (%)	Average Ongoing Product Charge (%)	Average Ongoing Third Party Charge (%)
25,952	£1,315,443,093	22.2.%	1.42%	0.55%	0.88%

The IGC has seen evidence of some historic actions taken to refund some charges to customers:

- This includes the refund of the Contribution Service Charges and cap (at 5%) of Early Encashment charges applied since 1 January 2009.
- The previous IGC had also agreed actions that stopped the payment of ongoing adviser fees, if the financial adviser has stopped providing an ongoing service.
- Policyholders with savings of less than £6,000 have received communications confirming agreement to waive any early encashment charges, allowing a charge-free transfer or withdrawal option. This offer is still available to any policyholder with savings of less than £6,000.

Some customers may have selected these policies specifically for the open architecture. These products can offer reasonable value for money as long as customers understand that suitable alternative and lower charging options are available. However, we encourage you to review your fund choices and, where possible, discuss these with your IFA.

Some customers with very small pots may benefit most from consolidation of policies. For ReAssure Life customers, any encashment charges on pots less than £6,000 in size have been waived, so we encourage you to consider this.

In Q4 2021, these policies have migrated onto ReAssure systems and the product charges have been capped at 1% pa. This could really help policies which have a very small pension pot value, where the fixed policy fees/maintenance charges become a high percentage of the low fund value. We are pleased to say that over 3,000 customers will have seen their charges reduce as a result of this, with an average reduction of 0.63% across those customers.

ReAssure has made its universal fund range available to those customers whose policies have been migrated and will start actively writing to customers with information on alternative funds and product options that will enable you to reduce your ongoing charges to around 0.65% p.a. Further details will be included within the annual statement you receive in 2022.

The IGC is pleased to see that these actions have been taken but are disappointed these changes could not have been implemented sooner.

Transaction Costs

Transaction Costs are the costs incurred by funds in the process of buying and selling investments.

- Explicit costs are things like stamp duty and fees paid to brokers who do the buying and selling.
- Implicit costs are the difference between the price the fund manager expected to receive or pay when they decided to sell or buy an investment and the price they actually got.

Our report covers the 2021 calendar year and includes 87% of transaction costs related to trading of assets in the underlying funds (92% in 2020). The reason for the fall in coverage is due to the migration of the ReAssure Life business, which has resulted in a temporary increase in the gap in transaction costs data on the Third Party Funds. This gap is expected to be closed by the end of 2022.

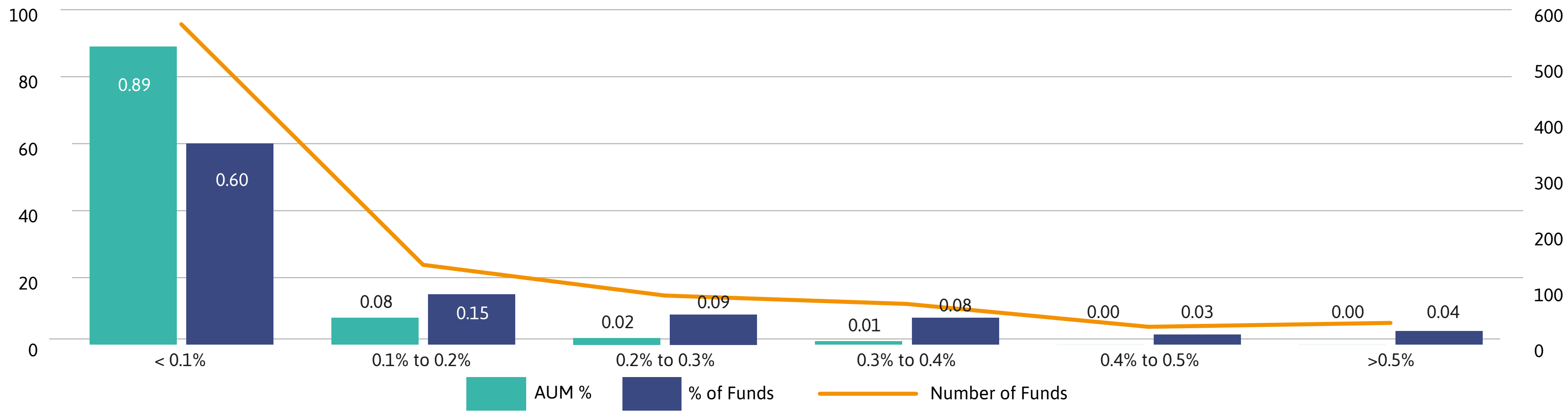
In addition, an issue has been identified for Third Party Funds where an element of costs that should be included within the reported transactions costs data was being excluded resulting in the transactions costs data reported to the IGC and those within this report (for Third Party Funds) being understated. The additional data required to bring the transactions cost calculations in line with the wider Group and industry methodology is being sourced and is also expected to be closed by the end of 2022.

All ReAssure Ltd and ReAssure Life funds are externally managed, so ReAssure obtains this information from its external fund managers on our behalf and the IGC monitors these charges each quarter. Given the issues described above, a key focus in 2022 from ReAssure should be the closing of the data and calculation gaps identified for transactions costs data. There has been an improvement in relation to other areas of the quality of transactions cost reporting, including processes being more embedded in the industry, ReAssure setting out the validations and controls it has in place, doing more in terms of analysis of costs and how these change from period to period, and investigating funds where charges appear particularly high.

The time it takes to report transaction cost data to us does remain an issue. This appears to be an industry-wide issue and is in large part due to the delay in fund managers providing data through to firms to enable them to collate, review and report e.g. ReAssure can only report a complete set of data to us when all the fund managers it uses have supplied the necessary data.

This table shows a summary of the transaction costs during 2021, across all ReAssure funds:

ReAssure 2021 Breakdown of Transaction Costs



- The vast majority of the funds have transaction costs below 0.1%.
- This reflects the largely passive nature of the majority of investments. Relatively little is invested in specialist, higher risk sectors. Higher transaction costs are typically observed on funds with active management and funds with higher trading costs, such as property or emerging markets.
- There haven't been any major increases in transaction costs over this reporting period.
- ReAssure has taken part in industry wide surveys that consider transaction costs, with the output showing transaction costs were highly competitive compared to other group participants.
- For Third Party Funds, the transaction costs in the chart above are understated due to an element of implicit costs not being included within the calculation.

Below we highlight the transaction costs for 2021 for the 5 key funds. These cover the four largest by assets under management and the universal fund 'UK and Global Equity Tracker'.

Fund	Invested (£ millions)	Transaction Costs 2021 (%)	Transaction Costs 2020 (%)
Managed 6	1,156	0.054%	0.066%
L&G Managed Fund	823	0.054%	0.066%
L&G UK Equity Index Fund	326	0.044%	0.037%
Global Equity Index Tracker LStyle	213	0.000%	0.084%
UK and Global Equity Tracker (Universal)	11	0.022%	0.079%

This means the IGC in-scope customers invested in the Managed 6 Fund will have paid £5.40 last year in transaction costs for every £10,000 invested. It is worth noting that these transaction costs are already deducted from the performance figures described in this report.

As can be seen from the following table, the main diversified managed funds and the large With-Profits fund all have transaction costs of 11 basis points or under, which compares well with Industry averages and ranges.

Profile Fund	Assets Under Management	Transaction Costs 2021 (%)	Transaction Costs 2020 (%)
L&G Managed	2,159	0.054%	0.066%
ReAssure Master Managed	234	0.023%	0.108%
L&G With-Profit Fund	343	0.101%	0.087%

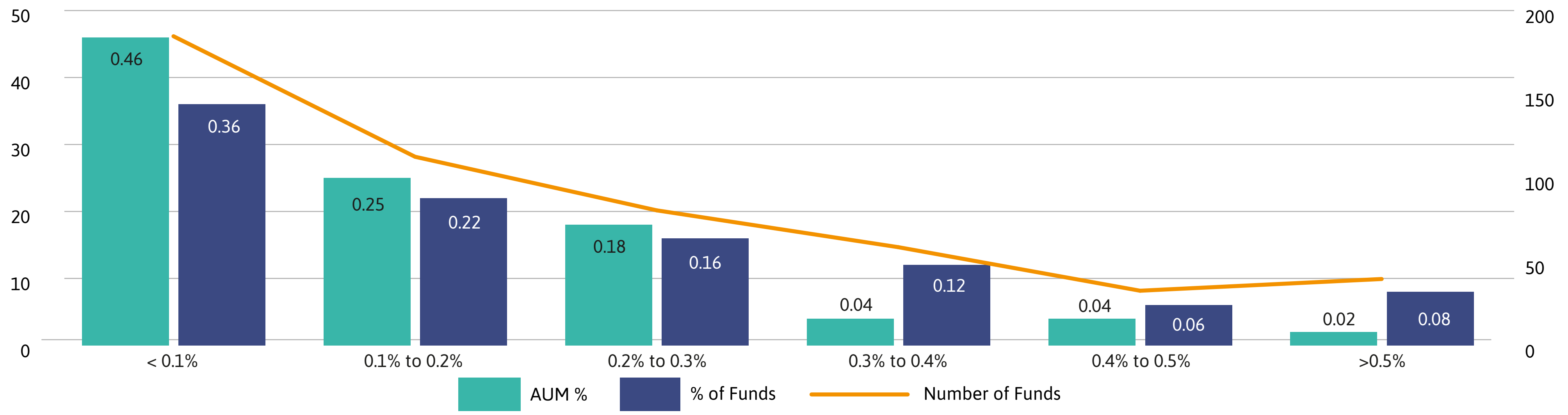
ReAssure Life Limited

In respect of ReAssure Life Limited, the challenges described last year remain, in relation to obtaining the level of transaction cost data we would like to see for a complete analysis. ReAssure have been taking action to implement better processes to collate and report Third Party Funds Transaction Costs in a consistent format and the data available this year covers 44% of assets under management for Third Party Funds only. Overall, this is 10% of the total assets under management.

For Third Party Funds where we have transactions costs data, the transaction costs in the chart below are understated due to an element of implicit costs not being included within the calculation. Initial estimates expect the transaction costs reported below to increase by in the region of 5bps to 10bps.

This table shows a summary of the transaction costs during 2021, for Third Party Funds where available:

Breakdown of Transaction Costs for TPFs only (Q4 2021)



The range of transaction costs observed, even after considering the expected increase, would not be unexpected compared to the general level of reported transaction costs by the market, given the typically more actively-managed and more specialist sectors that the third party fund range covers. The IGC expect to have a corrected position prior to the end of 2022 and, at that point, will be better able to assess the level of transaction costs relative to the market.

Finally, it should be noted that transaction costs should be considered alongside how well funds perform overall e.g. lower transaction costs might not be better if the investment performance is poor.

Increased Disclosure of Costs and Charges

The increased disclosure requirements introduced last year, where IGCs are required to publish costs and charges information in more detail, have been further enhanced this year, including:

- inclusion of all products within the ongoing charges data (previously only default products);
- the publication online of the ongoing charges and transaction costs for all investment funds that ReAssure makes available to IGC in scope customers, (previously only default funds); and

- the publication online of sample illustrations across a broader range of funds and wider range of scenarios that show the potential effect of ongoing charges and transaction costs on the value of pension pots over time.

The table of costs and charges for all investment funds is available **here** and, together with sample illustrations to show the impact of those costs and charges, are available on the website **here**.

The tables show the range of costs and charges incurred by individual customers and demonstrate that not all customers pay the same for the same fund but that costs and charges vary, generally due to the terms agreed at outset. What you pay may also vary by the fund(s) that you are invested in. It is important, therefore, to understand how your charges compare with what you may be able to get elsewhere. The sample illustrations also show how significant ongoing charges can be on the ultimate value of your pension, particularly if you have a larger pot invested over a long period.

In addition, the Financial Conduct Authority (FCA) have introduced new rules around assessing value for money in workplace pension schemes. This requires IGCs to consider the most appropriate and proportionate way to assess an employer's scheme so that the IGC can produce a value for money assessment that is the most useful for members.

IGCs have a judgement to make on whether to assess costs and charges at an individual employer level, at an aggregated level or by a combination of both. We have chosen to assess costs and charges at an individual employer level rather than an aggregated level. We feel this is most appropriate, as it is at this level that you experience the service offered for the particular charge that you are paying and allows you to fully understand where your level of charges sits in comparison to others.

Given the legacy nature of the ReAssure business, the vast majority of employer arrangements will no longer be active and only have a very small number of members. Therefore, the ability and likelihood of an employer arrangement transferring to another provider is remote and it will be down to the individual member to make that decision. Therefore, we also feel it is appropriate to additionally consider and report at an individual member level to show how your charges compare to all other ReAssure customers.

In considering our value for money assessment, we have looked at costs and charges information available both internally within ReAssure (with data set out in this report) and also across the wider Phoenix Group. We have considered looking at how charges compare across schemes with similar numbers of members and/or assets under administration as these can be key factors that will have initially influenced the level of charges applied to a particular scheme. However, the legacy nature of ReAssure's business, with small numbers of members in individual employer arrangements that are no longer active, makes this approach less relevant.

Externally, we have taken part in industry-wide benchmarking surveys to understand how the level and spread of charges compare with those across the industry. We will also continue to look at disclosures within our peer IGC's reports to see how ReAssure's costs and charges compare across the industry.

We strongly encourage you to understand how the level of charges you pay compares to charges paid by other employer arrangements with ReAssure. Within this report (for default funds) and on the website (for all funds) there are details that show the distribution of charges at an employer and individual member level. We have chosen to present the data in this fashion as we believe this is a useful and effective way for you to understand how the level of charges you are paying compares with those of other employer arrangements within the same fund and, as such what relative value for money you may be receiving.

In order to help you to be able to assess this, ReAssure have delivered a digital solution that will allow you to find the level of charges for all funds that you are invested in or are available to you. From the ReAssure **website**, you are able to enter your policy number and be presented with all relevant costs and charges for both invested funds and funds available to you. You will be able to find your policy number on your annual statement.

In order for you to consider how the charges you are paying compare to those being applied to other members or employer arrangements provided by ReAssure, for each fund available we have set out, using various charge bands, the proportion of members and employers invested within that fund who are paying the level of charges indicated within the relevant band.

For example, the table below shows the distribution of charges for employer arrangements invested in the L&G Managed Fund. If you are invested in this fund and are paying a charge of between 0.96% and 1.00%, then 94.7% of other employer arrangements who are invested in this fund will be paying a lower charge than you, some significantly so. There may have been valid reasons for this, but, in this scenario, we would encourage you to consider whether you are receiving value for money given the charges being applied to other members.

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%
L&G Managed Fund	1.9%	6.8%	25.1%	44.9%	7.6%	2.7%	5.7%	5.3%	0.0%	0.0%	0.0%

The distribution of charges for all other default funds can be found within this report. For all other investment funds, the distribution of charges is available on the ReAssure **website**.

Finally, we are required to publish the charges that apply to each fund that is available to invest in for each individual employer arrangement with ReAssure. We feel that the most effective approach for members to understand the charges applicable to them, and how they compare to the charges of other members or employer arrangements invested in the same fund, is through use of the digital solution described above, in conjunction with the distribution of charges set out in this report. However, we do view it as important that we present data that satisfies the regulatory requirements, and this information is available on the ReAssure **website**.

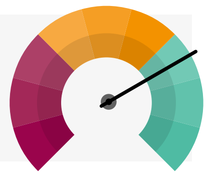
Further Commentary

Investment Performance

Further Commentary

Investment Performance

Overall, ReAssure's Investment Performance 2021 contribution to Value for Money for Customers is assessed as GREEN.



What do we hope to find?

- Key managed and default funds are delivering sufficient returns on your retirement savings over the medium/longer-term to provide a decent outcome when you retire, without taking too much investment risk.

Although Value for Money is all about what you might get in the future, we look to see how your investments have performed in the past to confirm our findings. Where we can, we look at how well fund managers have performed against the specific brief that they've been given, and we also look at how well funds have performed against similar funds that you or your Employer might have chosen instead. The ultimate test, though, is how your savings pot has grown over time and, for that, we see how funds have performed in real terms, taking past inflation into account.

What we found:

- The 5 key funds in which around a third of IGC in-scope assets are held, delivered strong returns in 2021 as economies started to recover from the worst impacts of the pandemic, so retirement pots continue to grow at a reasonable rate. UK-only funds bounced back strongly after lagging badly last year but, with their narrow base, we remain concerned as to whether they are the most suitable long term investment for you. However, rising inflation means that fund returns need to be strong to continue to show positive returns once inflation is taken into account.
- More than half of all available funds were ranked in the top half of the table against similar competitor funds over all the periods we look at, continuing the strong results we have seen previously.

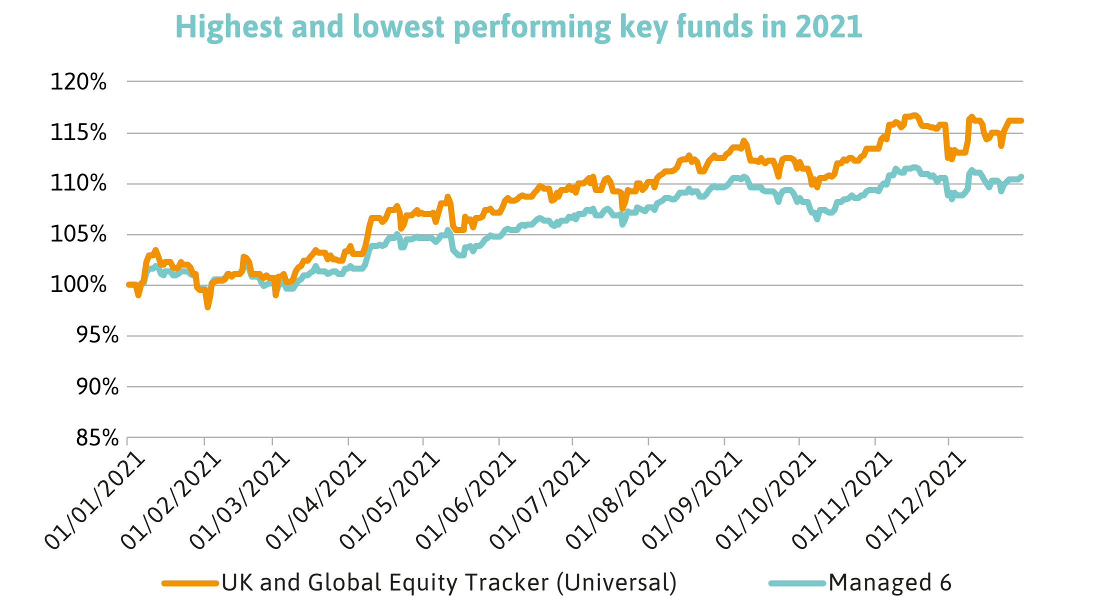
Key challenge for 2022:

- To implement the Group's Responsible Investment Policy in your funds, and to continue the strong performance vs peers.

How did your funds do in 2021?

After the economic shocks caused by the pandemic in 2020, markets generally showed improvement over 2021 despite further lockdowns, with growing confidence in developed economies as the effects of the vaccination programmes started to be seen.

These trends can be seen in the graph showing the best and worst performing of the 5 key funds in which many of you are invested. All ended the year with strongly positive returns, although with considerable differences between them. This is not just due to the performance by the relevant fund managers; it can reflect differences in the mix of assets between different markets.



*Daily data sourced from Morningstar

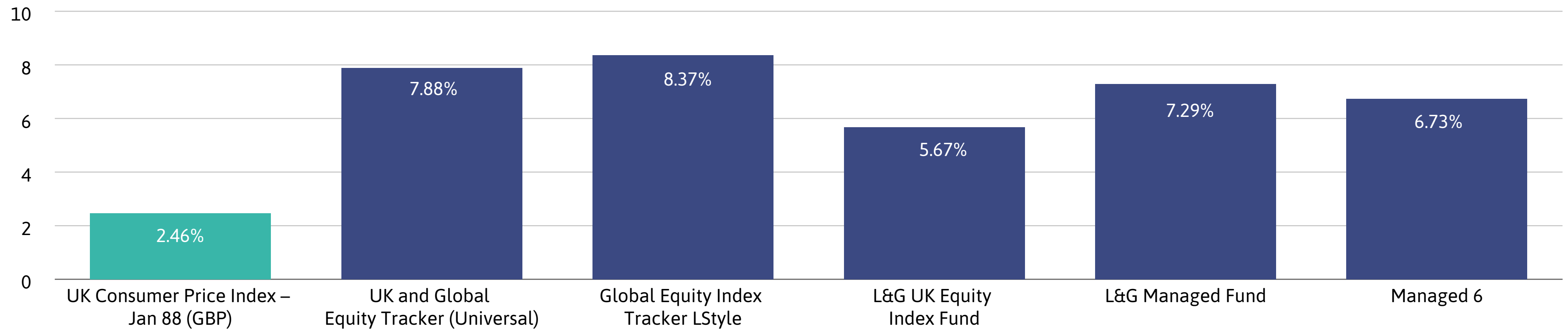
If you had invested £1,000 in these funds five years ago your money would now be worth £1,495 in the UK and Global Equity Tracker (Universal) and £1,385 in the Managed 6 fund (representing annualised returns of 7.9%pa and 6.7% respectively).

The other key funds produced returns between these two. However, you may be invested in other funds that have performed differently, funds that either you or your previous employer selected some time ago. We include all funds in our overall oversight, but pay particular attention to those which are considered defaults, either because they are used for auto-enrolment, or are part of a lifestyle profile. Although UK-only funds have done much better this year than last, it is again due to the sector biases in the UK market versus the rest of the world, with a much higher proportion in energy stocks and hardly anything in technology sectors. Are these funds still the most suitable for your pension savings?

What about over the longer-term, when compared with inflation?

Here we look at the performance of all available funds over the longest possible timescale, as many of you will be invested for several decades. Funds invested in stock markets would hope to beat inflation every year, but short-term impacts can mean this is not always the case. In 2021, for instance, some funds targeting returns based on high dividend income rather than capital growth did not beat inflation over five years. Over the longer term, however, these shorter-term impacts tend to average out, and the results provide a good indicator as to how your savings pot is growing in real terms. Over the last 5 years, inflation has averaged 2.46%pa, and the graph below shows that all the 5 key funds have beaten inflation over that period by a considerable margin.

5 year annualised performance of key funds and CPI



Please note: All data is to 31st December 2021. Data has been sourced from Morningstar.

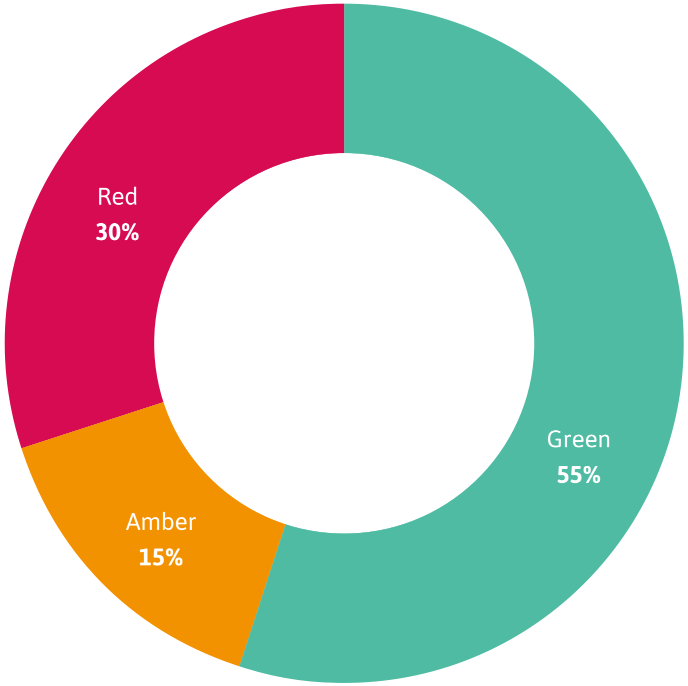
When we look at the results of all the funds, we raise queries on any that have not beaten inflation over five years where it is not immediately obvious why that might be the case (a cash fund or fixed interest fund, for instance) and where this has not already been highlighted on other performance grounds.

How good a job are the fund managers doing?

To assess this, the IGC has devised a Red/Amber/Green ("RAG") performance flag which indicates how funds have performed compared to the benchmarks that have been set for the managers. The benchmarks could be a published market index like the FTSE Allshare, or a customised combination of indices, or the average return of a suitable peer group. However, ReAssure are still working on providing the fund manager benchmarks for fund composites, so for the moment this analysis is based on relative performance vs ABI average performance. We would anticipate that the proportion of red funds is likely to be less when we're able to focus on the benchmarks that the managers were actually given.

The proportions of Red/Amber/Green across all ReAssure funds in which workplace customers such as you are invested are shown alongside.

RAG rating as a percentage of number of funds (3 Years)



G(reen) – outperformed ABI (>)

A(mber) – underperformed against ABI (Between 0% and -1%)

R(ed) – Underperformed against ABI (<-1%)

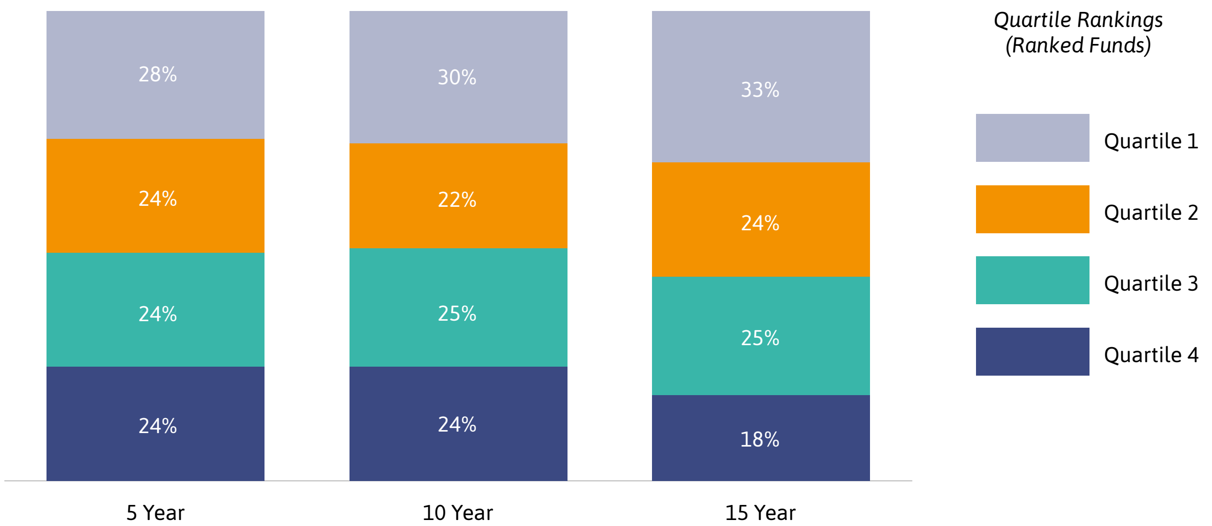
How do these funds compare with peers?

The quartile rankings of funds which can be compared against ABI sectors of similar competitor funds over various periods are set out below. ‘Quartile ranking’ involves arranging in order all similar funds from the best to worst performing, and then dividing the list into four, with quartile 1 reflecting the best performing quarter of the list, quartile 2 the next, and so on. 2021 saw a continuation of the strong performance noted previously, with the majority of funds over all periods in the top two quartiles (ie in the top half of the table).

This part of our assessment is reassuring – with a majority of ReAssure funds consistently doing better than the sector average, there is less chance that better results could have been obtained elsewhere if you (or your previous employer) had made different provider choices.

It is not always clear what has driven these results; although we can analyse ReAssure’s performance, we don’t know how competitor results were achieved. Nonetheless, we are pleased to see this, and hope that you are too.

Quartile Rankings (Ranked Funds)

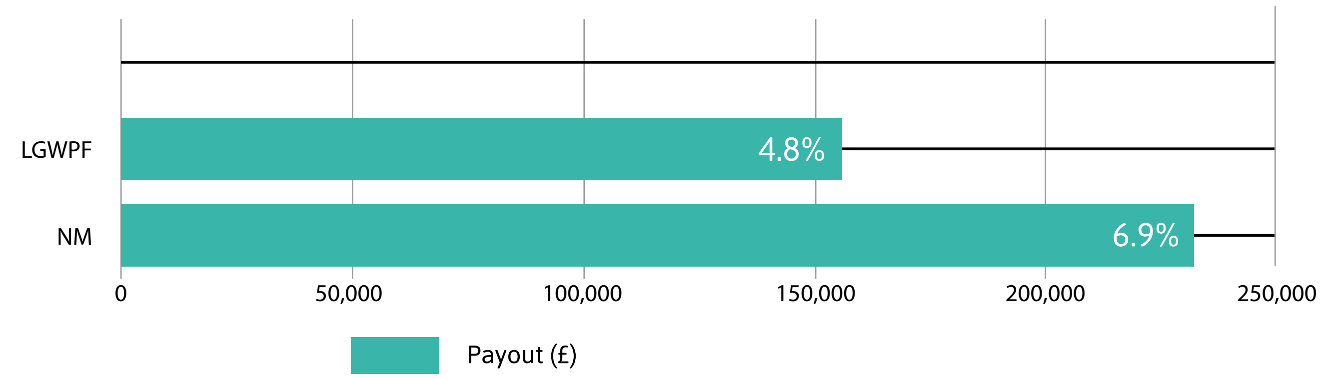


*Daily data sourced from Morningstar

What about the performance of With-Profits funds?

It is not straightforward to compare short-term performance in With-Profits funds against unit-linked funds given that year to year bonus rates will be affected by smoothing, whereas eventual payouts will reflect both the performance of the underlying asset shares, any estate distribution and any investment guarantees. VfM can really only be assessed once benefits are finally taken.

Example 30 year payouts and return on premium



Overall, we concluded that example 30-year payouts and returns on premium on retirement in 2021 were reasonable compared with CPI of 2.1%pa over the same period, with better results seen from National Mutual due to historically higher estate distributions.

What other changes are being considered going forward?

Following the publication of the Phoenix Group's Responsible Investment Philosophy, the Management Oversight team have started discussing with key asset management partners the likely impacts on ReAssure mandates under their control (see the Investment Services section), but no changes have yet been implemented on customer funds.

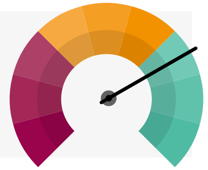
Further Commentary

Investment Services

Further Commentary

Investment Services

Overall, ReAssure's Investment Services 2021 contribution to Value for Money for Customers is assessed as GREEN.



What do we hope to find?

- That the funds offered to you are well-designed, well-managed and governed in order to meet your expectations

To assess this, we look at regular governance reports, particularly focusing on actions taken to address any issues uncovered.

What we found:

- Oversight of key manager relationships has been integrated into the wider Phoenix Group Manager Oversight team, increasing the leverage in common relationships such as abrdn.
- ReAssure Life customers now have access to cheaper ReAssure universal funds, following a successful platform migration.
- Strenuous and prompt action was taken to identify Russian/Ukrainian exposures, responding accordingly and communicating effectively to customers.
- However, Phoenix Group's Responsible Investment Policy has yet to be fully reflected in the funds you invest in.

Key challenge for 2022:

- To embed the Phoenix Group Responsible Investment Policy in mandates under ReAssure's control.

What evidence is there of ongoing review of my funds?

Although it occurred in the current year rather than during 2021, ReAssure's response to the Russian invasion of Ukraine provides a useful case study. The Manager Oversight team quickly reviewed Group-wide exposures to Russia, Ukraine and related countries within funds held by customers such as you (but not all within in the scope of the IGC). They established that most exposure was via Emerging Market Equity and

Debt funds, and that 99% of overall exposure was held in mandates with key Asset Management partners. They worked directly with them to understand their before/after performance impacts and actions taken.

Separately, external funds that had been chosen either by customers or their advisers, and where the underlying funds had been suspended by the managers, were identified and notices put up on the ReAssure website. All affected customers (and their advisers) were mailed to advise them of the suspensions and the resultant implications for ongoing contributions, withdrawals and switches.

All of this was promptly reported to the IGC, along with the details of the number and value of affected customer policies within our scope.

During the year, the Manager Oversight team was strengthened and the decision taken to reduce the use of external consultants in assessing key manager ratings. Oversight scope was also increased, following the integration of ReAssure into the wider Phoenix Group, which increased the leverage in key manager relationships.

What improvements have been made to fund ranges?

The migration of ReAssure Life policies onto the ReAssure platform has facilitated access to ReAssure's cheaper universal fund range, with customers encouraged to review their existing fund choices with their IFA to make sure that they are the most suitable for them now that cheaper options are available.

How will Phoenix's Responsible Investment policy be reflected in my investments?

As featured elsewhere in this report, Phoenix's group-wide investment policy reflects exclusions of certain stocks and sectors, tilting portfolios towards others, and incorporating explicit carbon-reduction targets. For active mandates under ReAssure's control, the Manager Oversight team is currently engaging with their strategic managers to implement the exclusion policy, but not the tilts or carbon-reduction targets, which are deemed to be too great a change for these legacy funds which were chosen by you or your ex-Employer long ago. Discussions are ongoing in relation to passive mandates. None of these initiatives, however, will affect ReAssure Life customers, as external funds are not under ReAssure's control. The new ESG-themed fund launches planned for later in the year would, however, be available for customers to switch into.

Further Commentary

Customer Service

Further Commentary

Customer Services

What are we looking for?

The IGC's responsibility in respect of customer service under the FCA's regulations is to determine "whether core scheme financial transactions are processed promptly and accurately"[1]. Our actual assessment of customer service is much wider than this and in 2021 has focused on:-

- Performance against target service levels (including the prompt and accurate processing of core transactions);
- How ReAssure has developed its services for customers with additional needs and vulnerabilities;
- How complaints are dealt with; and
- Continuous improvements to service that respond to customer needs and are designed to provide a high quality experience.

We assess a wide variety of information to make our assessment, including:-

- Metrics which seek to measure the end-to-end customer experience on a quarterly basis, such as how long it takes transactions to be completed, or issues to be resolved.
- Customer survey satisfaction scores and feedback.
- Complaint levels, resolution times, themes complained about and the action taken by ReAssure in response. We also monitor the number of complaints overturned by the Financial Ombudsman Service.
- The output of ReAssure's internal assurance activity and testing.
- The results of external benchmarking conducted by independent consultants.
- Information regarding business strategy and key projects which impact on the customer servicing approach and experience.

What have we found in 2021?

Service levels and performance

Service levels for ReAssure customers were significantly impacted in 2020 by the migration of over 180,000 workplace policies from Legal & General to ReAssure, together with the impact of the Covid 19 pandemic. The IGC has continued to challenge ReAssure to normalise service levels at pace. During 2021, ReAssure has demonstrated it has continued to work hard to meet this challenge. ReAssure has had to recruit and train significant numbers of additional staff. Overall, we have seen servicing return to normal levels from Q3 onwards, helped by a move back to office working.

[1]FCA Conduct of Business Sourcebook 19.5.5 R2 (c)

ReAssure Life policies were integrated into the main administration platform and proposition during 2021. This migration went well, and service levels were normalised quickly. As a result, customers have an improved servicing environment and better access to digital functionality.

Transaction processing

The IGC receives quarterly reporting showing performance across a range of processes. ReAssure seeks to process 90-95% of transactions within 10 working days. Processing times have been steadily improving over 2021, after the L&G migration caused a significant dip at the end of 2020. By Q4, over 90% of activity was being completed within the target time of 10 days.

There have been improvements over 2021 regarding the processing time for transfers in and out. ReAssure's processing time for these transactions was below industry average for most of 2021 and was only marginally above average for the remaining periods.

Telephony Services

Call abandonment rates have been steadily improving over 2021. ReAssure's target is to have less than 5% of calls abandoned. Significant improvements were made in the second half of the year, supported by a return to office working and additional staff recruitment. Abandonment rates were well within target by the end of Q3 2021.

Call wait times were significantly longer than normal in the first half of 2021, but returned to more normal levels later in the year.

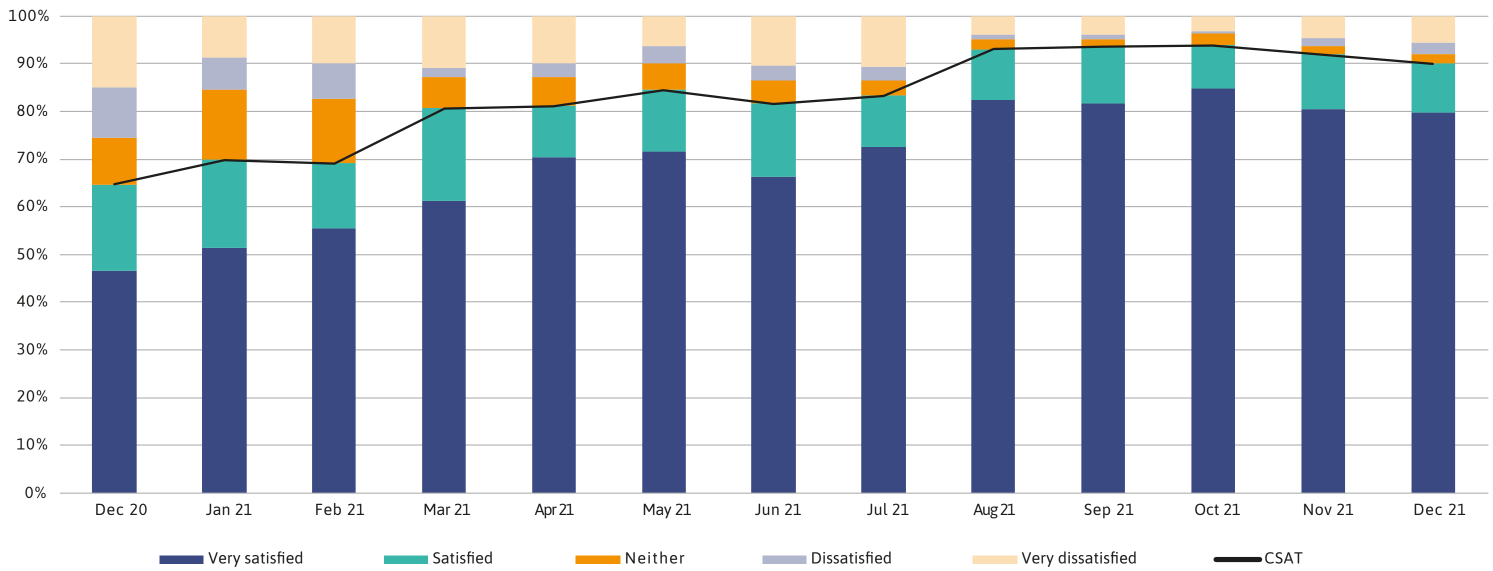
Service Quality

A significant number of new staff have been recruited in ReAssure's call centre. This has impacted service quality levels as these new staff go through training and development programmes. Core accuracy levels have been marginally under target for most of 2021, although these were improving towards normal levels by Q4.

Customer Satisfaction survey

Customer satisfaction scores have improved in line with the normalisation of service levels. Scores were around or above target from Q2 onwards (see table below). By Q4, more than 90% of customers said they were “satisfied” or “very satisfied” with their experience. This is in line with the period prior to the L&G migration.

ReAssure Customer Satisfaction



ReAssure has introduced a new “voice of the customer” team to oversee trends in customer satisfaction and feedback. The IGC will be interested in the deep dive reviews from this team and the further actions taken.

Vulnerable Customers

ReAssure has taken forward actions to comply with the FCA’s finalised guidance regarding the treatment of vulnerable customers (FG21/1). Activity has focused on the recording of information regarding vulnerability and additional needs, in order that services can be tailored appropriately. The systems functionality went live at the beginning of 2022. Early indications are that most vulnerability recorded is health related, with some evidence of increased financial hardship because of the pandemic environment. Additional training has also been provided for staff to support better understanding and management of vulnerable customer needs.

A survey of vulnerable customers was undertaken using external consultants to better understand the nature and scale of vulnerability within ReAssure's customer base.

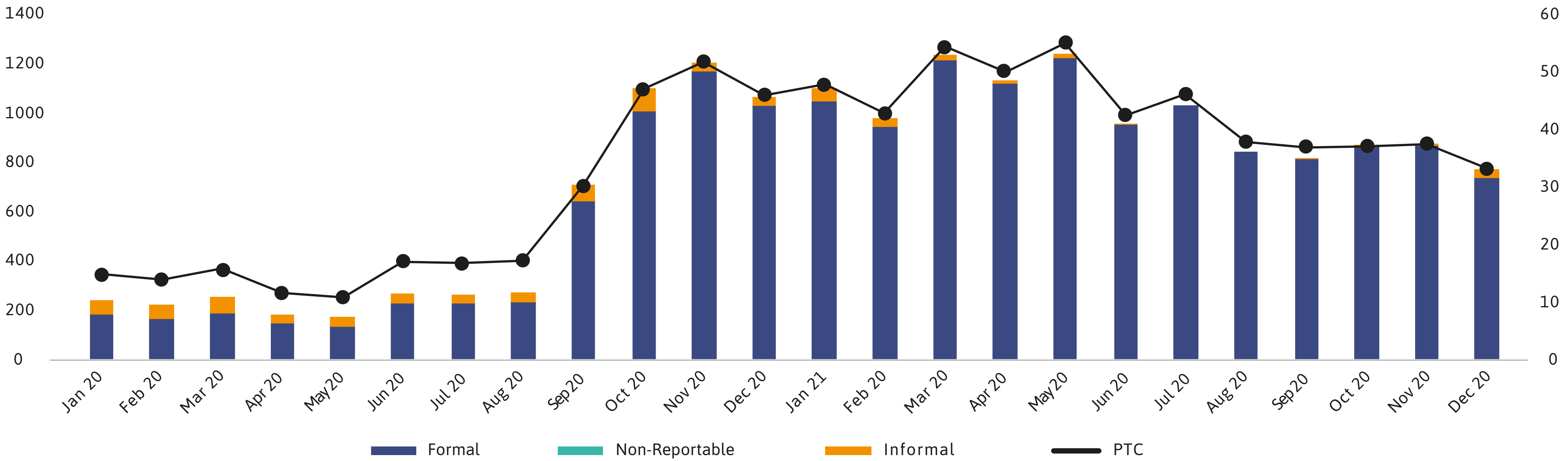
A challenge for ReAssure in 2022 will be to continue to develop processes to meet the needs of vulnerable customers, using the data and MI it now has.

Complaints

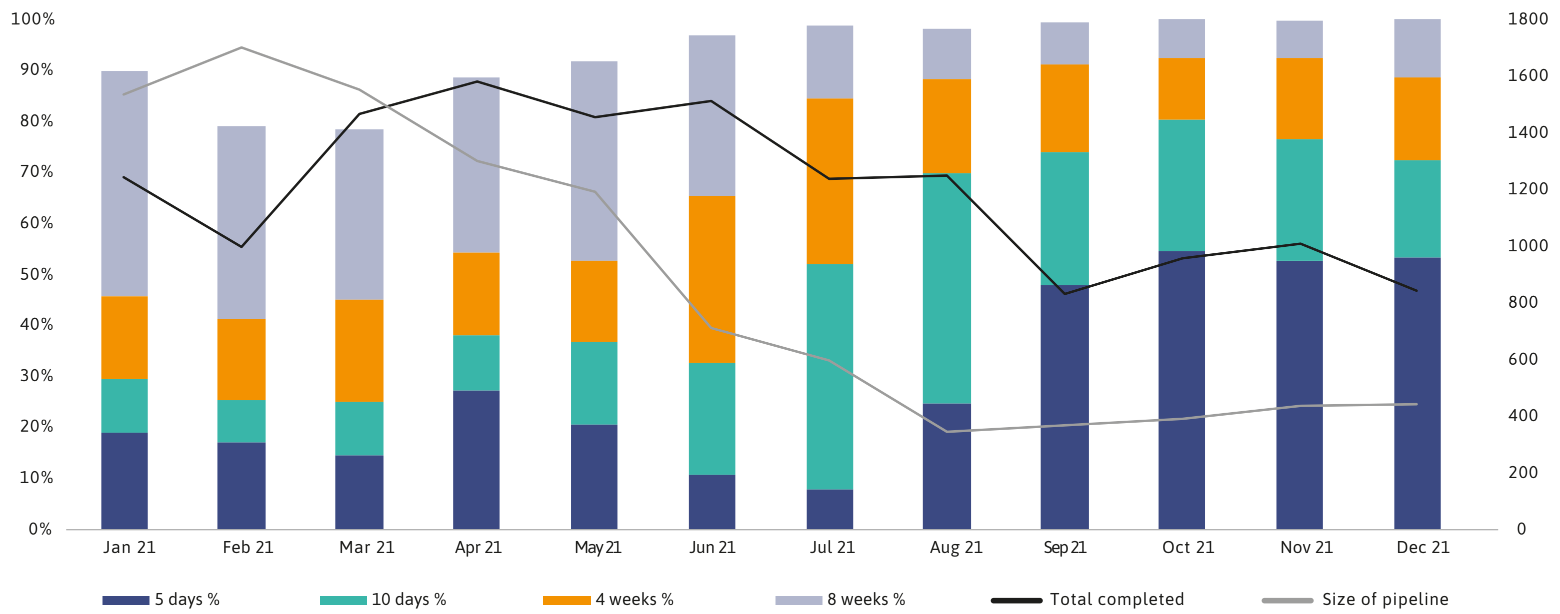
Complaints have decreased in line with the improving servicing environment, although they are still higher than historic norms. ReAssure has received around 33 complaints per 100,000 policies, which remains significantly higher than their target of 20 complaints per 100,000 policies. Complaints are a lagging indicator and the IGC's expectation is that they will return to BAU levels during 2022.

In 2021, ReAssure recruited extra staff to manage the complaints backlog. By Q4, significantly more complaints were being resolved within a 10 day period (around 70%). See the table below for more information. A challenge for ReAssure in 2022 will be to reduce the proportion of complaints taking more than 10 days to resolve to normal levels.

ReAssure Complaint Receipts



Speed Of Case Resolution & Pipeline



The IGC has reviewed a sample of complaint files and are satisfied that the complaints were responded to fairly, both in terms of outcome and the tone of the letters in response.

A few complaint cases have been referred to the Financial Ombudsman Service (FOS), who agreed with the decisions made by ReAssure in just under 90% of cases (for the whole book, not just IGC in-scope customers). Based on information published by the Financial Services Ombudsman for the period July to December 2020, the industry average for the life and pensions complaints category is 77.5% upheld[2] (in favour of the provider) (2020: 81% 2019: 78%). The IGC is satisfied that, while improvements can be made to the speed of resolution, ReAssure's process is thorough and fair.

Service enhancements

ReAssure is continuing to enhance its online offering, which is being rolled out to customers in phases. This provides you with online account viewing and the ability to contact ReAssure through secure messages. Just over 20% of you are now registered. A challenge for ReAssure in 2022 will be to encourage you to register for and use online services, and extend the transactional functions available online. In line with other legacy providers, ReAssure does not offer a mobile app.

How does ReAssure compare with other providers?

ReAssure participated in a market comparison exercise comparing servicing data with that of other providers of legacy pension plans. ReAssure compared favourably with other providers in relation to the processing of core transactions – ReAssure was the fastest provider in all but one area, and most transactions have automated processing. ReAssure was also strong in tracing customers who had lost contact. However, due to the L&G migration issues, call wait times were longer than for other providers (in the period to 30 June 2021), and complaint levels were higher relative to others.

What are our conclusions in relation to value for money?

It is noted that there have been some continuing challenges to normalise service levels during 2021, while services did start to return to more normal levels from Q2 onwards. Complaints remain above normal, although they are a lagging indicator. Significant efforts have been made to return services to normal, and enhance processes such as those for vulnerable customers.

[2]https://www.financial-ombudsman.org.uk/data-insight/half-yearly-complaints-data

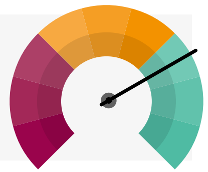
Further Commentary

Communication and Engagement

Further Commentary

Communication and Engagement

Overall, communication and engagement was assessed as GREEN with a score of 17 out of 21 or 81%.



Why are communications from ReAssure important?

Communications in whatever form – by letter, email, text message, through the website, or by telephone – are essential to provide you with information about your pension pot and about services that ReAssure offers you.

But, providing you with information alone is not sufficient to enable you to make informed choices. ReAssure must also engage with you as a customer to ensure that:

- the language and format used are understandable to you, signposting you to any action you should take and where to find out more;
- information is given to you at the right time; and
- information is given to you through an appropriate channel.

Communications form part of our Value for Money assessment

Your IGC are responsible for assessing whether ReAssure's communications to customers are fit for purpose and properly take into account customers' characteristics, needs and objectives (the 'fit for purpose requirement').

What does this mean?

This year, ReAssure has aligned its approach with the other businesses of the Phoenix Group, and has therefore agreed with the IGC the following meaning of 'fit for purpose':

"A communication which takes into account the needs and objectives of the customer and is provided to them in a timely fashion. It should contain content which is relevant, salient and informative, taking into account the financial literacy levels of the customers. The content of a communication should support the customer to recognise the information they may need to know or the appropriate action(s) they may need to take, which enables them to keep on track with their retirement plans and support their desired outcomes."

We have assessed a range of communications produced by ReAssure, including:

Informative Communications: providing customers with necessary information and educational material to support their understanding, including communications issued where there is a regulatory requirement.

Action-Focused Communications: designed to encourage customers to complete a call-to-action to assist their retirement outcome – for example, reviewing investments and contributions, nominating beneficiaries, or registering online.

Customer Journeys: journeys designed to support customers to take steps towards their desired outcome at retirement, including both digital options and over-the-phone.

What steps has ReAssure taken to embed the fit for purpose requirement in communications with its customers and how does the IGC assess this?

1. ReAssure has adopted a Fit for Purpose Protocol (developed by the IGC and the Phoenix Group in 2020), detailing four separate stages to be completed by the author of any relevant communications. To see this Protocol, click **here**.

2. To meet IGC requirements, this Protocol is used by the author of any material communication to record, before and during the preparation of the communication, how the fit for purpose requirement is being met; and, after the communication has been issued, the protocol document is used to record what evidence exists to demonstrate that the communication's purpose has been achieved. It should also be used for 'lessons learned' to ensure communications are adapted and improved if the evidence demonstrates the communication's purposes have not been satisfactorily achieved.

The Fit for Purpose Protocol has now been embedded within the customer communications processes of ReAssure. It is the evidence collected through the use of this Protocol in 2021 that the IGC has used to assess the extent to which ReAssure is complying with the fit for purpose requirement. The IGC reviewed a sample of communications and completed Fit for Purpose Protocol documents to see if ReAssure is producing communications which are fit for purpose, is monitoring their impact, and is making changes when needed. Although it is not practicable for the Protocol to be used for every single communication issued to customers, the IGC expects ReAssure to adhere to the fit for purpose principles in every form of communication to its customers.

What impact is this Fit for Purpose Protocol having on ReAssure's communications and engagement with you?

The IGC are pleased to report that ReAssure has embraced the new Protocol, which was similar to its existing approach internally to preparing and assessing the effectiveness of new communications drafted. It is clear, however, that the Protocol provides a consistent and systematic framework for designing and evaluating every material piece of customer communication. Its ultimate aim is to improve the quality and efficiency of communication, as well as enhance customer engagement and experience.

All communication materials at ReAssure are prepared and/or reviewed by a dedicated customer communications team, which has helped with embedding the Fit for Purpose Protocol into the business. ReAssure has confirmed that all colleagues who work on customer communications were trained on using and completing the Protocol in November 2021. This included all Communications Analysts and Senior Analysts, ReAssure's Communications Architect, and the Behavioural Science team.

Communications assessed under the Fit for Purpose Protocol

The IGC has seen some good examples of communications which have been assessed against the Fit for Purpose Protocol since its adoption by ReAssure, and we set out three examples here, including explaining whether ReAssure has engaged with customers to improve these communications.

1. Retirement outcomes review single page summary

This is an example of an '**Informative Communication**' which is a one-page document the IGC assessed alongside the Fit for Purpose Protocol completed by ReAssure. Its purpose is to provide customers on a periodic basis with all key information about their pension on a single page, to assist them with their retirement planning, and allowing them to make a comparison with other pensions they hold. The document is sent out to customers within a larger pack, with a cover letter explaining the purpose of each of the documents. ReAssure also used this communication to pilot a new method of producing automated customer communications that enables the business to deliver more engaging templates created by the ReAssure Graphic Design team.

The IGC considered the layout and design of the document to be well thought-out, together with how it is presented alongside other information in the pack. The IGC were satisfied the document met the 'fit for purpose requirement', was clearly written, and contained content which was relevant, salient and informative. Evidence of its success in achieving its purpose from a customer perspective was not provided to the IGC, but ReAssure noted that this pilot of a new method of producing automated customer communications had – in its opinion – proved successful, and represented an additional way to deliver mass customer communications.

2. Investment Pathways ‘contradictory behaviour’ letter

This is an example of an ‘**Action-Focused Communication**’ which ReAssure has produced to send to customers who have selected one of the four available Investment Pathways, but have then taken action which appears to be contradictory to the objectives of their chosen Pathway. The letter provides a reminder to the customer that they selected an Investment Pathway which was set up to support a particular retirement outcome, and that their current actions go against the aims of the option they selected. It includes a copy of the Pathway factsheet, and reminds the customer that they can take action to switch to another fund or Pathway if the Pathway originally selected is no longer aligned to their retirement objectives. The letter also contains information on where to go for advice or guidance if needed. There are a number of versions of the letter, to reflect the different Pathway options and scenarios.

The IGC were pleased to see that ReAssure was acting proactively to identify customers who appeared to be taking action which was not in line with the Pathways selection they had chosen, writing to them with a reminder of the assumption ReAssure had made when designing their chosen Pathway, and a call to action to check if that selection remained suitable for their retirement plans. Again, the IGC were satisfied the letter met the ‘fit for purpose requirement’. ReAssure has said it intends to conduct an online survey with customers who have received one of these letters, to better understand their decisions, and to find out whether any changes to the letter or wider communications or processes are required.

3. ReAssure Now online fund switch process

This is an example of a ‘**Customer Journey**’ the IGC assessed under the Fit for Purpose Protocol. ReAssure explained that the purpose was to improve the service provided to customers and their advisers through creating the ability to request a fund switch via ReAssure Now, ReAssure’s secure online portal. Once customers or their advisers complete a self-service request for a fund switch using their ReAssure Now account, the fund switch is then processed through ReAssure’s administration system and they will receive confirmation once the switch has been processed, without needing to take any further action.

ReAssure explained that it has taken into account customer feedback to identify potential improvements to this service, and is in the process of making a number of improvements during 2022, including making the fund switch request functionality available to additional groups of users. Since the online fund switch process launched in mid-2021, there has been an increase in fund switch activity, with ReAssure Now customers having a higher propensity to switch funds versus non-ReAssure Now users. In the period to the end of December 2021, 407 fund switches were made, by 290 different customers, using the new ReAssure Now functionality. While the number of users was relatively low in the first few months of launch, greater usage has been seen since the start of 2022.

The IGC is pleased with the content of this customer journey, and with the continued development of the transaction capability of ReAssure Now. The customer journey was well-designed and clearly guided customers through the process and options associated with a fund switch. The IGC is satisfied that both the design and content of this online customer journey meet the fit for purpose requirement.

Engagement activity

Embedded in the Fit for Purpose Protocol is the need for evidence of how each communication has been designed and/or presented to make it as accessible and appealing as possible to the customer.

A very positive development is the growth and embedding of the ReAssure Behavioural Science team, who have developed a set of ethical principles which will drive ReAssure's approach to communication, and its approach to 'test and learn' in a live environment. This is combined with a change in the way large volume letters are produced, which means they now sit on a flexible letters platform, and can be altered and improved more efficiently to take account of customer feedback.

A survey was carried out on current ReAssure Life portal users in early 2021 which aimed to ensure a seamless switch for users following the transition of these customers over to ReAssure Now. This included a comparison of service from customers who currently have both ReAssure Life and ReAssure portal accounts.

Digital

Website

ReAssure has been working on a number of improvements to its website during 2021. It has made changes to the landing pages of the website, to make it easier for customers and advisers to find out the best way of getting in touch with ReAssure, depending on the specific task they want to achieve. New online functionality also includes development of online forms allowing customers and their representatives to take actions such as request full policy details, notify ReAssure of a death, or change personal details. The prioritisation of these improvements was aimed at helping to address some of the servicing issues experienced by former Legal & General customers following their migration to ReAssure in 2020, when ReAssure's customer contact centre struggled to cope with the new levels of demand (combined with 'lockdown' servicing challenges arising from the Covid-19 pandemic).

ReAssure Now

As already noted earlier in this section of the Report, work has been ongoing to update and add features to ReAssure Now, ReAssure's secure online portal. This has included making it possible for customers to make changes to some of their personal details, and to carry out fund switch requests, together with introducing accessibility enhancements for visually impaired users.

Digital literacy initiative

ReAssure, together with the other businesses within the Phoenix Group, launched a digital literacy initiative during 2021, following customer research that indicated this would be valued by less digitally confident customers. ReAssure's website now hosts a section covering Digital Guides and 'People Like Me'. The Digital Guides cover foundational digital topics, designed to help customers build their digital confidence and take advantage of the online financial tools available to them. These include animated videos, with accompanying guides. Topics covered are:

- An overview of the programme – Digital Essentials
- Getting started – explaining the difference between different types of devices, browsers etc
- Staying safe online – how to make sure operating systems and browsers are kept up to date with the latest security patches
- Trouble-shooting when things go wrong

Conclusion

SCORING: ReAssure has continued to evidence strong forward momentum in the area of communication and engagement. Recognising this, we would award them a RAG rating of GREEN.

Further Commentary

ESG and Stewardship

Further Commentary

ESG and Stewardship

IGCs are required to consider and report on how ESG considerations and other aspects of what it is often called "Responsible Investment" are taken into account in the provider's investment decisions that impact in-scope customers' pension pots and/or investment pathway funds. This is an important part of the Government's strategy to ensure that pension savings play their part in combatting climate change and promoting good outcomes for society as well as good outcomes for pension savers.

Our role is to review three key areas of investment considerations, looking at what the provider intends to do regarding each (i.e. their "policy") and how good they are at doing it (i.e. "implementation"). The three areas are:

- ESG financial considerations ("environmental, social and governance factors (including climate change) that are material to the sustainability of an investment");
- Non-financial matters ("factors which may influence a firm's investment strategy or decision, and which are based on the views (including ethical concerns regarding environmental, social and governance issues) of the firm's clients or relevant policyholders"); and
- Stewardship (which the Financial Reporting Council define as: "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society").

The Phoenix Group, of which ReAssure is a part, takes its responsibilities to the environment and wider society very seriously. For many years, it has published reports of its activities in these areas, and these can be found on the Phoenix Group **website**. While setting helpful context for the IGC's assessment, our focus is narrower and is concentrated on the adequacy and quality of the policies that impact the investment returns that in-scope customers receive.

In 2021, significant further progress has been made to strengthen the policy framework that applies and ensure that it is robustly implemented. In particular:

- Phoenix Group has further strengthened its **policy framework**. The policies that deal with the relevant financial risks have been updated to state in detail its (and hence ReAssure's) approach to non-financial factors (such as ethical, religious or social impact considerations) that can impact long-term investment returns. An Exclusions Policy has been developed that sets out the principles that should drive decisions around when it would be appropriate not to invest in certain companies or investment sectors. A Group Stewardship Policy has been developed that outlines what Phoenix Group means by "stewardship" and details its commitment to support effective engagement with the companies that it invests in, both directly and through its asset manager partners.

- Phoenix Group has further strengthened the **governance infrastructure** around Responsible Investment, to ensure that the policy intentions are definitely carried out, and can be seen to be. Quarterly review meetings are now held with its key asset manager partners that include a detailed analysis of their Responsible Investment activity, resources in place and plans for the future. In addition, an even more in-depth assessment approach has been piloted with one asset manager partner, which led to a number of additional findings which are now being addressed.
- In order to increase the **choice of options** for those customers who are particularly keen to have the investment of their savings reflecting particular ESG values and concerns, preparations have been made for the addition, in 2022, of six new "low carbon" funds to the range that customers are able to choose from.
- Phoenix Group played a leading role at COP26 (the United Nations climate conference held in Glasgow in November 2021), working with sector peers to highlight the important role of private finance in combatting climate change. Phoenix has also extended its strategic industry partnerships to promote collective action on **climate change**.

The IGC has been pleased to see so much progress in 2021. There is still more to be done, particularly in the implementation of the new, low-carbon default fund range, and also in the area of communication – helping customers to see the beneficial impact on the environment and society of how their pension pots and drawdown funds are being invested. Nevertheless, 2021 has been another good year as far as ESG and Stewardship are concerned.

IGC conclusion:

ReAssure's policy on ESG matters and Stewardship is clearly set out.

- It covers the key financial risks, and also opportunities, arising from ESG considerations.
- It sets out clear standards that must be followed in the investment of in-scope customers' savings, where that investment is carried out on behalf of ReAssure. Where investment decisions are the responsibility of other, external, fund managers, it encourages ReAssure to use whatever influence it may have to push for outcomes which align with the requirements that apply to ReAssure's own investment decisions.
- It highlights the importance of being responsible investors, having a policy of active engagement with the firms that are invested in, including exercising voting rights and holding management to account over their governance standards and business behaviour.
- The policy framework also recognises the significance of non-financial matters to many customers, and a range of appropriate investment options is available to respond to their ethical concerns.

The standards are linked to the United Nations Principles for Responsible Investment, which is a helpful reference point as to adequacy and quality, as is the positive result of the external consultant-led review that the other Phoenix Group IGCs commissioned in 2020.

Thus the IGC is able to confirm that the ReAssure policy on ESG financial and non-financial matters, along with Stewardship, is both adequate and of an appropriate quality.

The implementation is built into the existing Group-wide Risk Management Framework and so is subject to regular monitoring and reporting. In addition, the oversight of its implementation in asset manager partners is clearly evidenced, with action plans to further strengthen the implementation in place and regularly monitored.

In the comments above, the IGC has given a flavour of what has happened over 2021. Those readers who wish to know more about any area highlighted here can find additional information in the appropriate **Supporting Material**.

The IGC is pleased to rate ReAssure Limited **GREEN** in this area, and looks forward to see what further developments 2022 will bring.

Further Commentary

Investment Pathways

ReAssure launched its Investment Pathways proposition in February 2021, in line with the introduction of new rules by the regulator, the Financial Conduct Authority.

Investment Pathways was a new initiative, introduced by the regulator, to enable providers like ReAssure to develop a proposition aimed at customers taking retirement benefits who did not wish to engage a financial advisor in the process. The regulations require that such customers are asked to choose between one of four options, with the provider then offering what it believes is an appropriate investment option for the associated pension pot. These four options are:

1. I have no plans to touch my money in the next 5 years

2. I plan to use my money to set up a guaranteed income (annuity) within the next 5 years

3. I plan to start taking my money as a long-term income within the next 5 years

4. I plan to take out all of my money within the next 5 years.

Before the proposition design was finalised, the IGC reviewed the potential VfM that it represented and concluded that it represented reasonable value for money at that time and offered the prospect of good outcome for customers. We set out the detailed findings in a separate report that is available on the IGC's **webpage**, including a note of the areas that we would particularly be monitoring post launch.

Since then, the IGC has regularly monitored the VfM being delivered by ReAssure's Investment Pathways product, using the same assessment areas as we use in the rest of our VfM analysis described elsewhere in this report, namely:

- Costs and charges;
- Investment performance;
- Customer service;
- Customer communications and engagement; and
- Investment services.

We have also worked with ReAssure to develop appropriate MI (management information) to enable us to monitor ongoing VfM, and also ensured that ReAssure took part in industry benchmarking of Investment Pathways in order to help inform our VfM analysis. Both these activities were noted, in last year's IGC report, as our Key Challenges of ReAssure in this regard.

The purpose of this Further Commentary is to provide more detail on the IGC's VfM assessment summarised in the corresponding **Key Messages section**, along with some relevant statistics on the size of the Investment Pathways business that we have reviewed for the purpose of this report.

Size of the Investment Pathways business

At the end of 2021, ReAssure had 3,312 Investment Pathways customers, with investments in Investment Pathways funds totalling £147.5m.

The following table shows the spread across the four possible Investment Pathway options at that date.

	Pathway 1	Pathway 2	Pathway 3	Pathway 4
Customers (3,312)	926	228	1098	1060
Assets (£147.5m)	£46.6m	£9.0m	£59.5m	£32.4m
Average size of pot	£50,317	£39,581	£54,211	£30,521

As can be seen, most of the Investment Pathways assets are in options 1 and 3. Just over one fifth of the assets are in Pathway 4, but chosen by around a third of customers – hence the smaller average pot size for this option. Relatively few customers (around 7%) have so far selected Pathway 2.

Because the charges that some competitors apply vary by the size of Investment pathway pot, it is important to see the proportion of customers with different sizes of pot:

Proportion (%) of customers within each Investment Pathways pot size for each pathway						
	up to £25k	£25k - £50k	£50k - £100k	£100k - £250k	£250k - £500k	£500k +
Pathway 1	30.7%	36.0%	25.1%	7.0%	1.1%	0.2%
Pathway 2	36.4%	38.2%	20.6%	4.4%	0.4%	0.0%
Pathway 3	27.5%	31.9%	29.2%	10.4%	1.0%	0.0%
Pathway 4	53.6%	30.6%	12.9%	2.9%	0.0%	0.0%

Costs and Charges

There are two components to the ReAssure Investment Pathways charges:

- a fixed annual management charge of 0.65%; plus
- an additional investment management charge that varies by year and by Investment Pathway option selected (with the current levels ranging between 0.02% and 0.10%.

As a consequence, no ReAssure Investment Pathways customer is paying more than 0.75% per annum in charges. In many cases, this is a lower rate of charge than the customer might have been paying pre-retirement.

Thus, on the basis of an internal comparison, the ReAssure Investment Pathways charge levels do not look “too bad”. However, the same is not necessarily true of a comparison of the wider market.

Across the providers who offer Investment Pathways, rates of charges typically typically fall with increasing pot size. Some providers also charge less for some pathway options than for others, particularly for option 4 (i.e. I plan to take out all of my money within the next 5 years).

As a consequence, the comparative position of ReAssure Investment Pathways charges is:

- At the top end of market charges for Pathways 1 and 2, even for small pots, and with the differential increasing with pot size.
- Towards the bottom of the upper “pack” of providers who charge in excess of 0.7% pa for Pathway 3, at least for pot sizes up to c £200,000. However, there are some well-known providers in a lower “pack” who charge around 0.5% pa or less for this Pathway option.
- At the top end of market charges for Pathway 4, even for small pots, and with the differential increasing with pot size.

While the other aspects of the ReAssure Investment Pathways proposition tend to compare reasonably well with those of competitors, there is no evidence to suggest that it should be seen as a “premium product”, worthy of a higher price. Hence the Amber VfM rating for charges that the IGC has assigned.

The IGC believes that both existing and potential new ReAssure Investment Pathway customers could find it worthwhile to “shop around” and see whether the potential savings in charges from using a different provider would outweigh the convenience of staying where they are. (It is worth noting that the ReAssure Investment Pathway proposition is seen by ReAssure as a defensive product, aimed at existing customers, rather than one that seeks to be competitive across the whole marketplace.)

The transaction costs Incurred in the investment management of the four investment pathway funds appear reasonable in the circumstances and do not raise any VfM concerns, as can be seen from the following table.

Aggregate Transaction Costs (%) over preceding 12 months		
	12 months to end Dec 2021	12 months to end Sept 2021
Pathway 1	0.029	0.033
Pathway 2	0.022	0.014
Pathway 3	0.024	0.029
Pathway 4	0.010	0.006

Investment performance

As noted in the Key Messages section, as a result of the newness of the Investment Pathways proposition, there is only limited data on past investment performance available to the IGC.

The four ReAssure Investment Pathway funds are "passive" by design – i.e. they aim to track a particular market index closely and not seek to outperform through "active" stock-picking decisions.

In terms of 1 year performance against the (customised) benchmarks set by Standard Life for their more actively managed Investment Pathways, performance to 31st December 2021 has been reasonably good:

1 year investment performance to 31st December 2021 (gross of charges)			
	Fund performance	Comparator index	Difference
Pathway 1	5.7%	6.3%	-0.8
Pathway 2	-3.4%	-6.6%	+3.2
Pathway 3	4.8%	4.0%	+0.8
Pathway 4	-1.2%	-1.3%	+0.1

(It should also be noted that Pathway 2 is designed to track the price of a guaranteed income stream (i.e. annuity) and, over the 12 months, the Comparator index outperformed market data (i.e. annuity prices fell, as a consequence of rising interest rates, more than the rate of loss of the comparator).

In terms of performance relative to other investment pathway options provided by other providers, the position is more mixed:

- For Pathway 1, ReAssure's 1 year past performance is broadly "in the pack".

- For Pathway 2, ReAssure's 1 year past performance is well up in the top half of the table. Some providers had positive 1 year returns from their Pathway 2 funds, which would not necessarily be expected of a fund that was aiming purely to match movements in annuity prices (as the ReAssure Investment Pathway 2 fund aims to do).
- For Pathway 3, ReAssure's 1 year past performance is just below the middle of "the pack".
- For Pathway 4, ReAssure is towards the bottom of the market comparator tables the IGC has seen. This would seem largely a result of the different choices made by providers in designing their investment pathway funds and, particularly, the level in investment risk being targeted.

The levels of risk to target, and what asset classes to choose to invest in are decision for providers to make. The impact of such judgements on customer outcomes could significantly outweigh all the other VfM considerations discussed here – with no guarantee that the impact would always be positive.

Nevertheless, the IGC takes comfort from the fact that, on a forward-looking basis, expected return and risk measures place ReAssure Investment Pathway options broadly in the middle of the pack.

Customer Service

As noted in the Key Messages section, Investment Pathways administration is integrated with that of other retirement "Drawdown" products. Consequently, customer servicing MI (including performance on core financial transactions) focussed solely on Investment Pathways is not currently available to the IGC. In due course, we would like to be able to review such focussed data. However, in the meantime, we believe it is sufficient to monitor the more aggregated data, supplemented by complaints data which is specific to Investment Pathways.

During 2021, the target service levels for the Investment Pathway-related customer demand measures were consistently met. Across all activity within the scope of the IGC, a VfM assessment of Amber was allocated for Customer Service, as explained elsewhere in this **report**. However, it would seem appropriate to allocate a Green assessment to Investment Pathway servicing.

The level of complaints from Investment Pathway customers during 2021 was extremely low. While the IGC has not seen details of all the specific complaints raised, the MI suggests that there are no issues with how ReAssure has addressed the complaints, and nor do the complaints raise questions about the VfM of the Investment Pathway proposition servicing.

The results of a comparative benchmarking study across a limited number of Investment Pathway propositions from other providers also supports the conclusion that there are no VfM issues arising from ReAssure customer servicing – either in terms of the service levels delivered or the range of servicing options and tools provided by ReAssure, although the amount of comparative data available concerning the former was limited.

Communications and engagement

As explained elsewhere in this **report**, the IGC has agreed with ReAssure a “fit for purpose” protocol that will be applied before, during and on completion of the design and content of all, particularly material, communications with customers within our scope.

Prior to the launch of Investment Pathways, our predecessor IGC reviewed and considered the relevant communications to be used when customers first enter Investment Pathways and subsequently. The goal was to ensure that all communications are clear and understandable, meet their intended purpose, and take into account the characteristics, needs and objectives of the relevant customers. The conclusion was that the Investment Pathways communications developed for launch were “fit for purpose” and set out the relevant information clearly and understandably, as well as explaining their purpose.

The comparative benchmarking study across a limited number of Investment Pathway propostion from other providers already mentioned also supported this conclusion. However, it did also identify some areas of emerging best practice where ReAssure could enhance its customer communications. During 2022, the IGC will be looking to see how ReAssure takes on board this feedback.

Following up inconsistent actions:

ReAssure have analysed customer data of those who have taken up Investment Pathways since launch and have not found anything to suggest that customer behaviour is materially out of line with what might have been expected on the basis of the Investment Pathway chosen.

Nevertheless, there is consistently a small proportion of customers who seek to access cash after choosing an Investment Pathway that would have suggested this was not going to be their intention (e.g. Investment Pathways 1 and 2).

These results raise the question of whether the relevant customers sufficiently understood the Investment Pathways proposition and, if not, what changes should be made to the associated communications.

Phoenix Group has carried out research of Standard Life customers who have behaved in such inconsistent ways with the Investment Pathway selected. The findings suggest that customers do understand the 5 year objective of the Investment Pathway they have selected, but also understand that they can access their money at any time, and are taking cash to deal with unexpected events. Nevertheless, these customers will have received warnings at the point of the inconsistent behaviour. They will also receive ongoing annual communications that outline that their actions may mean that their Investment Pathway selection is no longer appropriate for their needs and that they may wish to review it.

Customer research

In addition to the specific research mentioned above, Phoenix Group has also undertaken a wider piece of research (again, amongst Standard Life Investment Pathways customers) to investigate how customers are finding the Investment Pathway “customer journey” and the extent to which they are understanding the proposition.

The key findings from the research in 2021 were:

- Investment Pathways are proving helpful to customers as the proposition allows them to make decisions regarding their future retirement income without having to understand too much of the detailed process. Less-engaged customers are relying heavily on their trust in the provider and see particular value in the guided telephony channel that is offered.
- The priority for customers considering Investment Pathways is to gain access to their tax-free cash at retirement, although consolidating different pension pots is also a priority for some. Selection of an Investment Pathway seems very much a secondary consideration and, for some customers, purely a process that they feel "forced to go through".
- Whilst engaged and financially confident customers have researched and considered their Investment Pathway options, less engaged customers can potentially make decisions based on "in the moment" considerations, without fully reflecting on their pension needs.
- Whilst the majority of customers are content with their Investment Pathways decision and believe that they have chosen the most appropriate option for them, there is a minority of customers who may alter their decision at a later date once pensions become more pertinent for them.
- Without prior consideration, some customers feel ill-prepared to make such important decisions, but are also focussed on their primary aim of accessing cash – in some cases, with an urgent requirement.
- The Investment Pathways customer journey is generally considered to be an efficient, if somewhat time-consuming, process. Both online and telephone routes are praised for their efficiency, with telephone staff particularly receiving positive comments. (It should be noted here that ReAssure have yet to launch a fully online customer journey to access Investment Pathways.)
- As already noted earlier, inconsistent behaviour can be displayed by customers, irrespective of how much they understand of the Investment Pathway option they have selected. The key factor in such cases seems to be the need for access to their cash.

While many of the research findings are encouraging and are likely to apply to ReAssure experiences too, it is significant (though not unexpected) that customers' primary focus seems to be to access tax-free cash at the point of transaction. The IGC welcomes these research findings and looks forward to seeing how ReAssure takes them on board to further support good customer outcomes from Investment Pathways.

Investment services

The same high standards of oversight apply to the operation of the four Investment Pathway funds as apply to the other ReAssure-designed funds within the IGC's scope. The quarterly governance reviews during 2021 confirmed that the funds were being operated as intended, and as customer would expect, given the published fund descriptions.

As noted earlier, the design of Investment Pathway funds varies quite considerably across the market. The predecessor IGC reviewed the design process for the four Investment Pathway funds as part of the pre-launch review. They concluded that the risk and return characteristics of each of the four funds had generally been designed in the interest of customers who were likely to select them. While it was too early in 2021 to make any changes to the design of the ReAssure four funds, the IGC will be keen to see how ReAssure responds to the different approaches that some other providers seem to be taking.

Two final comments

ESG

The four ReAssure Investment Pathway funds do not as yet have any particular ESG features. They are, however, included within the overall approach to Responsible Investment that applies across all the IGC in-scope funds where ReAssure makes the investment decisions that impact customer returns. The IGC has rated ReAssure Green for this performance area over 2021, as can be seen elsewhere in this **report**.

IGC's approach to VfM comparisons

New regulations introduced for this year's IGC reports require IGCs to consider whether to assess investment pathway investments on an individual basis or on an aggregated basis using cohorts of sufficiently similar pathway investments, or a combination of both, to enable the IGC to produce a value for money assessment that is he most useful for the pathway investors, but which is also appropriate and proportionate in the circumstances.

For the purposes of our VfM assessment of ReAssure's Investment Pathways, we have taken the view that, because much of the proposition is common across whichever Investment Pathway option is chosen (e.g customer journey to access Investment Pathways; customer servicing thereafter; annual statement mailing; design process and governance oversight of the four fund options), it makes sense to carry out the VfM assessment at the level of the overall proposition.

However, because charges across the market vary by size of pension pot and, in some cases, also vary by which investment pathway option is chosen, our analysis of Costs and charges is on a more granular basis, reflecting pot size and fund chosen.

Publicly available data for a wide selection of other Investment Pathway providers has been used for our VfM assessment of Costs and charges, Investment performance, and parts of Investment services. For the other VfM areas, we have used internal MI, supplemented by detailed comparator results from a specially-commissioned benchmarking exercise amongst a relatively small number of Investment Pathway propositions.

Supporting Material

Supporting Material

Costs and Charges

Supporting Material

Costs and Charges

Disclosure of costs and charges by individual customer

The table below shows the range of charges applied to individual customers' policies for each of the main unit-linked and default funds used by customers across all employer arrangements. (Last year's report only considered this across default products). Customers can see from their annual benefit statement the name of the fund in which they are invested. For example, the table shows that if you are invested in the Managed 6 Fund, around 43% of customers using that fund by default pay charges of between 0.60% and 0.75% per year.

Some customers pay different types of charges but, in the table below, these have all been converted to an equivalent percentage ongoing charge to make comparisons easier. Of the cases where the charges are above 1%, this is due to initial units and third party fund charges not being capped.

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
Managed 6	0.65%	1.16%	5.72%	7.45%	42.61%	8.58%	6.53%	20.38%	1.73%	0.50%	4.70%	0.054%
L&G Managed Fund	3.99%	0.53%	12.32%	24.81%	40.24%	4.31%	4.91%	8.87%	0.01%	0.00%	0.00%	0.054%
L&G UK Equity Index Fund	1.61%	17.08%	12.18%	22.72%	22.80%	5.26%	5.23%	13.12%	0.01%	0.00%	0.00%	0.044%
Global Equity Index Tracker LStyle	0.03%	1.50%	0.03%	0.00%	0.08%	0.31%	0.14%	97.53%	0.27%	0.11%	0.01%	0.000%
L&G Fixed Interest Fund	1.17%	2.96%	14.67%	26.53%	32.11%	5.36%	4.90%	12.27%	0.02%	0.00%	0.00%	0.058%
L&G Distribution Fund	1.36%	1.25%	26.56%	7.72%	35.12%	5.79%	5.98%	16.20%	0.03%	0.00%	0.00%	0.102%
Unitised-With-Profits Pen Gen 2 CAI	39.30%	8.19%	5.68%	5.99%	15.43%	5.30%	3.41%	8.42%	2.19%	0.90%	5.18%	0.096%

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
Managed 5	1.35%	1.07%	1.84%	5.05%	16.15%	17.41%	14.69%	25.42%	8.16%	1.97%	6.90%	0.054%
UK Equity Index 6	0.50%	0.91%	2.81%	47.49%	31.88%	4.30%	2.45%	9.29%	0.12%	0.04%	0.20%	0.044%
L&G Consensus Fund	5.09%	0.82%	12.06%	48.90%	19.04%	2.25%	1.98%	9.87%	0.00%	0.00%	0.00%	0.014%
Global Eq Fixd Ws 50:50 Index Fund	0.19%	0.38%	8.20%	73.59%	14.49%	0.62%	0.74%	1.80%	0.00%	0.00%	0.00%	0.025%
L&G Cash Fund	1.78%	2.58%	14.66%	25.10%	32.88%	5.73%	4.95%	12.31%	0.02%	0.00%	0.00%	-0.009%
Global Eq Fixd Weigh 60:40 Index Fund	2.82%	0.77%	8.29%	55.57%	22.73%	2.85%	1.38%	5.60%	0.00%	0.00%	0.00%	0.029%
Equity 6	0.68%	1.39%	4.47%	19.75%	37.70%	7.01%	4.96%	15.59%	1.41%	0.46%	6.58%	-0.088%
Special Deposit 6	31.77%	11.03%	15.96%	11.11%	9.09%	2.09%	2.04%	16.71%	0.10%	0.05%	0.03%	0.000%
L&G (PMC) Multi-Asset Fund	9.04%	1.43%	18.69%	18.54%	45.98%	0.81%	0.75%	4.76%	0.00%	0.00%	0.00%	0.006%
UK All Company Tracker	0.03%	0.00%	0.00%	0.01%	0.03%	0.07%	0.50%	99.04%	0.32%	0.01%	0.01%	0.056%
OMR Index Balanced S2	0.06%	5.55%	34.01%	26.80%	17.36%	8.74%	1.34%	1.21%	2.30%	1.85%	0.77%	Not Available
Unitised-With-Profits Pen Gen 4	33.40%	6.16%	13.83%	12.40%	12.77%	2.71%	2.07%	14.82%	0.60%	0.19%	1.05%	0.100%
Unitised-With-Profits Pen Gen 2	27.24%	5.82%	20.50%	14.97%	12.88%	3.34%	2.26%	12.90%	0.06%	0.00%	0.01%	0.100%

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
UK All Company Tracker LStyle	0.06%	0.00%	0.00%	0.06%	0.03%	0.32%	0.49%	99.04%	0.00%	0.00%	0.00%	0.056%
Fixed Interest 6	0.19%	0.31%	1.20%	26.41%	48.03%	6.45%	3.66%	13.51%	0.16%	0.03%	0.05%	0.058%
L&G Property Fund	0.57%	0.97%	8.93%	9.11%	28.12%	10.78%	11.70%	29.82%	0.00%	0.00%	0.00%	0.020%
Pensions Balanced	0.29%	0.00%	0.00%	0.00%	0.06%	0.06%	0.63%	98.37%	0.49%	0.09%	0.03%	0.023%
OMR QI Cirilium Bal Bl Port	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.19%	0.72%	1.07%	97.97%	Not Available
OMR Prof Index Balanced	0.00%	0.00%	0.30%	1.40%	20.84%	11.86%	9.27%	9.07%	13.66%	19.24%	14.36%	Not Available
L&G Global Equity 70:30 Index Fund	1.20%	5.42%	21.12%	21.51%	24.46%	7.49%	6.22%	12.59%	0.00%	0.00%	0.00%	0.035%
L&G US Equity Index Fund	0.69%	9.47%	16.40%	17.44%	20.21%	11.20%	10.74%	13.86%	0.00%	0.00%	0.00%	0.010%
BNY Mellon Global Equity Fund	0.91%	0.18%	5.90%	10.89%	25.77%	11.52%	13.97%	30.85%	0.00%	0.00%	0.00%	0.093%
L&G International Fund	0.53%	5.51%	20.51%	14.63%	24.74%	8.37%	9.35%	16.37%	0.00%	0.00%	0.00%	0.050%
Special Deposit 5	33.63%	4.55%	6.32%	13.25%	12.23%	2.92%	2.58%	24.18%	0.14%	0.14%	0.07%	0.000%
Managed (B)	0.00%	0.85%	30.91%	19.91%	25.87%	3.34%	2.16%	8.32%	1.90%	0.39%	6.35%	0.023%
L&G Index Linked Gilt Fund	0.59%	4.45%	19.32%	15.77%	29.28%	7.47%	7.82%	15.29%	0.00%	0.00%	0.00%	0.002%

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
OMR Prof QI Cirilium ModBldPfl	0.07%	0.00%	0.00%	0.00%	1.07%	2.85%	5.12%	7.76%	16.94%	7.05%	59.15%	Not Available
Global Equity Index Tracker	0.05%	0.00%	0.00%	0.00%	0.14%	0.24%	0.71%	95.90%	2.86%	0.10%	0.00%	0.000%
Balanced	0.00%	0.00%	0.00%	0.00%	0.11%	0.16%	0.43%	95.28%	3.22%	0.59%	0.21%	0.023%
L&G North American Fund	0.70%	6.20%	17.10%	15.10%	22.10%	12.30%	8.70%	17.80%	0.00%	0.00%	0.00%	0.008%
European 6	0.85%	1.01%	3.81%	15.40%	51.82%	6.60%	4.86%	13.53%	0.24%	0.20%	1.66%	0.180%
L&G Far Eastern Fund	0.40%	4.13%	16.31%	15.51%	25.53%	11.63%	7.96%	18.53%	0.00%	0.00%	0.00%	0.019%
L&G Equity Fund	0.21%	8.29%	15.75%	15.61%	20.10%	9.67%	10.77%	19.61%	0.00%	0.00%	0.00%	-0.088%
Choices Managed	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	99.22%	0.00%	0.43%	0.00%	0.023%

Disclosure of costs and charges by individual employer arrangement

The table below shows the range of charges applied within each employer arrangement for the main unit-linked and default funds used by customers. (Last year's report only considered this across default products). Customers can see from their annual benefit statement the name of the fund in which they are invested.

Some customers pay different types of charges but in the table below, these have all been converted to an equivalent percentage ongoing charge to make comparisons easier. 96.6% of the employer arrangements which are invested in one or more of the below funds have ongoing charges of 1% of less per year. Of the cases where the charges are above 1%, this is due to initial units and third party fund charges not being capped. Some of the funds only have a small number of employer arrangements invested within them, so the % splits need to be viewed in this context.

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
Managed 6	25.7%	13.5%	37.4%	7.2%	6.0%	3.7%	4.0%	2.4%	0.1%	0.0%	0.0%	0.0659%
L&G Managed Fund	1.9%	6.8%	25.1%	44.9%	7.6%	2.7%	5.7%	5.3%	0.0%	0.0%	0.0%	0.054%
Global Equity Index Tracker LStyle	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.5%	96.0%	2.7%	0.2%	0.0%	0.000%
UK All Company Tracker	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	1.0%	97.7%	0.8%	0.0%	0.0%	0.056%
L&G Fixed Interest Fund	1.5%	8.4%	29.3%	43.6%	7.0%	1.8%	4.4%	4.0%	0.0%	0.0%	0.0%	0.058%
UK All Company Tracker LStyle	0.0%	0.0%	0.0%	0.1%	0.0%	0.5%	1.7%	97.2%	0.4%	0.0%	0.0%	0.056%
L&G UK Equity Index Fund	0.5%	15.1%	28.1%	39.6%	4.2%	3.1%	4.7%	4.7%	0.0%	0.0%	0.0%	0.044%
Global Eq Fixd Ws 50:50 Index Fund	0.0%	20.0%	34.0%	32.0%	6.0%	4.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.025%
L&G Consensus Fund	0.0%	6.8%	36.4%	36.4%	9.1%	4.5%	3.4%	3.4%	0.0%	0.0%	0.0%	0.014%
L&G Distribution Fund	0.8%	13.0%	22.8%	40.7%	12.2%	1.6%	3.3%	5.7%	0.0%	0.0%	0.0%	0.102%
L&G (PMC) Multi-Asset Fund	1.4%	8.3%	30.6%	55.6%	2.8%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.006%
Managed (B)	0.2%	5.5%	38.9%	21.5%	15.0%	2.7%	2.0%	4.5%	2.7%	0.6%	6.4%	0.023%
Pensions Balanced	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.7%	97.7%	1.3%	0.0%	0.0%	0.023%

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
Global Equity Index Tracker	0.1%	0.0%	0.0%	0.0%	0.0%	0.5%	1.1%	92.8%	5.0%	0.4%	0.0%	0.000%
L&G Cash Fund	1.3%	8.7%	28.3%	44.0%	7.7%	1.7%	4.3%	3.7%	0.3%	0.0%	0.0%	-0.009%
Balanced	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	1.2%	90.3%	7.3%	0.5%	0.1%	0.023%
Managed 6	6.8%	8.5%	13.6%	16.9%	47.5%	3.4%	1.7%	1.7%	0.0%	0.0%	0.0%	0.054%
Global Eq Fixd Weigh 60:40 Index Fund	0.0%	18.0%	27.9%	31.1%	13.1%	3.3%	1.6%	4.9%	0.0%	0.0%	0.0%	0.029%
L&G Global Equity 70:30 Index Fund	0.0%	12.9%	29.0%	38.7%	11.3%	1.6%	3.2%	3.2%	0.0%	0.0%	0.0%	0.035%
L&G Index Linked Gilt Fund	0.0%	14.9%	29.9%	46.3%	6.0%	1.5%	0.0%	1.5%	0.0%	0.0%	0.0%	0.002%
L&G US Equity Index Fund	0.0%	16.4%	38.2%	27.3%	9.1%	3.6%	0.0%	5.5%	0.0%	0.0%	0.0%	0.010%
L&G International Fund	0.0%	13.9%	26.4%	43.1%	6.9%	2.8%	2.8%	4.2%	0.0%	0.0%	0.0%	0.050%
L&G Equity Fund	0.0%	11.9%	30.5%	35.6%	11.9%	1.7%	3.4%	5.1%	0.0%	0.0%	0.0%	-0.088%
BNY Mellon Global Equity Fund	0.0%	12.1%	27.6%	34.5%	15.5%	1.7%	5.2%	3.4%	0.0%	0.0%	0.0%	0.093%
L&G Property Fund	0.0%	10.3%	24.7%	40.2%	11.3%	3.1%	4.1%	6.2%	0.0%	0.0%	0.0%	0.020%
L&G Far Eastern Fund	0.0%	9.4%	32.9%	36.5%	11.8%	3.5%	3.5%	2.4%	0.0%	0.0%	0.0%	0.019%

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
L&G North American Fund	0.0%	15.3%	32.2%	37.3%	6.8%	1.7%	3.4%	3.4%	0.0%	0.0%	0.0%	0.008%
OMR QI Cirilium Bal Bl Port	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	98.7%	Not Available
Unitised-With-Profits Pen Gen 2	23.1%	19.2%	11.5%	15.4%	30.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.100%
OMR Prof Index Balanced	0.0%	0.0%	0.0%	0.0%	50.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	Not Available
Unitised-With-Profits Pen Gen 4	20.0%	6.7%	26.7%	0.0%	40.0%	6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.100%
Equity 6	0.0%	22.2%	11.1%	44.4%	22.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.088%
Special Deposit 6	66.7%	0.0%	22.2%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.000%
OMR Prof QI Cirilium ModBldPfl	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	16.7%	0.0%	50.0%	16.7%	0.0%	Not Available
Fixed Interest 6	5.3%	5.3%	10.5%	36.8%	42.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.058%
Managed 5	0.0%	0.0%	0.0%	0.0%	80.0%	0.0%	20.0%	0.0%	0.0%	0.0%	0.0%	0.054%
Unitised-With-Profits Pen Gen 2 CAI	55.6%	11.1%	11.1%	0.0%	22.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.096%

Fund Name	< 0.3%	0.30 – 0.39%	0.40 – 0.49%	0.50 – 0.59%	0.60 – 0.75%	0.76 – 0.85%	0.86 – 0.95%	0.96 – 1.00%	1.01 – 1.25%	1.26 – 1.40%	> 1.40%	Transaction Cost
European 6	12.5%	12.5%	12.5%	25.0%	37.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.180%
UK Equity Index 6	22.2%	22.2%	11.1%	22.2%	22.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.044%
OMR Index Balanced S2	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	0.0%	0.0%	33.3%	0.0%	33.3%	Not Available
Special Deposit 5	0.0%	0.0%	50.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.000%

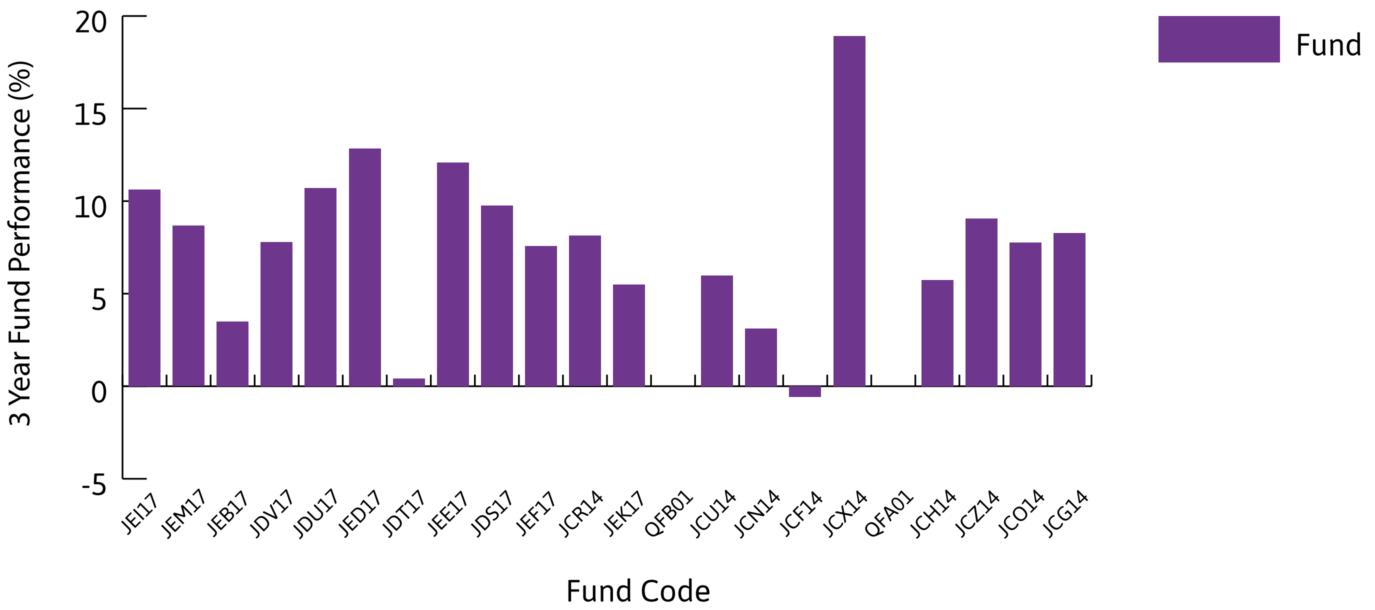
Supporting Material

Investment Performance and Services

Supporting Material

Investment Performance and Services

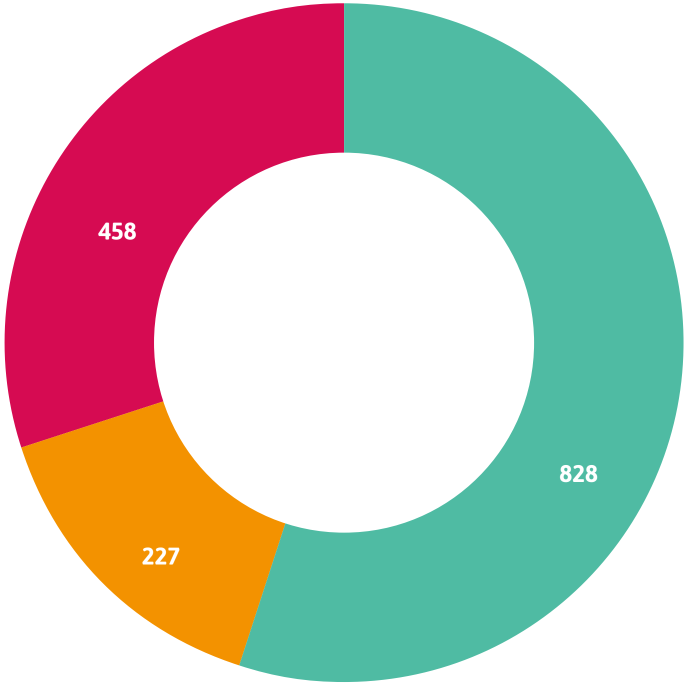
3 year performance for Auto-Enrolment Default funds



*Daily data sourced from Morningstar

'Auto-enrolment Default Funds' are those funds which are used for auto-enrolment, plus those which are part of a life-style strategy.

RAG rating by number of funds (3 Years)



G(reen) – outperformed ABI (>)

A(mber) – underperformed against ABI (Between 0% and -1%)

R(ed) – Underperformed against ABI (<-1%)

Summary (Proportion of overall fund range in each Quartile)	Quartile rankings		
	5 Year	10 Year	15 Year
Quartile Summary (% of Ranked funds in each quartile over stated periods)			
Quartile 1	28%	30%	33%
Quartile 2	24%	22%	24%
Quartile 3	24%	25%	25%
Quartile 4	24%	24%	18%
Source – Morningstar and ReAssure			
Unranked (% of total number of funds which are unranked)	25%	38%	60%
Total number of funds in-scope	463	221	117

Source: Quartile rankings and ABI Pension Sector: FE. The rankings range from 1 to 4, with 1 representing those funds within the top 25% of sector and 4 those funds within the lowest 25% of their sector. Where funds are in the ABI Unclassified and Specialist sector, Quartile rankings are not appropriate due to the diverse nature of their components.

Supporting Material

Communication and Engagement

Fit for Purpose Protocol

1. What is the PURPOSE of this communication and desired outcome for:
   i. the provider
   ii. the customer

(NB: purpose could be to provide information, inform a decision, prompt action or give comfort that an existing decision is still fine)

2. How are the contents FIT for the identified PURPOSE – that is:
   i. contains at least the minimum information required for the identified purpose, or indeed more than the minimum if it can make the document more accessible and/or appealing
   ii. how the minimum information (and anything additional) has been tailored to the characteristics, needs and objectives of the customer e.g. age, sex, risk appetite, level of financial understanding.
3. How has the communication been designed and/or presented to make it as accessible and appealing as possible to the relevant customer? (E.g. appropriate reading age, colour, use of diagrams etc.)?
4. What evidence exists to demonstrate that the desired outcome has been achieved? (i.e. customer research re extent to which the communication has been i. read; ii. understood; and iii. acted upon).

Supporting Material

ESG and Stewardship

Supporting Material

ESG and Stewardship

In the ESG and Stewardship sections of the Key Messages and Further Commentary parts of the report, we listed some of the key developments that the Phoenix Group (of which ReAssure is a part) has put in place during 2021. The purpose of what follows in this part of the report is to explain a bit more about the framework that is in place and what has been done to strengthen it in 2021 and why the IGC is so impressed with the progress made.

The Phoenix Group sustainability strategy

For some time, one of the 5 key priorities for the management team of Phoenix Group, and hence ReAssure, is to "Put sustainability at the heart of our business". What is meant by that is set out in the following commitments:

"We will make responsible investment decisions and consider the sustainability of our investments in safeguarding the interests of our customers, shareholders and other stakeholders. Beyond this, we will be driven by our purpose in every decision we take. As a thought-leader, we have a point of view on the issues that matter to people – issues such as the future of work, intergenerational fairness or gender savings gaps. We will work actively to use our influence to create a positive impact on our people, our customers and on wider society."

Their strategy has evolved during 2021 and now has three areas of focus:

1. Investing in a sustainable future;
2. Engaging people in better financial futures; and
3. Building a leading responsible business.

In the 2021 Sustainability Report (published in March 2022 and available **here**), Phoenix expand on their strategy in each of these areas. The first area is particularly relevant to this section of the IGC report:

"As the UK's largest long-term savings and retirement business we are responsible for managing over £310 billion of assets on behalf of our c.13 million customers. Our customers and shareholders trust us to reflect their priorities in how we invest. That means keeping their money safe and providing them with strong long-term financial returns, while using our scale to play our part in delivering a secure and sustainable future. That is why we are integrating environmental, social and governance issues into our investment decision making process. By investing sustainably we can help to deliver the future that we all want."

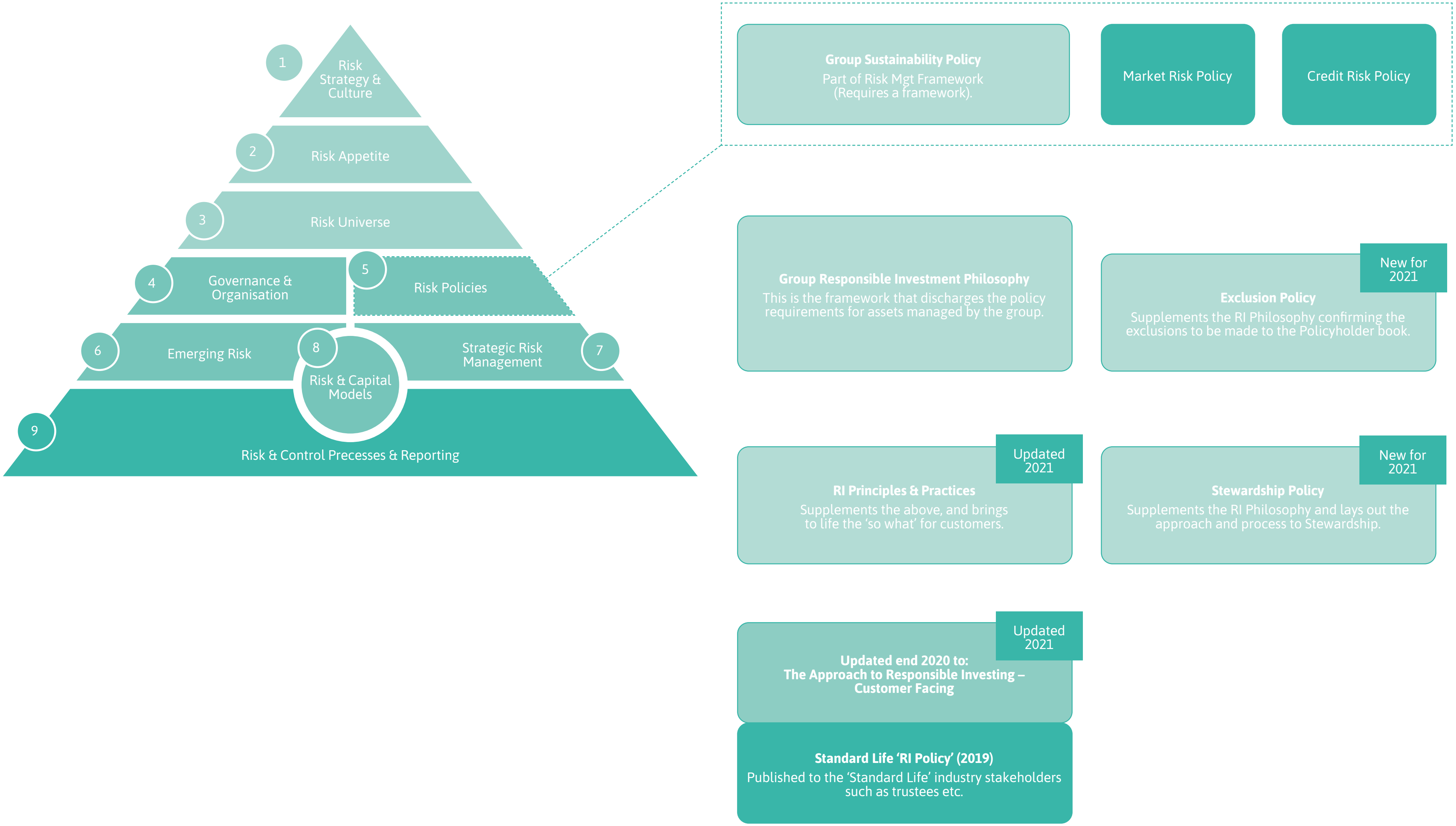
The IGC continues to be pleased to see such a strong "tone from the top" on ESG issues, with its strong focus on customer interests and outcomes.

Strengthened policy framework

That Phoenix Group is serious about following through on these commitments can be seen from the way Responsible Investment considerations have been built into the Group's Risk Management Framework (RMF). The RMF seeks to establish a coherent and interactive set of arrangements and processes to support the effective management of risk throughout the Group. The Group Risk Policy Framework is a key component of the RMF. Group risk policies support the delivery of the Group's strategy by establishing the operating principles and expectations for managing the key risks to the Group's business. They set the risk appetite within which these key risks should be managed and the minimum control standards that the business must adhere to in order to operate within the stated risk appetite.

Standard Life Group Responsible Investment (RI)

Embedded within the Group Risk Management framework



The Group has six "macro" Risk Appetite Statements that shape what is done across the whole Group. They set out the Group's approach to Capital, Liquidity, Shareholder Value, Control, Conduct and Sustainability. The Sustainability statement is particularly relevant to this section of the IGC report:

"Sustainability – The group will deliver on its sustainability commitments to foster responsible investment, reduce our environmental impact, follow our corporate purpose and be a good corporate citizen."

The IGC sees this as particularly significant, as it puts Responsible Investment (and hence ESG and Stewardship considerations) at the heart of how ReAssure, as part of the Phoenix Group, is required to carry out its business.

Following on from this, a number of key supporting documents have been produced, setting out how these aspirations and commitments become embedded in business operations:

- The **Sustainability Risk Policy** for the Group;
- A **Responsible Investment Philosophy** setting out what is expected of the investment managers that Phoenix Group use;
- A more detailed set of **Responsible Investment Principles and Practices** that apply to customer investment decisions; and, new in 2021
- An **Exclusion Policy** setting out the principles that should guide "the focused use of portfolio exclusions alongside other ESG engagement and investment strategies; and
- The first **Stewardship Policy** for the Group.

These are important documents as they set out the impact that the Phoenix Group wants to see across all its businesses. Incorporating these requirements into the overall Group risk and control framework also makes sure that performance against the standards gets measured and reported on, with escalation to the highest levels where standards are not being met.

Owned by the Group CEO, the **Sustainability Risk Policy** sets out the high thresholds concerning Sustainability and Responsible Investment that must be met across all the relevant areas of the business, including, in particular, the investments being made on behalf of customers (including, by definition, those within our scope).

Amongst the key highlights in the policy from the perspective of the IGC's scope are the following:

- The policy confirms that Phoenix Group has a "very low appetite" for failing to deliver an adequate and effective Responsible Investment Philosophy and for failing to maintain an appropriate framework to integrate sustainability activities in the investment activities of the business;
- The policy requires regular review (at least annually) of the Group's Responsible Investment Philosophy and the minimum areas that it must cover;

- It also requires the setting of Responsible Investment objectives and actions, at least annually, to support the delivery of the Group's Sustainability Vision; and
- The policy requires quarterly reporting on the implementation of the Responsible Investment objectives.

The **Responsible Investment Philosophy** is a public document, available on the **website**. It sets out Phoenix Group's commitment to Responsible Investment, and what that means in practice. The Philosophy applies to all the Group's investment portfolios across with-profits, unit-linked and non-profit policies, where Phoenix Group has the ability to determine the investment strategy and investment guidelines that apply. Where customers choose to invest in externally-managed investment options, then ReAssure has less influence over the ESG policies followed.

The IGC recognises this distinction, but continues to encourage ReAssure to make the most of whatever influence it might have in the latter situations.

Central to ReAssure's approach is its commitment to the United Nations-supported Principles of Responsible Investment (PRI).

Phoenix Group became a signatory to the PRI towards the end of 2020, one of the first insurance groups in the UK (rather than just the fund management subsidiary) to do so. Phoenix Group are now publicly committed:

- To incorporate ESG issues into investment analysis and decision-making processes;
- To be active owners and incorporate ESG issues into the Group's ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which the Group invests;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work together to enhance effectiveness in implementing the Principles; and
- To report on activities and progress towards implementing the Principles.

Phoenix Group requires all the fund managers that it uses to be signatories of the UN PRI too, and to have the necessary resources and operational structure to embed ESG considerations into their investment and decision-making processes. There is a regular programme of oversight in place to ensure that fund managers are delivering to these standards – see later in this **section**.

The **Responsible Investment Principles and Practices** were first published in 2020, building on the September 2019 publication (from Standard Life, another pension provider within the Phoenix Group) entitled: "Integrating a responsible approach to your pension investments". They set out a more clear and more measurable set of outcomes that Phoenix Group is targeting in respect of customers' investments.

- There are six principles, that set out the key objectives in all the relevant areas – e.g. how ESG impacts investment strategy decisions and how they are implemented; how customer views are taken into account; what ReAssure expects of the fund managers it appoints etc. – See box on next page.

- Each Principle is accompanied by a number of Practices that explain the specific actions that follow from the Principles.
- The Principles are not expected to change often. However, they are kept under regular review, and any changes would need to be approved by the Investment Committee and/or the Board. Minor revisions were made to some of them in 2021, to improve clarity around what ReAssure does directly and what is done through their asset manager partners.
- The Practices are expected to evolve as the business environment changes. Any change will follow formal consultation with the management responsible for the relevant blocks of business and/or processes. Material changes to the practices would need approval from the Investment Committee and/or the Board. Significant changes were made to some of the Practices in 2021, to improve clarity and to reflect the new **Exclusions Policy** and some of the key climate-related targets that Phoenix Group have set for themselves.
- The Principles and Practices apply to all policyholder assets of the Phoenix Group, but not to External Fund Links (EFLs) that ReAssure, particularly ReAssure Life Limited, provides some customers on a self-select basis, as ReAssure has no direct control over how these funds are run.
- The IGC was very pleased when these Principles and Practices were developed, as we had been pushing for some time for a clearer articulation of what impact ESG considerations and Stewardship is actually having on the pension savings of in-scope customers. The 2021 changes are helpful developments, improving clarity and reflecting the strengthened framework that is now in place.

The 6 Principles in the "Principles and Practices – Responsible Investment for Policyholder Assets"

Principle 1 – Strategy

We invest responsibly with ESG risks and opportunities incorporated into our investment analysis and decision-making processes. We will hold investments where we and our asset managers have considered and assessed financially material ESG risks. We also consider non-financial risks where appropriate in our investment decisions.

Principle 2 – Customer voice

We actively seek views from customers and reflect these in our fund range and investment strategies, as there are many who want to invest in ways that align to their own values.

Principle 3 – Asset manager selection

We only appoint asset managers who meet our Responsible Investment standards. We ensure that existing and new asset managers continue to meet our standards through our due diligence processes.

Principle 4 – Active stewardship

We are responsible asset owners and actively foster responsible stewardship of all investments that are managed on our behalf. We promote good ESG practices by investee companies through engagement activities conducted internally and through our asset managers. We monitor our asset managers' voting policies and practices.

Principle 5 – Disclosure and reporting

We seek appropriate disclosures on ESG issues from the asset managers with whom we invest and partner. We also report on activities and progress relating to our own principles and practices in an open and transparent way.

Principles 6 – Industry leader

We strive to play a leadership role in Responsible Investing and liaise with industry bodies in order to be at the forefront of industry development. We will promote Sustainable Investing within our industry, using our voice as a large insurer and long-term global investor to influence and drive change throughout the industry.

The **Investment Exclusions Policy** was first published in September 2021. It starts from the Phoenix Group's commitment to "putting Sustainability at the heart of its business by integrating environmental, social and governance factors (ESG) into the investment process", but recognises that there may be times when it is better not to invest at all in certain companies or industries, rather than investing and trying to push for positive change from within.

The policy sets out four principles which, if satisfied, would be expected to lead to those assets being excluded from investment portfolios controlled by Phoenix (including ReAssure):

Principle 1: Sectors or companies that face acute social or environmental challenges that are very likely to translate into financially material risks;

Principle 2: Sectors or companies where we do not believe that engagement will be effective;

Principle 3: Sectors or companies that do not adhere to international standards of minimum acceptable behaviour as identified in relevant international treaties and United Nations initiatives; and

Principle 4: Sectors or companies that do not align with Phoenix's pledges and commitments, corporate values and present reputation risk.

"Exclusion" means that Phoenix will not make additional investments and will sell existing holdings from in-scope portfolios within 12 months. The policy also allows for a waiver process to be followed where particular extenuating circumstances suggest that a particular asset or sector should not be excluded at that time (for example, because the company is making good progress in responding to previous challenges from Phoenix and/or further opportunities for engagement with management exist.

The policy applies to all assets where the Phoenix Group (and hence ReAssure) has direct control over the investment mandate. For those assets where Phoenix does not have control (e.g. investment fund choices managed by third parties that ReAssure makes available to customers), Phoenix will use whatever influence it has to engage with the relevant investment manager to encourage implementation of a consistent approach.

The initial list of potential exclusions was drawn up in July 2021 and included 544 issuers, covering such areas as:

- Manufacturers of controversial weapons;
- Tobacco producers; and
- Companies where more than 20% of revenues come from certain forms of fossil fuel production (e.g. thermal coal, oil sands and artic drilling).

Of these, 21 issuers were proposed for waivers, leaving 523 issuers on the final list. At the time of writing this report, it is expected that all sales of excluded assets will be completed by the end of July 2022.

The excluded sectors and thresholds applied will be reviewed twice a year by the Phoenix Group Sustainability Team.

It is not the IGC's role to opine on what criteria are applied by Phoenix Group, and ReAssure in particular. Rather, we are looking for evidence that principles are in place to address climate-related and other factors that could lead to financially material risk, that the principles are based on a robust process of analysis and review, their approval is subject to appropriate internal governance, and they are implemented in a controlled and transparent way.

In the IGC's opinion, the **Investment Exclusions Policy** meets these standards, and plays an important role as part of the overarching approach to Responsible Investment that applies within Phoenix Group (and hence ReAssure).

The development of the **Group Stewardship Policy** was another important milestone in 2021. Approved in November 2021, it sets out what Phoenix Group (and hence ReAssure) mean by "Stewardship" and their commitment to support effective engagement with the companies in which they invest (whether using customer money or shareholder money).

In terms of definition, Phoenix embrace the Financial Reporting Council's definition that:

"Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

For Phoenix, "Stewardship" refers to their "use of the rights and position of ownership to influence the activity or behaviour of the companies they invest in". Where they hold shares (i.e. equity) in a company, this means engaging with the company's management, influencing on issues of concern and voting on company resolutions at shareholder meetings. For other types of investment, voting may not be applicable, but Phoenix would still aim to engage as appropriate. The policy sets out what Phoenix sees as the characteristics of effective stewardship, including:

- Robust ESG research on material risks and opportunities, using internal and external data;
- Dialogue with corporate top decision makers;
- Setting of goals;
- Continuous evaluation of progress against objectives; and
- Influence on investment decision-making.

The policy recognises that the majority of Phoenix's engagement activity with investee companies will be conducted by their asset manager partners. However, importantly, the policy also makes clear that Phoenix reserves the right to deal direct with investee companies and also join collaborative engagements with other investors.

The policy also recognises that Phoenix does not have the same influence over externally managed investment fund choices (EFLs, external fund links – which are particularly relevant to ReAssure) as it does over the investment funds where it chooses the investment strategy and fund manager partners implement it on Phoenix's behalf.

That Phoenix is definitely committed to such responsible behaviour can be seem, not just from this public policy, but also the public letter written by the Phoenix Group Chief Investment Officer, Mike Eakins, to their asset manager partners on 22/07/21, setting out the Group's expectations of those who manage their investments. The IGC also gets regular internal briefings and management information that demonstrates the operation, in practice, of this approach to stewardship.

In the IGC's opinion, the Phoenix Group policy on Stewardship, which applies within ReAssure, is of a high quality and appropriately addresses ReAssure's Stewardship obligations. While it is still early days in its implementation, what is in place already would seem robust and effective to the IGC. It is Phoenix Group's intention to become a signatory to the FRC's Stewardship Code in 2023, and, should their application be accepted, this will be an important external validation of the effectiveness of their approach.

Strengthened governance framework

By embedding Responsible Investment and ESG considerations in the established RMF, the Group's performance in this area is then automatically subject to the routine review and reporting of compliance with the targets set, along with escalation, as appropriate, of any failure to meet the standards set. The IGC sees this as a key strength of the approach being taken to implement Responsible Investment considerations into the management of in-scope customers' pension savings. For example, the Group's Market Risk and Credit Risk policies, which apply to all investment decisions made by Phoenix Group (and ReAssure in particular), both set out a number of minimum controls that must be in place regarding Responsible Investment, including, in respect of climate risk, the following ongoing controls:

i. Monitor and report current carbon/climate contribution of existing asset portfolio and progress against interim targets to deliver net zero on a phased basis;

ii. Maintain a process to review data feeds from external providers to ensure they meet requirements for monitoring and reporting of climate change risks;

iii. Maintain a process to perform portfolio analysis using best in-class metrics e.g. value at risk (taking into account physical and transition risks) and warming potential; and

iv. Maintain a process to use climate scenario analysis to inform understanding of range of physical and transition impacts on investments.

The Investment Committee that oversees ReAssure's investment decisions has, in its Terms of Reference, a specific responsibility to "ensure that all activities within the remit of the Committee are conducted in accordance with the Responsible Investments ethos and strategy of the Company and the Group". As part of this, it has responsibility for the development, implementation and monitoring of the Responsible Investments Principles and Practices mentioned above.

In carrying out these responsibilities, the Investment Committee is supported by a separate management committee that has been set up to review ESG-related risks and opportunities across all ReAssure investment portfolios. This committee reports into the Investment Committee and meets with the fund managers that Phoenix use, to review their ESG reporting (which covers not just the investments that they choose to buy, but also how they engage with the companies they invest in, including how they exercise their voting rights – in line with the new Stewardship Policy discussed above).

A new development in 2020, which has also carried over into much of 2021, was to appoint an independent, external firm to support Phoenix Group in the annual review of fund managers' ESG performance. The IGC has reviewed the depth of analysis that has been carried out on behalf of Phoenix Group and welcomes this new, more comprehensive and transparent approach.

The IGC receives regular updates on the oversight activity carried out by Phoenix on its 5 key fund manager partners and also the many other fund managers whose funds are made available to Phoenix Group customers. Where ReAssure is responsible for the investment decisions being made that impact IGC in-scope customer investment returns, we can confirm that ReAssure is keeping a careful eye on how its Responsible Investment framework is being implemented by its fund manager partners, and ensuring appropriate action plans are agreed and progressed wherever it perceives gaps exist that need closed.

Another new development in 2020 was the establishment of a Sustainability Committee reporting into the Phoenix Group Board. The Terms of Reference of this new Committee are available on the Phoenix Group **website** and include:

- Oversight of the Group's Sustainability Strategy and the setting of appropriate key performance indicators;
- Review, challenge and support the implementation of the Sustainability Strategy across all business within the Phoenix Group; and
- Keeping up-to-date with ESG best practice and thought leadership.

While the remit of this Committee is much wider than the application of Responsible Investment considerations to the investment of pensions savings within the remit of the IGC, the IGC welcomes its existence as a tangible sign that the "tone from the top" across Phoenix Group is consistent with, and supportive of, the developments seen in this important area.

The 2021 Sustainability Report, available on the Phoenix Group **website** sets out the breadth of activity that is underway across the Group in this important area and demonstrates the effectiveness of the framework that is now in place in delivering on the targets set and aspirations described.

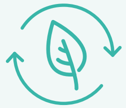
Customer Research

Approximately every year, Phoenix Group carries out a Responsible Investing Survey to monitor how customers' attitudes to ESG and other Responsible Investment considerations are changing. Whilst carried out amongst customers with Standard Life products (another pension brand offered by the Phoenix Group), the mix of customers surveyed was considered broad enough to be considered representative of Phoenix Group customers more generally. Amongst the findings from the most recent survey (early 2022) were the following, where the equivalent results from the previous (late 2020) survey are shown for comparison:

- Customers surveyed still ranked "return" (88%) and "risk" (81%) as the most important factors to take into account when investing. However, "good corporate governance" was also rated highly (77%);
- 90% (up from 89%) of respondents believe that protecting the environment is important;
- 66% (down from 70%) of respondents believe that responsibly invested funds will outperform other funds in the long-term;
- 70% (up from 65%) of respondents believe that it is important to invest in a way that drives positive change (e.g. influencing companies' impact on society, corporate governance or climate impact);
- 70% (up from 66%) of respondents feel that it is important to exclude companies that have a negative impact on society, poor corporate governance or are damaging the environment; and
- 64% (up from 61%) of respondents said that they want to invest in a way that commits to net-zero carbons emission status by 2050 (or earlier).

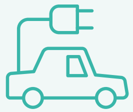
The consistency in findings since the previous survey is striking, and confirms that Phoenix Group's emphasis on sustainable and responsible investment is well-placed and aligns with widely-held customer views.

The top 5 responsible investment issues according to surveyed Phoenix Group customers are:

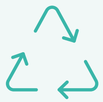


1. Climate change;

2. Human rights;



3. Recycling;



4. Clean fuels;

5. Energy conservation

In addition to this regular survey, in 2020 the Phoenix Group commissioned an external agency to carry out research across Standard Life and Phoenix customers in order to understand customer needs and engagement in ESG and the impact this has on brand perceptions (across many industries, and not just financial services) and potential investment decision-making. The research explored questions like:

- What is important for customers with regards to their investments?
- How involved do customers want to be with regards to ESG and their pensions?
- To what extent do customers just expect financial services providers like Standard Life and Phoenix to adhere to ESG principles?
- What do customers think Phoenix and Standard Life are doing regarding ESG?
- What will be relevant to customers in the future regarding ESG and their pensions?
- What language/style/content of communications on ESG is most likely to resonate with customers?

The research took the form of in-depth focus groups (carried out by video conference due to COVID restrictions) and produced a lot of rich, in-depth feedback. In particular, the research highlighted that:

- When it comes to pensions and investments, ESG considerations are not "top of mind" and many customers are not aware of sustainability-related actions being taken by financial services providers like Phoenix Group.
- When ESG considerations are discussed with them, many customers feel more interested in these issues and would like to consider them in relation to their pension investments. However, customers tend to balance this interest with their desire for good investment returns.
- Many customers would like the choice to set some sort of ESG "level" for their pension savings and then be able to leave Phoenix Group to manage this on their behalf. Some customers, however, would like a more active role in selecting where their savings should be invested (e.g. excluding certain industries, or targeting certain minimum ESG credentials).
- Customers are open to more communications related to ESG considerations, but would prefer that these are bite-sized and interesting. They also expect more detailed information to be available on the website for those who want it.

These insights are now being used by Phoenix Group to shape their Responsible Investment planning and communication developments. During 2021, 6 new investment funds were developed, designed to offer ReAssure Limited customers a choice of "low carbon" investment options. It is planned that these will be made available in 2022 and the IGC is looking forward to seeing what further developments are put in place in 2022.

Impact on default funds

In keeping with the research findings mentioned previously, and in response to demand from current and prospective employer clients, in December 2020, Standard Life (one of the other companies in the Phoenix Group) launched their new “Sustainable Multi-Asset Default Fund”. Designed for those workplace pension arrangements that are looking for a low cost Responsible Investment option for their default fund, the new fund aims to deliver good customer outcomes by investing predominantly in component funds that track ESG-oriented indices rather than whole of market indices.

In particular, the fund aims to deliver a similar risk/return profile to a fund that tracks market indices, but, in addition, to meet the following investment criteria:

- Screening out financially material ESG risks, e.g. controversial weapons, tobacco, thermal coal and unconventional oil/gas, UN Global Compact Violators and severe controversies;
- Sustainable targeting of positive ESG outcomes, reducing carbon intensity by 50% and uplifting green technology solutions by 50%; and
- Influencing positive change through stewardship utilising proxy voting and company engagement to drive positive behaviour.

At launch, 64% of the fund was invested in ESG index-tracking equity portfolios, with the intention of moving as much of the balance (comprising mainly property, bond and cash investments) into appropriate ESG index-tracking funds as soon as they become available from the investment partners that Standard Life uses. At the time of writing this report, that percentage had risen to 68%.

The IGC welcomed this new initiative. However, we were keen that this increased focus on ESG was extended to the equivalent funds that ReAssure, particularly ReAssure Limited, offers. As mentioned above, the first steps have been taken within ReAssure to make this a reality. In the meantime, further work has been done within the Standard Life product range to replace Standard Life’s range of Active Plus and Passive Plus default funds with a new range of more sustainable fund options. Wearing our “ Standard Life hats”, we welcome these proposals for a new range of default funds to be launched and are keen to see the equivalent options developed for ReAssure customers.

Additional fund choices

Another development that is linked to the research findings set out above was the 2021 launch of eight new funds for those Standard Life customers who are keen to self-select their pension investments to align with their individual beliefs.

Bringing the total number of Responsible Investment funds offered by Standard Life to 22, the eight new funds focus on climate change and sustainability.

While the IGC, wearing its “Standard Life hat”, was pleased to see these launches, we are keen that Phoenix Group takes similar steps in respect of ReAssure customers. We recognise that not all ReAssure in-scope customers will wish to self-select such funds, but some may, and so we are keen that ReAssure increases the range of funds available to those customers, in order to meet as wide a range of personal values as possible.

Supporting Material

Value for Money Assessment

Supporting Material

Value for Money Assessment

Assessment Framework

Assessing VfM is not just about what something costs. You also need to look at the quality of what you get in return and how it compares with similar alternatives. That's why, since the IGC was formed in 2015, our VfM assessment has taken into account a number of different aspects of your workplace pension experience, to form a holistic view of the value for money that ReAssure is providing.

As noted in the Chair's introduction, for this year's assessment, we have further revised our VfM framework, to more closely align it to the VfM factors that the FCA have proposed that IGCs should use and, in particular, split out investment performance from all the other investment-related matters that are included in our VfM assessment.. While two of the areas that were previously included in the VfM assessment ("Risk and Governance" and "Management Culture") are still monitored by the IGC, as they can influence the outcomes customers receive, we felt it was better to focus our assessment on the FCA's proposed definition of VfM. Thus, our VfM framework now covers the following 5 areas:

- Costs and Charges;
- Investment Performance;
- Investment Services;
- Customer Service; and
- Communication and Engagement.

ESG is still being reviewed by the IGC, but as a separate assessment alongside the VfM analysis.

ReAssure Limited's Investment Pathways proposition has been included in the IGC's 2021 assessment of ReAssure's VfM performance, but with a separate rating alongside the opinions on the pension savings propositions.

Rating provider performance

In arriving at the performance ratings for each performance area, the IGC carries out a rigorous and wide-ranging analysis of ReAssure performance. We review lots of different information, including regular management information packs that are produced within ReAssure and the wider Phoenix Group, and specially-produced information packs containing the results of detailed investigations that we request.

To the extent we can, we assess ReAssure's performance relative to other workplace pension providers, using data drawn from other IGC reports, industry publications and specially-commissioned benchmarking exercises. The information available tends to be at provider proposition level, rather than at a more granular, employer scheme level. However, where it is possible to identify different groups of customers that get different treatment (particularly on levels of charges), we make sure we are comparing "like with like" as far as we can, in order that any VfM challenges that we make are soundly based. We also use this approach to compare performance across ReAssure and the other pension providers within the Phoenix Group. As explained earlier in the report, the quality of communications and the extent of online facilities varies for different groups of workplace customers across the Group and we do what we can to encourage best practice to be available to all in-scope customers. Also as referred to earlier, we follow a similar approach when assessing Investment Pathway value for money.

We recognise that assessing value for money is not an exact science because some aspects are more difficult to measure than others and individual customers value things differently. Nevertheless, we try to be as objective and fact-based as possible.

All of the performance areas are assessed on a Red/Amber/Green scale, with "speedometer gauges" used to give readers an indication of relative positioning of performance within the broad RAG bands.

For four of the performance areas ("Investment Performance", "Investment Services", "Customer Service" and "Communication and Engagement"), the RAG rating is based on a numerical score from a detailed assessment across a number of sub-areas (see below), as follows:

Green – performance score greater than 70%

Amber – performance score between 40% and 70%

Red – performance score less than 40%

The other VFM areas ("Costs and Charges" and "ESG"), are not currently scored in such a granular way – although the assessment is similarly rigorous and wide-ranging. Rather, the IGC feels it is sufficient to assign a performance rating using a colour-based scale as follows:

Green – no material concerns

Amber – some material concerns found that affect some members

Red – major concerns found (i.e. material concerns that affect a large number of members, or very material concerns that affect some members)

Numerical scoring

For each of the three VfM areas for which we use this approach, ReAssure's performance was rated on a numerical scale (from 0 to 3) across a number of sub-areas, based on the evidence provided to the IGC as well as our own knowledge of the workplace pension market. This brings the IGC's VfM assessments into line with the approaches followed by the other IGCs within the Phoenix Group.

It therefore enables comparisons to be drawn across the various books of business in the different companies within the Phoenix Group and highlights areas where internal best practice could be further shared.

The scoring criteria used was the following:

0 not offered

1 basic standard

2 beyond basic

3 area of strength

The scores for individual sub-areas are then summed and converted into a percentage score for each of the 4 areas. A development introduced last year was to identify the key one or two performance sub-areas and give them double weighting in arriving at the percentage score allocated. This is to ensure that the individual RAG ratings are not unduly influenced by less important, but still nice to have, elements of performance.

The sub-areas used for this assessment are as follows, with those that receive a double weighting shown in bold.

Investments:

1. Lifestyling approach and profiles are suitable
2. Performance of all funds vs stated goals
3. **Performance of all ranked funds vs peer groups**
4. Performance of key default/fund vs inflation over long term
5. With-Profits example – 20 year payouts above cpi (the 'consumer prices index' measure of inflation)

Service quality:

1. **Responsiveness to customer need**
2. Relevant experience and expertise of staff
3. Easy access to phone support
4. Easy access to online support (webchat etc.)
5. Clarity of communication in servicing transactions
6. Efficiency and scalability of operational capability
7. **Quality and speed of processing of core financial transactions**
8. Level of automation/straight through processing
9. Ease of transfer by an individual to another provider
10. Ease with which customers can make contact via different channels
11. Customer satisfaction
12. Complaints and complaints handling

Customer Comms and Engagement:

1. **Adoption of "Fit For Purpose Protocol"**
2. Innovation to improve customer experience
3. Feedback from customers driving improvement in communications
4. Digital/online tools
5. Quality of Annual Statements and Key Milestone Communications
6. Initiatives to improve customer experience at retirement

Independent Governance Committee