

OLD MUTUAL WEALTH

Independent Governance Committee

APRIL 2020

CHAIR'S ANNUAL REPORT



PREVIOUS REPORTS

Our previous reports are published on our webpage www.oldmutualwealth.co.uk/products-and-investments/pensions/independent-governance-committee/

CONTENTS

INTRODUCTION	3 ▶
VALUE FOR MONEY DASHBOARD	4 ▶
VALUE FOR MONEY	6 ▶
INVESTMENT STRATEGY AND PERFORMANCE	7 ▶
ADMINISTRATION AND SERVICE	12 ▶
COSTS AND CHARGES	13 ▶
COMMUNICATIONS & ENGAGEMENT	17 ▶
OTHER MATTERS	18 ▶

APPENDICIES

APPENDIX 1 – WHY WE ARE HERE	22 ▶
APPENDIX 2 – THE MEMBERS OF YOUR IGC	23 ▶
APPENDIX 3 – OUR VALUE FOR MONEY FRAMEWORK	25 ▶
APPENDIX 4 – SUMMARY OF CHARGES	27 ▶

INTRODUCTION

I chair the Old Mutual Wealth Independent Governance Committee (the "IGC"). We are an independent body responsible for assessing the value for money you get from your Old Mutual Wealth workplace personal pension plan. This is our fifth report to you.

Our previous reports are published on our webpage <https://www.oldmutualwealth.co.uk/products-and-investments/pensions/independent-governance-committee/>

You will see from this report that a lot of work has been done during 2019 by both the IGC and Old Mutual Wealth. Although some of the actions we asked them to take have not been completed, we are satisfied they are taking steps to address them. We are pleased with the co-operation and support given to us by Old Mutual Wealth over the course of the year.

The progress made is reflected in our value for money assessment which you can read more about in this report.

Our overall conclusion is that a majority of you get value for money from your Old Mutual Wealth workplace personal pension and that, on average, the value policyholders get has improved. The value you get, however, depends, in part, on you.

Where we have concerns about policyholders potentially not receiving value for money, it is generally because a policyholder is not actively engaged in managing their pension and/or an adviser managing their scheme is no longer actively engaged in doing so.

This report includes a number of important 'Calls to action'. Please look at the 'Calls to action' as they could improve the value you get.

WHAT DO YOU NEED TO DO NEXT?

We recommend you:

- Discuss pension planning with a financial adviser.
- Review the Calls to Action shown in this report.

Late in 2019 it was announced that ReAssure will buy the part of Old Mutual Wealth that looks after your workplace personal pension. ReAssure have their own IGC which will continue to assess the value for money you get from your workplace personal pension after April 2020.

You can let the IGC know your views by writing to the ReAssure IGC Chairman, Zahir Fazal, via ReAssure Limited, Windsor House, Ironmasters Way, Telford, Shropshire TF2 4NB or by using the link to the IGC on the ReAssure website, www.reassure.co.uk. Please note, however, the IGC does not deal with complaints or general enquires. These should be raised with Old Mutual Wealth or ReAssure.

As this is my last report as Chair of the Old Mutual Wealth IGC I would like to thank my IGC colleagues, the many employees and the executive of Old Mutual Wealth who have all worked so hard to improve the value for money you get from your Old Mutual Wealth workplace personal pension. I would also like to wish the ReAssure IGC every success in continuing this important work.





Thanks for taking the time to read this report.



Richard Butcher
PTL, Chair of the Old Mutual Wealth IGC

VALUE FOR MONEY DASHBOARD

A committee of independent experts (the "IGC") have assessed whether your workplace personal pension plan gives you value for money. The key factors the IGC considered are summarised below, together with the IGC's rating of each factor and where more work is needed.

	VALUE FOR MONEY COMPONENT	RATING		COMMENTS AND CALLS TO ACTION
 INVESTMENT STRATEGY AND PERFORMANCE	Are investment strategies appropriate and reviewed?			The IGC remains concerned that some default strategies designed by financial advisers are not being reviewed by them on an ongoing basis. We advise all policyholders to ensure they are happy with their investment choices and, if in doubt, to seek financial advice or contact OMW if you wish to switch funds and are unsure how to.
	Are investments performing well?			The IGC has reviewed investment performance and is satisfied the majority of funds are performing well, but are concerned about the under-performance of a small number of funds used by some policyholders. We advise all policyholders to ensure they are happy with their investment performance and, if in doubt, to seek financial advice.
 COSTS AND CHARGES	Are the charges reasonable for the product			While your IGC believe charges are reasonable for the nature of the proposition, we are concerned that some policyholders, who are not actively managing their pension, and/or those who have small pots should review whether they could get better value elsewhere.
 ADMINISTRATION AND SERVICE	Are financial transactions processed promptly and accurately			We do not have any concerns
 COMMUNICATIONS AND ENGAGEMENT	Are communications to customers clear, appropriately targeted and accessible			Old Mutual Wealth has made a number of improvements to its communications during the past year particularly in relation to vulnerable customers.





CONCLUSIONS

The IGC is satisfied that a majority of policyholders are receiving value for money from their workplace pension. Where we have concerns about policyholders potentially not receiving value for money, it is generally because a policyholder is not actively engaged in managing their pension and/or an adviser managing their scheme is no longer actively engaged in doing so.

Saving to provide for retirement is one of the most important financial decisions we make. Good planning, the amount we contribute and the product and fund choices we make will all make a big difference to our retirement income. It's important to bear in mind when deciding how best to prepare financially for retirement that saving in a pension scheme offers valuable tax benefits to most of us that can considerably boost our retirement income. The IGC exists to assess the quality of the pension schemes provided by Old Mutual Wealth and seeks to ensure these provide value for money for policyholders.

VALUE FOR MONEY DASHBOARD

The IGC considered that it would be helpful to summarise the main developments during 2019. These are captured in the table below

	VALUE FOR MONEY COMPONENT	DEVELOPMENTS IN 2019
 INVESTMENT STRATEGY AND PERFORMANCE	Are investment strategies appropriate and reviewed?	<p>Old Mutual Wealth has written to policyholders in default funds recommending that they take advice on whether their funds remain suitable for them (though, in light of uncertainty around Brexit, it was decided to exclude those policyholders in the cash default). In terms of adviser defined default strategies, Old Mutual Wealth has continued during 2019 to take action to establish whether these have a clear statement of aims and objectives.</p> <p>Following the introduction of the "Lifestyle Balanced Option", Old Mutual Wealth has continued to engage with policyholders who had previously selected the "Lifestyle Annuity Option" to explain that the new option was now available to them.</p> <p>We have assessed overall that value for money in this regard has been maintained during 2019.</p>
	Are investments performing well?	<p>The analysis of performance indicates that the majority of funds have performed well during 2019. In response to our concerns regarding the under-performance of a small number of funds, Old Mutual Wealth examined the funds more closely with the support of an external investment consultancy and concluded that there remained the potential for improved future performance.</p> <p>We have therefore assessed that value for money has been maintained during 2019.</p>
 ADMINISTRATION AND SERVICE	Are financial transactions processed promptly and accurately?	<p>We remain satisfied with the administration and service provided to customers, including during periods of significant organisational change. We have therefore assessed that value for money has been maintained during 2019.</p>
 COSTS AND CHARGES	Are the charges reasonable for the product?	<p>Old Mutual Wealth produced an updated analysis of the charges incurred by policyholders. In particular more detail was provided to us in respect of transaction costs. These analyses showed that costs and charges remain in line with those reported to you in earlier years.</p> <p>Old Mutual Wealth has continued during 2019 to take action to establish whether advisers are still providing advice and, where advisers have not responded, policyholders have been moved to a "non-advised" status and adviser fee payments have been stopped reducing the charge for the policyholder.</p> <p>We have therefore assessed that value for money has been maintained during 2019.</p>
 COMMUNICATIONS AND ENGAGEMENT	Are communications to customers clear, appropriately targeted and accessible?	<p>Old Mutual Wealth, working alongside experts in behavioural science, has made significant changes to their communications during the year in order to make them more engaging to policyholders. We are particularly pleased that Old Mutual Wealth has striven hard to respond to the specific needs of vulnerable customers. Furthermore, during the year, new "wake up packs" (which are sent to policyholders in the run up to retirement) have been introduced in line with regulatory requirements. As part of this process Old Mutual Wealth carried out consumer research and, as a result, made adjustments to the communications to make them more engaging to policyholders.</p> <p>We have assessed that value for money with regard to communications and engagement has improved during 2019.</p>

VALUE FOR MONEY

Value for money means different things to different people at different times. What is clear, however, is that it is a balance of costs against benefits (including the features, quality of service etc.).

When considering whether you get value for money we considered a range of factors as set out in the framework attached as appendix 3. This framework was designed to help us consider value for money in a consistent way.

VALUE IS MORE THAN JUST COST

Value for money has been defined (by the National Audit Office) as "The optimum combination of whole-life costs and quality".

However, the identification of "optimum" is theoretical given the lack of perfect information about what is available and at what price, and because the qualitative elements of the proposition are not amenable to mathematical optimization.

Nevertheless, an assessment of value for money must take account of the quality of the particular pension proposition as well as its cost and consider how that compares to what is available for equivalent schemes from other providers in the marketplace.

As value for money is a subjective matter and in the absence of sufficiently comprehensive, reliable and consistent publically available data to compare the value of your workplace personal pension to those sold by other companies, our assessment has relied on (a) our own knowledge and experience (b) the evidence provided by the cross market consumer research we reported on in our previous reports and (c) other information and research we have received.

We have looked across the entire product range and in particular at the services, features and benefits. The key factors we considered were investment strategy and performance, administration and service, costs and charges and communications and engagement. When we did our value for money assessment we considered these and other factors independently and collectively. We then compared our combined conclusions to the costs.

More information on our assessment and conclusions can be found below.

INVESTMENT STRATEGY AND PERFORMANCE

The IGC considered:

- whether the 'default' investment funds which policyholders are invested in are appropriate ; and
- whether they have a clear statement of aims and objectives
- whether the range of funds is appropriate; and
- the performance of the investment funds by comparing their returns to various measures.

Whether "default" investment strategies are designed and executed in your interests Old Mutual Wealth invests your savings with the aim they grow over time.

You, or your financial adviser, can tell Old Mutual Wealth how you would like your savings invested. This is what the vast majority of Old Mutual Wealth policyholders do, however, some policyholders use a "default" investment strategy.

We have considered three types of default investment strategy.

1. The nature of the workplace personal pension products offered by Old Mutual Wealth is that they are "financial adviser led" and that an adviser appointed by your employer would have, in some cases, designed the default investment strategy for each workplace personal pension.
2. Where no one has selected an investment strategy your savings would have been placed in the product default investment strategy; that being the Cash Deposit fund.
3. In addition to the two above, we challenged Old Mutual Wealth to identify cases where most of the policyholders in one employer group had most of their money in the same fund. We called these "deemed default" investment strategies.

Adviser designed default investment strategies

Old Mutual Wealth identified and assessed the appropriateness of 29 adviser designed default investment strategies covering close to 2,800 policyholders (12% of those within our remit). The assessment was based on criteria covering performance, diversification, risk, price and a test designed to identify any "closet trackers" i.e. funds that look and charge fees similar to an active fund but which are managed in a way that is similar to a passive fund.

The analysis showed five strategies (covering 1,432 policyholders or 52% of those in adviser designed default investment strategies) met all the criteria listed above but 24 (covering 1,344 policyholders or 48%) did not.

18 of the strategies did not meet our screening criteria based on price, as they cost more than 0.75% a year. Additionally, 6 of the 24 failed to meet some of our other criteria, for example, 2 were deemed to be too conservative.

We chose a price criterion of 0.75% on the basis it mirrors the price cap in pension schemes used for Automatic Enrolment, although

none of Old Mutual Wealth's workplace pensions have been used for this purpose.

It should be noted that not meeting the criteria we set does not necessarily imply that the strategies are inappropriate, but it does help us to understand where to focus our attention. In particular, those exceeding our price criterion should also be considered in the context of the analysis of investment performance, and none of the 24 investment strategies that failed at least one of the criteria failed on performance. That said, we are concerned that schemes with default investment strategies designed by advisers are not being regularly reviewed.

As a result of the challenge we set out in last year's report, Old Mutual Wealth wrote to a number of policyholders in March 2019 recommending they should take advice on whether their funds remained suitable for them.

CALL TO ACTION

If Old Mutual Wealth has written to you as part of this exercise you should take advice on whether these funds are suitable for you.

In the case of those strategies which failed our price criterion we asked Old Mutual Wealth to investigate whether funds comparable to their current choice but with lower costs are available on their platform. Their analysis identified over 1,300* policyholders where a comparable lower cost solution is available.

* Adviser designed and "deemed default".

As a result of this analysis we have challenged Old Mutual Wealth to explore what options are available for telling policyholders and advisers about these alternative funds. They responded that telling policyholders and advisers about specific alternative investment funds would, in their opinion, be viewed by the regulator as giving financial advice in the form of a personal recommendation and, as a result, they could not do this. We have asked Old Mutual Wealth to review this conclusion following their acquisition by ReAssure.

INVESTMENT STRATEGY AND PERFORMANCE



CALL TO ACTION

You should check to see if the funds you invest in offer you value for money. You can go to the Fund Centre at <https://www.oldmutualwealth.co.uk/fund-ranges/Fund-information/fundinfo/> for information, including comparisons with other funds that may be suitable for you, to help you assess this.

Overall, although a high number of these default strategies did not meet the criteria we agreed with Old Mutual Wealth and this was predominantly because charges exceed 0.75% a year, the total number of policyholders affected was proportionately low. The high cost of the default option may be an indicator that these policyholders are receiving less value for money than other policyholders. We are, however, satisfied with the steps Old Mutual Wealth have taken to date to improve the value for money for these policyholders.

Cash deposit fund as default investment strategy

In last year's report I noted there were 47 policyholders who had had their savings defaulted solely to the cash deposit fund since their policy had begun and that they had all been written to in 2017 recommending they review their fund choice. In light of uncertainty in the market in the light of Brexit we did not ask Old Mutual Wealth to repeat a standalone mailing this year, although annual statements do remind policyholders of the risk of investing in cash deposit funds for a long period of time due to the effect of inflation.

Cash funds are generally only considered appropriate for investors with very short investment time horizons. In view of this, we challenged Old Mutual Wealth to consider whether they could switch these policyholders to a different investment strategy without their explicit consent. Having taken internal legal advice Old Mutual Wealth replied that the terms and conditions of the policies do not permit them to do this.

The IGC accepts that Old Mutual Wealth are constrained in the action they can take in respect of these policyholders. However, the IGC is disappointed that, because of the legal framework that applies, there is little that can be done in respect of these policyholders beyond reminding them of the need to consider their investment options. The IGC would welcome changes to the legal framework governing default investment funds in workplace pension plans to make it possible for providers to make changes to options where they believe it is in policyholders interests to do so.

CALL TO ACTION

You should check to see if you are one of the policy holders with a large investment in cash deposit fund and take advice on whether this is suitable for you.

"Deemed default" investment strategies

Old Mutual Wealth identified and assessed the appropriateness of 9 deemed default investment strategies using the same criteria we agreed for adviser designed default investment strategies. They concluded that 2 (covering 318 policyholders) met all the criterion but a further 7 (covering 579 policyholders) did not.

As with the adviser defined default investment strategies, 4 of the 7 strategies did not meet the 0.75% a year price criteria (although some of them also failed other criteria).

Also as with the adviser defined default investment strategies, Old Mutual Wealth wrote to a number of policyholders recommending they should take advice on whether their funds were suitable for them in March 2019.

CALL TO ACTION

If Old Mutual Wealth write to you as part of this exercise you should take advice on whether these funds are suitable for you.

In the case of those strategies which failed our price criteria we asked Old Mutual Wealth to investigate whether comparable funds with lower costs exist on their platform. Their analysis identified over 1,300* policyholders where a comparable lower cost solution is available.

* Adviser designed and "deemed default".

As a result of this analysis we have challenged Old Mutual Wealth to explore what options are available for telling policyholders and advisers about these alternative funds. They responded that telling policyholders and advisers about specific alternative investment funds would, in their opinion, be viewed by the regulator as giving financial advice in the form of a personal recommendation and, as a result, they could not do this. We have asked Old Mutual Wealth to review this conclusion following their acquisition by ReAssure.

INVESTMENT STRATEGY AND PERFORMANCE



CALL TO ACTION

You should check to see if the funds you invest in offer you value for money. You can go to the Fund Centre at <https://www.oldmutualwealth.co.uk/fund-ranges/Fund-information/fundinfo/> for information, including comparisons with other funds that may be suitable for you, to help you assess this.

Overall, although a number of these default strategies did not meet the criterion we agreed with Old Mutual Wealth, and this was predominantly because of charges greater than 0.75% a year, the total number of policyholders affected was relatively low. The high cost of the default option may be an indicator that these policyholders are receiving less value for money than other policyholders. We are, however, satisfied with the steps Old Mutual Wealth is taking to improve the value for money for these policyholders.

Whether default investment strategies have a clear statement of aims and objectives. Where the default investment strategy uses only one fund we are satisfied it has a clear statement of aims and objectives. This is included on the fund fact sheet which can be found on the Old Mutual Wealth website.

Some adviser designed default investment strategies use more than one investment fund. In response to our challenge, Old Mutual Wealth agreed to contact those advisers to ask them to provide us with the statement of aims and objectives they have given the relevant policyholders.

Old Mutual Wealth has confirmed they have done this on a number of occasions, although they only managed to get a reply from one adviser. As a result we remain concerned that these strategies do not have a statement of aims and objectives. Old Mutual Wealth has written to relevant policyholders to urge them to review their funds and seek financial advice where appropriate.

CALL TO ACTION

You should contact your financial adviser if you are unsure of the aims and objectives of your default investment strategy.

Investment strategies for non-default policyholders

We challenged Old Mutual Wealth on how investment strategies for all other policyholders were reviewed and, in particular, whether they remained appropriate and relevant.

We have seen evidence that policyholders who are no longer contributing show low engagement with their investment strategy. Many of them have been in the same strategies for a long period and, unless this is being regularly reviewed, these strategies may no longer be appropriate for them because of changing approaches to investment, their proximity to retirement and changes in the way pension benefits can be taken at retirement.

During the year Old Mutual Wealth identified potentially 17,254 unengaged and/or unadvised policyholders using criteria we agreed with them. Using the same tests we applied for default investment strategies, they concluded that the funds used by 1,873 policyholders met all the criteria but that not all of the funds used by the others did.

6,905 policyholders held a fund that we view as being relatively aggressive, however for a long term pension this may be a valid strategy for the individual policyholders concerned.

13,093 policyholders held a fund that cost more than our price criteria – that is it cost more than 0.75% a year – although 9,825 of these policyholders were getting good performance as a result.

3,808 policyholders had at least one fund, representing more than 5% of their savings, which was consistently under-performing, 746 policyholders held a fund that we view as being conservative for long-term investment and 2,957 policyholders held funds that were not considered sufficiently diverse.

Width of the range of investment funds

Old Mutual Wealth told us that policyholders value the wide range of funds available to invest in that may not be available through other pension providers, a position supported by a cross market research project we took part in during 2016/17 (see appendix 2 of our 2017 report which you will find on our webpage).

INVESTMENT STRATEGY AND PERFORMANCE



Lifestyling

Many of Old Mutual Wealth's pension plans offer a "Lifestyle Annuity Option" and a significant number of workplace policyholders have opted for this feature.

The Lifestyle Annuity Option is designed to switch policyholders' investments over a number of years to provide a smooth progression to annuity purchase at their retirement date (an annuity is an insurance policy that promises to pay you an amount of pension no matter how long you live).

Following the Pension Freedom reforms in 2015, the majority of policyholders no longer buy an annuity. As a result Old Mutual Wealth introduced a new option in 2018, the "Lifestyle Balanced Option", which allows policyholders to stay invested in higher growth/higher risk assets, such as company shares, into their retirement.

Old Mutual Wealth have written to all policyholders who have previously opted for the Lifestyle Annuity Option or who could select it in future to explain that the Lifestyle Balanced Option is now also available to them. They will write to these policyholders again as they approach the start of the Lifestyle switching program.

Given the fundamental changes introduced by Pension Freedoms, we encourage all policyholders who have this feature as part of their plan to review their investment strategy to make sure it remains suitable.

CALL TO ACTION

If Old Mutual Wealth wrote to you as part of this exercise you should take advice on whether you are using the right Lifestyle strategy for your plans.

Review of investment performance

We saw evidence of how Old Mutual Wealth reviews the characteristics and net performance (that is, after charges have been deducted) of investment strategies and that they take action where necessary.

Old Mutual Wealth policyholders have access to a wide range of funds across all the major asset classes. Many of these funds are 'mirror funds' which, while managed by Old Mutual Wealth, are designed to mirror the fund of another manager. These funds have

traditionally been added based on adviser demand and subject to meeting certain internal governance and due diligence tests. Once a fund was approved, Old Mutual Wealth would have made it available to all policyholders and as a result there may be funds on the platform that are not appropriate for all policyholders.

Old Mutual Wealth takes steps to make sure all of the investment funds are reviewed and perform in line with their stated objectives.

In particular they:

- Carry out due diligence on all funds before they are added to the platform
- Make sure that only funds subject to financial regulation are included
- Make sure the range of funds is comprehensive
- Carry out ongoing reviews of the Old Mutual Wealth "own brand" funds, checking they perform against their objectives and comparing them against relevant benchmarks
- Carry out quarterly performance monitoring of all funds, then reporting the outcome to you and advisers
- Make sure they comply with their obligations in relation to giving you ongoing information and
- Each year remind you to take financial advice

The amount of money you get back from your policy is, of course, crucial so we assessed how the investment returns compared to various other measures. For those policies that have matured or surrendered, we compared the returns to:

- The rate of price inflation
- the total sum of the contributions you paid in
- what you would have got back if you had put your savings into a savings account
- what you would have got back, minus a reasonable allowance for charges, had your contributions been invested in the FTSE All Share Index

INVESTMENT STRATEGY AND PERFORMANCE



Here are the results showing the percentage of policyholders beating the test (with last year's outcome shown in brackets):

Inflation **93% (92%)**

Contributions **97% (97%)**

Savings account **93% (89%)**

FTSE All Share **83% (74%)**

What you get back from your policy is very dependent on the level of the stock market when you pay your contributions. Analysis considering outcomes over the full lifetime of policies that have matured or surrendered completed by Old Mutual Wealth during the year showed the following results:

- 62% of policyholders have received an investment return after charges better than the growth in the consumer price index (CPI) plus 3%
- 62% of policyholders have received an investment return after charges that exceeds the growth in a model investment portfolio (the ABI's Mixed Investment 40% -85% shares)

The IGC is satisfied investments have performed adequately against these benchmarks. This is also the case for those policyholders who have chosen higher cost investment funds or strategies.

The IGC also compared the performance of the largest funds invested in by policyholders against similar funds with other providers and were satisfied the majority of them were performing well. The IGC noted there had been an improvement in this relative performance across a number of funds over the course of the year.

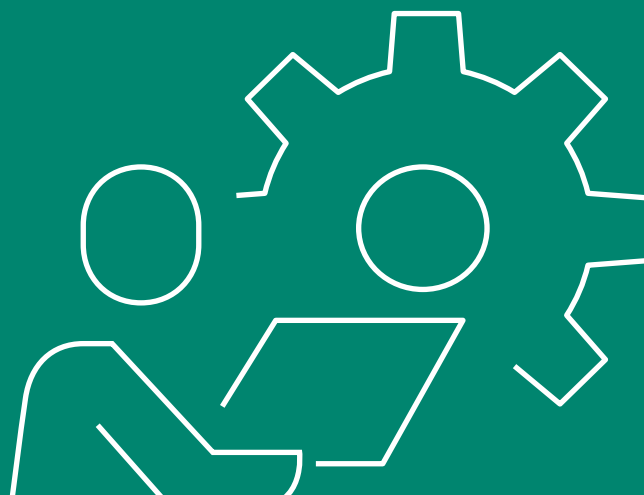
The notable exception to this conclusion was three funds managed by Invesco, which have struggled to deliver competitive performance over recent years. The IGC was particularly concerned about the Invesco High Income, Invesco Managed and Invesco Income funds. We asked Old Mutual Wealth to examine these funds more closely.

Old Mutual Wealth examined these funds more closely with the help of an external investment consultancy. They concluded that while there had been underperformance, due in part to Invesco's distinctive style, the causes were recognised and there remained the potential of improved future performance.

ADMINISTRATION AND SERVICE

The IGC considered:

- whether key financial transactions and other administrative processes had been processed promptly and accurately.



An important part of the value for money assessment is the quality of service and administration and we saw evidence that all important financial transactions are processed promptly and accurately.

The following summarises the key areas we reviewed and the performance achieved in each.

PROCESS	PERFORMANCE (figures in brackets from last year)
Regular Contributions	98% (93%) of regular contributions allocated within 24 hours of receipt
Lump sum Contributions	95% (70%) of lump sum contributions allocated within 24 hours of receipt
Transfers out	98% (89%) of transfers made within 3 days of receipt of a complete application
Fund Switches	96% (97%) of switches processed within 24 hours
Annuity Purchase (Open Market Option)	67% (100%) of complete instructions processed within 3 working days
Lump sum withdrawals at or after retirement	55% (55%) of complete instructions processed within 24 hours, and 98% (99%) within 8 working days

Note: The numbers here include non-workplace pension processing. The fund switches number excludes on-line switches (which happen within 24 hours).

All important financial transactions are subject to strict quality checks. Quality tools are used to record the accuracy of processes for each administration team. Reports from the Quality tools are used in employees' performance reviews to identify training needs, quality issues and productivity. Reports are also used to track team quality and identify any trends.

Errors found during the quality checking process are rectified before the financial transaction is completed.

Where Old Mutual Wealth are the cause of a delay when processing a financial transaction, they will back date its effective date. This means no policyholder would lose out as a result of a delay by Old Mutual Wealth.

The number of complaints received from policyholders during 2019 was relatively low (36). The complaints did not follow any pattern or cause concern for the systemic accuracy and timeliness of administration and service.

Old Mutual Wealth collect some data on customer feedback which we have seen. We decided that, while there wasn't enough data to allow us to draw a conclusion on how well satisfied policyholders were, it gave us no cause for concern. Old Mutual Wealth intend to review and probably change the way they collect customer feedback in the future.

During the year, the IGC had a number of site visits including to the administration department where we were able to see Old Mutual Wealth's systems and processes in action.

The IGC are satisfied that there are no areas of concern in relation to administration and service.

COSTS AND CHARGES

The IGC considered:

- Whether the overall cost to policyholders is appropriate, given the nature of the product.
- That costs and charges are kept under regular review to ensure they remain suitable and competitive.



We saw evidence of the costs and charges paid by policyholders (this is summarised in appendix 4). This data was analysed in a number of ways to ensure it gave an accurate picture of the average costs and charges (depending on the product used and account balances). We used this evidence in our assessment of value for money.

On average the charges paid by Old Mutual Wealth policyholders are higher than those paid by policyholders of other workplace pension providers. By and large, this is because the investment funds used by most of Old Mutual Wealth's policyholders are managed by firms other than them.

Refund of some charges

In 2018's report we updated you on decisions that Old Mutual Wealth had made to refund Contribution Service Charges and cap (at 5%) Early Encashment charges applied since 1 January 2009. Old Mutual Wealth has kept us updated throughout 2019 on its progress in making these refund payments to its policyholders. Refunds have now been issued to all customers where Old Mutual Wealth holds an up-to-date contact address (93½%) and the company will continue in its attempts to trace those remaining customers due a refund who it doesn't have a current address for. We would remind all policyholders that it is very important to ensure that your pension provider(s) has up-to-date contact details so that important communications reach you.

CALL TO ACTION

If you think you are entitled to a payment as a result of these initiatives but haven't heard from Old Mutual Wealth yet, you should contact their Customer Service Centre on Freephone 0808 171 2579 or email them at ask@omwealth.com.

You should always make sure your pension provider knows your current address in case they need to contact you.

Product Maintenance Charge (PMC)

Some policyholders are paying a "Product Maintenance Charge". The PMC is a fixed monthly charge that contributes towards the costs of administering the policy. As this is a fixed charge that applies regardless of the value of the policyholder's savings it has a bigger impact on performance for policyholders with lower levels of savings.

In 2018's report we set out that Old Mutual Wealth had written to those policyholders with savings of less than £6,000 highlighting the effect of the PMC, explaining the options and encouraging them to take financial advice and act. Their letter also confirmed Old Mutual Wealth would waive any early encashment charges – in other words allowing a charge free transfer or withdrawal option. This offer is still available to any policyholder with savings of less than £6,000.

CALL TO ACTION

If your savings are worth less than £6,000 you should contact your financial adviser or Old Mutual Wealth to discuss the options available to you.

Adviser remuneration - commission and fees

A professional financial adviser is very likely to have been involved with your policy at some stage. They may have provided advice to your employer. They may have provided advice to you directly. They may have done both.

The support provided by the adviser will have been when your workplace pension was set up and may also extend to the ongoing management and servicing of your policy. The cost of the adviser's services can be met in different ways. It is often the case though that the charges that are taken from your pension by Old Mutual Wealth have the costs of this service built into them. We particularly wanted to understand what happens should the financial adviser stop providing an ongoing service. We wanted to know Old Mutual Wealth's position in terms of continuing to pay the adviser. Importantly should Old Mutual Wealth stop paying the adviser then our starting point was that, where your charges have this cost built into them, there should be a benefit to you.

COSTS AND CHARGES



Advisers are typically paid in one of two ways – through “commission” or by a fee.

A commission arrangement would be between Old Mutual Wealth and the adviser. With a commission arrangement your charges will have the cost of the commission built into them and so these are of interest to us.

Under a fee arrangement there will be direct agreements in place – between the employer and the adviser and/or between you and the adviser. Sometimes these agreements are such that Old Mutual Wealth is authorised to take charges from your policy to pay for these fees and so, again, these are of interest to us. Where the agreement is between you and the adviser then it may have been put in place many years ago, and we were keen to explore ways that Old Mutual Wealth can remind you of this so you are prompted to review the agreement.

Old Mutual Wealth agreed to review these aspects of adviser pay which they have now done.

Twice during 2017 they contacted all advisers asking them to confirm which policyholders they still advise. There was a 40% response rate to this exercise as a result of which 559 workplace pension policyholders were moved to “non-advised” status on the Old Mutual Wealth system.

Each of these policyholders was sent a letter setting out the benefits of having a financial adviser and also outlining how Old Mutual Wealth will support them while they do not have an adviser.

Old Mutual Wealth will repeat this process from time to time.

In addition, where you are paying the adviser a fee from your policy:

- your annual statement shows the adviser fees you pay and include a reminder that you have the option of reducing or stopping adviser fees at any time.

- As explained in my previous reports, during 2018 and again in 2019 Old Mutual Wealth wrote or called a number of the advisers who had not previously replied asking them to provide positive confirmation they were still providing advice. In the 2019 letter they were told that unless they responded the fee payments would stop from June 2019. The results of this process can be summarised as follows:

- 502 policyholders still receive an on-going service from their adviser
- 39 are still considered to be clients of the adviser but are not receiving on-going advice
- 191 are no longer clients of the adviser
- 40 have changed adviser and would have to give explicit consent to pay a fee
- 22 have surrendered their policy
- No response was received in respect of 926 policyholders

CALL TO ACTION

You should check your annual statement to see if you are paying an adviser fee. If you are and you are not receiving any advice, you should tell Old Mutual Wealth.

As a consequence, adviser fees have been turned off in respect of 1,218 policyholders.

Where there is a clear and explicit relationship between commission payments and charges and Old Mutual Wealth has taken steps to stop commission payments, the economic value of this has been passed back to the relevant policyholders through a reduction in their charges. Where it isn't the IGC is satisfied the policyholder is not being disadvantaged.

COSTS AND CHARGES



Transaction costs

Transaction costs are part of the total costs of managing investment funds and are reflected in the return you receive from your fund. They are incurred when investment managers buy, sell, borrow or lend investments. Although we are expected to assess these costs there was, until 3 January 2018, no regulatory requirement on investment managers to disclose this information, or an industry standard on what information should be disclosed.

Since then data has started to become available and we now have a full data set for 2019.

On average policyholders paid transaction costs of 0.16% up to the end of September 2019 (0.15% in 2018).

This table shows the transaction costs paid on the 10 largest funds used by policyholders:

FUND NAME	PROPORTION OF ASSETS	TOTAL TRANSACTION COSTS %
OMW Index Balanced	11.2%	0.04%
Quilter Investors Diversified Portfolio	9.5%	0.17%
Quilter Investors Foundation 4	7.6%	0.21%
Fidelity Multi-Asset Open Adventurous	4.5%	0.31%
Invesco Managed	4.3%	0.21%
OMW Deposit	3.0%	0.02%
Quilter Investors Global Dynamic Equity	2.7%	0.18%
Schroder Managed Balanced	2.1%	0.26%
Quilter Investors UK Equity Growth (BNY Mellon)	1.7%	-0.04%
Janus Henderson UK Property PAIF	1.2%	0.03%

COSTS AND CHARGES



This table shows a summary of the transaction costs across all funds:

FUND NAME	TRANSACTION COST RANGE					
	<0.10%	0.10%-0.20%	0.20%-0.30%	0.30%-0.40%	0.40%-0.50%	>0.50%
Number of funds	217	141	118	51	31	67
AUM (£m)	£378.1m	£228.7m	£244.4m	£65.8m	£28.4m	£17.0m
AUM (%)	39.3%	23.8%	25.4%	6.8%	2.9%	1.8%

These numbers have been calculated using the methodology set out by the FCA.

Overall comment on costs and charges

The costs and charges paid by you are a key factor in the value for money you get. Across the range of products offered the costs and charges borne by policyholders can vary depending on a number of factors including when the product was taken out, whether or not contributions are still being paid and the value of savings. Overall, we are satisfied Old Mutual Wealth has taken steps over the course of 2019 to identify and mitigate the effect of costs, charges and adviser remuneration on you. The IGC has taken these significant improvements into account as part of its value for money assessment.

COMMUNICATIONS AND ENGAGEMENT

The IGC considered:

- Policyholder communications are clear,
- Policyholders receive targeted communications at appropriate points during their lifetime,
- Policyholders have access to real-time online information about their policy and can make changes through the web or a form,
- Policyholders are able to interact with Old Mutual Wealth using different means including letter, phone, email and online,
- How Old Mutual Wealth deals with policyholders who are vulnerable.



OLD MUTUAL WEALTH HAS DEVELOPED A SET OF CUSTOMER COMMUNICATION PRINCIPLES WHICH ALL COMMUNICATIONS MUST MEET.



Old Mutual Wealth has a set of Customer Communication Principles which all communications must meet and have used a firm of behavioural scientists to help them better understand the impact of the ways they communicate.

The key objectives of these principles are to ensure that all policyholder communications are accessible, clear, fair and not misleading. They must clearly set out:

- The options available to the policyholder, including details of the risks, benefits and any associated charges in monetary terms wherever possible. This includes any options available to the policyholder to avoid paying any early encashment charges.
- The timelines within which activities must be completed and clearly highlighting where policyholders need to take action, or where correspondence is for information only.
- Where financial advice should be sought or how to obtain additional information.
- To remove, or where this is not possible, explain, any technical jargon.

The IGC has seen examples of the communication material. We have taken this into account as part of our value for money assessment.

During the past year, Old Mutual Wealth has enhanced the support it offers to customers who find themselves in vulnerable circumstances. This has been achieved by rolling out additional training to all customer facing administration staff, offering additional correspondence support, such as audio, braille etc. and enhancing the service offered by a specialist team who support customers when they are in particularly vulnerable situations.

External members of your IGC had a very productive visit to Old Mutual Wealth's Customer Service Centre to undertake call listening. This provided us a good insight into the types of questions and requests being made by policyholders.

OTHER MATTERS

Other matters relating to our value for money assessment



Benchmarking

Over the last couple of years we and Old Mutual Wealth have participated in a forum of insurance companies and IGCs which, amongst other actions, has been discussing a benchmarking study.

The aim of a study is to compare the features, benefits and performance of the participating insurers, so helping their IGCs to assess their relative value.

Last year I reported we were reviewing the latest proposals to take part in a component of a study. Having done so, we decided not to. This was for a number of reasons but, in particular, as it would be difficult for Old Mutual Wealth to include a representative sample of policyholders we would learn very little from it.

Old Mutual Wealth cooperation with the IGC

We have also taken account of and are encouraged by the co-operation and support given to us by Old Mutual Wealth over the course of the year.

Long Term Investment Factors and Responsible Business

During 2019 Quilter, the parent company of Old Mutual Wealth, formed a working group to consider how they can embed responsible investment (including Environmental, Social and Corporate Governance (ESG)) principles across their business. They did this not only to prepare for new EU regulations that will be rolled out over the coming years, but also because Quilter recognises it has a vital role to play in helping to create a responsible investment industry.

There is a growing awareness amongst governments, investors and also among many policyholders like you, that much more needs to be done in order to ensure that investments are managed in a responsible way. You currently have a wide selection of funds to choose from, and most of this is outsourced to third party investment managers. A key initiative for Old Mutual Wealth is therefore to give you better quality information on how your fund(s) score against ESG metrics, in order to help you make informed decisions.

You should also note that you can already see which funds have an 'ethical' objective by referencing the 'Old Mutual Wealth Pensions Fund Range' document – these funds are identifiable by virtue of having a small green triangle next to the fund name. Please do contact Old Mutual Wealth if you would like to get further information in this regard.

ESG is a developing area and much will change over the coming years. For this reason some elements of it are less clear than others. In that context we are satisfied with Old Mutual Wealth's approach so far.

Pension "scams"

Over the last few years there has been an upsurge in pension scamming which has resulted in many pension policyholders losing all or large amounts of the their savings.

Old Mutual Wealth has robust processes to help protect policyholders from these scams. It has a team of people from across the business including Compliance, Financial Crime, Technical Product, Complaints and subject matter experts from the processing teams to help with this. They have incorporated the principles of a code of good practice, produced by the Pension Scams Industry Group in order to help share good practice and reduce the risk of scams, into their processes.

Despite this Old Mutual Wealth cannot stop you being scammed. They can only help you avoid it.

If you receive an unsolicited (or cold) approach from anyone offering to review your pension you should be cautious. You can find more information on how to avoid being scammed here: <https://www.moneyadviceservice.org.uk/en/articles/how-to-spot-a-pension-scam>

CALL TO ACTION

If you receive an unsolicited, cold, approach from anyone offering to review your pension you should take great care they are not trying to scam you.

OTHER MATTERS

Other matters relating to our value for money assessment



STAR – improving the time it takes to process transfers

In my previous report, I explained that Old Mutual Wealth have joined STAR; a service that will deliver improvements to transfer times across the long term savings (like pensions) and investment industry. The STAR initiative is progressing and Old Mutual Wealth is on the Steering Group and attended working groups that are defining a best practice framework for transfers. At the conclusion of this work STAR will begin to publicise transfer performance that will provide policyholders and regulators with clear evidence of how firms are behaving with the intention it will drive improvements.

The IGC believes that participation in the framework will enable Old Mutual Wealth to demonstrate their commitment to good practice and are pleased with their early adoption of this new venture.

Old Mutual Wealth and ReAssure

In August 2019 it was announced that ReAssure will buy the part of Old Mutual Wealth that looks after your workplace personal pension.

This transaction had no impact on our Value for Money assessment in 2019 because it hadn't completed before the end of the year.

We did, however, meet with the Chief Executive Officer of ReAssure to hear his plans for the business in the future. He explained that there would be no immediate changes and that his expectation was this will be good for policyholders over time. The ReAssure IGC will assess this in due course.

ReAssure have their own IGC and it will continue to assess the value for money you get. They will start work from April 2020. Their contact details can be found below.

Foundation fund range merger

During 2019, Quilter Investors, an associate company of Old Mutual Wealth, proposed that the Foundation range of multi-asset funds should be merged with the recently launched Cirilium Blend multi-asset range. The Foundation range of funds have historically been a popular choice for policyholders with £77m invested.

Your IGC were therefore keen to have a first hand understanding of the proposal to ensure that it didn't detrimentally impact on value for money. We did this by meeting with management from Quilter Investors as well as OMW which enabled us to gain a good appreciation of the following:

- the benefits of the merger, which include potential improved performance and diversification,
- pricing, which has been discounted for investors' existing holdings to match that under the Foundation range,
- the likely transition costs involved and their justification,
- the proposed communications to customers,
- how potential conflicts of interest had been addressed, and
- the governance process that OMW would follow to satisfy themselves that the merger was in the best interests of customers.

Having done this, your IGC were satisfied that the decision made by Quilter Investors and OMW to proceed with the merger could reasonably be expected to be value for money for policyholders in general. You should have received a communication from OMW in December to advise you of this merger which was then completed in January 2020.

Understanding the views of the policyholders

While we can rely on our expertise and do research only you can tell us what features of value for money are important to you. Understanding the views of policyholders is vital to the IGC.

You can let the IGC know your views by writing to the ReAssure IGC Chairman, Zahir Fazal, via ReAssure Limited, Windsor House, Ironmasters Way, Telford, Shropshire TF2 4NB or by using the link to the IGC on the ReAssure website, www.reassure.co.uk. Please note, however, the IGC does not deal with complaints or general enquires. These should be raised with Old Mutual Wealth Life Assurance, which is now part of ReAssure.

We have made the arrangements set out below to encourage you, or your representatives, to provide your views directly to us.

OTHER MATTERS

Other matters relating to our value for money assessment



Policyholders' forum

During 2019 we attended a forum of policyholders.

Independent Customer Champion

During 2019 the IGC met with David Barral, Old Mutual Wealth's Independent Customer Champion. See <https://www.oldmutualwealth.co.uk/Media-Centre/2016-press-releases/october-2016/david-barral-joins-old-mutual-wealth-as-independent-customer-champion/> for more information on David.

Limitations of our assessment

Our conclusion is based on performing analysis on features, benefits, service and costs and charges across all workplace personal pension plans that Old Mutual Wealth administers. Due to the number of products and variations, it was not possible to look on a policyholder by policyholder basis – we had to analyse the information by grouping products and policyholders together. As a result, you may have a different experience of value for money compared to other policyholders.

CONTACT US

You can let the IGC know your views by writing to the ReAssure IGC Chairman, Zahir Fazal, via ReAssure Limited, Windsor House, Ironmasters Way, Telford, Shropshire TF2 4NB or by using the link to the IGC on the ReAssure website, www.reassure.co.uk. Please note, however, the IGC does not deal with complaints or general enquires. These should be raised with Old Mutual Wealth Life Assurance, which is now part of ReAssure.

APPENDICES

APPENDIX 1 – WHY WE ARE HERE	22	▶
APPENDIX 2 – THE MEMBERS OF YOUR IGC	23	▶
APPENDIX 3 – OUR VALUE FOR MONEY (VFM) FRAMEWORK	25	▶
APPENDIX 4 – SUMMARY OF CHARGES	27	▶

APPENDIX 1 – WHY WE ARE HERE

Why we are here

The Financial Conduct Authority (FCA) told companies like Old Mutual Wealth to set up Independent Governance Committees in 2015 as a result of concerns expressed by the Office of Fair Trading that competition in the workplace personal pensions market was not driving value for money.

We operate solely in your interests. Our job is to independently assess the value for money of your workplace personal pension and, where we need to, to challenge Old Mutual Wealth to improve the value for you. If Old Mutual Wealth fails to give a satisfactory response we have the power to report them to the FCA as well as to notify you and/or your employer.

Our scope and remit

Old Mutual Wealth offered workplace personal pensions to employers from around the mid 1990's until September 2010. Although many policyholders no longer do so, you (or your employer) may still be contributing to one of these pensions.

Old Mutual Wealth has had a number of workplace personal pension products over the years. The product that you are in will depend on when your employer set up the plan and when you joined it. Approximately 23,000 workplace personal pension policyholders are within our remit. The funds under management for these policyholders total approximately £962m at September 2019.

How we operate

We operate under terms agreed with Old Mutual Wealth. These terms are based on the FCA rules. A copy of our terms are available from our webpage at <https://www.oldmutualwealth.co.uk/products-and-investments/pensions/independent-governance-committee/>.

You can find information on the members of the IGC, including why we believe we have sufficient expertise, experience and independence to act in your interests, in appendix 2.

APPENDIX 2 – THE MEMBERS OF YOUR IGC

Richard Butcher, PTL, Independent chair

Richard is Managing Director of PTL a market leading and award winning professional independent pension trustee company. Richard joined PTL in 2008 and became Managing Director in 2010. Richard has been involved in pension scheme governance since 1985. He is a Fellow of the Pensions Management Institute (PMI). Richard is Chair of the Pension and Lifetime Savings Association (PLSA), the industry association for pension schemes and, until it completed its work, was a member of the FCA's Institutional Disclosure Working Group (IDWG), a body established to create a template for the disclosure of investment costs and charges. He has also sat on the Investment Associations Cost Disclosure Working Group, the Council of the PMI, the PLSA DC Council (which he chaired for two years), the Pension Regulators DC Practitioners Panel and the Department of Work and Pensions Trustee Panel. He is a regular contributor to the trade press and has won a number of awards and accolades.

Richard is qualified to be a member of an IGC by merit of his significant experience in and knowledge of the pensions industry, his expertise in assessing the value for money of arrangements such as this (gathered from his role on similar boards) and his knowledge of underlying investment costs and charges. He is qualified to chair the IGC by merit of his significant experience of and positive track record in chairing similar arrangements as well as other boards and committees,

Ian Costain, BFC, Independent member

Ian is a qualified actuary with more than 25 years' experience in the pensions industry. In the early part of his career he worked for various insurers and also the UK's largest network of financial advisers. His roles covered product development, pricing, marketing, and distribution. From 2003 to 2009 Ian was Head of Policy & Public Affairs for AXA UK. At an industry level he was a founding member of the Association of British Insurers' Consumer Engagement Committee. Ian has been an independent consultant since 2009 with a strong focus on the regulation of pensions. He has spent a year at The Pensions Regulator leading their strategic thinking on the regulation of the pensions market, and over a year at the Financial Conduct Authority as a special adviser on pension policy.

Ian is qualified to be a member of an IGC by merit of his wide-ranging experience in the pensions industry extending from consumer protection – he has worked specifically on pensions for a number of regulators – to the technical design and pricing of pension products themselves.

Mark Latimour, Independent member

Mark is a partner at law firm Eversheds Sutherland where he practises as a pension lawyer. Mark has over 21 years' experience in the pension industry. Mark's early career involved working for AMP, the financial services provider in Australia where he was involved in pension's administration, compliance and project management. On qualifying as a solicitor, Mark joined Mallesons Stephen Jacques in Australia in their superannuation law team and then moved to the UK in 2006, working with Freshfields and Linklaters. In 2014, Mark joined Eversheds Sutherland as a partner. He has extensive experience advising trustees, employer sponsors and product providers on all aspects of pension's law. Mark is also a member the Association of Pension Lawyers and was on the influential Legislative and Parliamentary Committee for four years. In his spare time Mark is an active member of the Army Reserve, serving with the Honourable Artillery Company in the City of London.

Mark is qualified to be a member of an IGC by merit of his years of experience working in the pensions industry both in Australia and the UK including having worked for providers and as an adviser to them. He has detailed knowledge of the law and practice surrounding pensions and was a co-author of the PLSA guide to assessing Good Value for Members. Mark is a member of workplace pension arrangements in Australia and the UK and has seen best practice from both perspectives.

APPENDIX 2 – THE MEMBERS OF YOUR IGC

Jon Greer, Old Mutual Wealth member until 31st December 2020

Jon Greer is the Pensions Technical Manager and more recently the Head of retirement policy for Old Mutual Wealth, with over 19 years' experience in the Pensions industry. He is a member of the Tax Incentivised Savings Association (TISA) retirement policy council, whose mission is to develop policy that promotes consumer's financial wellbeing.

Jon was qualified to be a member of the IGC by merit of his years' experience working in the pensions industry having worked for a number of providers and an employee benefit consultancy. He provides subject matter expertise to the Committee. Jon is also a member of the Old Mutual Wealth's Staff Pension Scheme and so a policyholder within our remit.

Anthony Scammell, Old Mutual Wealth member until 31st December 2020

Anthony Scammell is the Strategic Service Development Director at Old Mutual Wealth. Prior to his current role, Anthony was the Customer Experience Director responsible for all aspects of Old Mutual Wealth's customer and adviser contact, as well as areas such as Complaints and is a Certified Customer Experience Professional. Anthony has 35 years' experience in the Financial Services sector.

Anthony is involved in a number of customer focussed industry working groups and regularly speaks at conferences on customer experience matters. Anthony is also a regular attendee at Old Mutual Wealth's Customer Outcome Forum. Anthony is a member of Old Mutual Wealth's Staff Pension Scheme and so a policyholder within our remit.

Anthony was qualified to be a member of the IGC by merit of his years' experience of both Old Mutual Wealth's products and processes and broader industry good practice and regulatory expectations.

NOTES

The FCA rules state that all members of the IGC must be independent. These rules also apply to the Old Mutual Wealth members, who are free to participate in the IGC without it conflicting with the other terms of their employment. This means that when acting as an IGC member, they are expected to act solely in your interests and are able to do so without breaching any terms of their employment contracts.

The members of the IGC were appointed after a robust recruitment process. Old Mutual Wealth considered a number of candidates to act as Chair. Having appointed the Chair they commissioned me to advertise and suggest possible candidates for membership. I and Old Mutual Wealth jointly agreed a shortlist of candidates, interviewed those candidates and agreed who to offer membership.

During the recruitment process (and since) we considered the need to have a wide range of views and experience on the IGC. As a result we recruited a group of people more than capable of constructively and robustly challenging both Old Mutual Wealth and each other.

There were two changes to the IGC during the year.

Jon Greer and Anthony Scammell both came off the IGC on 31 December 2019 following ReAssure's acquisition of that part of Old Mutual Wealth that manages your pension.

Our respective histories mean that together, we have sufficient expertise and experience to act in your interest.

In addition we are sufficiently independent to act in your interest. This is because three of us are independent of Old Mutual Wealth and the two who are employees are contractually able to be and have both demonstrated their independence, during our meetings.

APPENDIX 3 – OUR VALUE FOR MONEY FRAMEWORK

Value for money means different things to different people at different times. What is clear, however, is that it is a balance of costs against benefits.

When considering whether value for money is being provided the IGC considers a range of factors. Good performance against these areas indicates that relevant policyholders are receiving value for money. Broadly, the framework covers:

- 1) Investment and Performance
- 2) Costs and charges
- 3) Administration and service
- 4) Communications and engagement

The factors are weighted to reflect what we think are important to the outcome for policyholders. On the basis that the financial outcome for policyholders is key we consider investment returns and charges as most important.

We set out below the factors included in the framework.

Investment and Performance

We consider:

- Whether the 'default' investment funds are appropriate

Criteria for assessment

- Performance
 - ABI sector/Benchmark – Contains at least one fund as consistently underperforming other funds in same ABI sector, or the funds actual benchmark (4th quartile over the last 3 years as well as over each individual 1 year period (covering the last 3 years)
 - Risk
 - Risk level should be an OMW prospective risk score between 5 and 8 or 'balanced'. Typically there is a need to take risks in order to meet the investment objectives. However policyholders are not prepared (or do not need) to risk everything to meet those goals. Their investment time horizon may still be long.
 - Diversification
 - No more than 90% invested in a single asset class
 - Price
 - Price ceiling of 0.75%.
-
- Whether they have a clear statement of aims and objectives
 - Whether the range of investment funds is appropriate; and
 - The performance of the policyholder's arrangement by comparing their returns to various measures (inflation, contributions, FTSE, savings account)
 - ESG factors. OMW's approach/policy and action
 - Review on an ongoing basis the performance and volatility of the most popular investment funds against benchmark
 - Assessment and performance of de-risking strategies available to policyholders

APPENDIX 3 – OUR VALUE FOR MONEY FRAMEWORK

Costs and charges

We consider:

- Whether the overall cost to policyholders (including transactions costs) is appropriate given the nature of the product
- That costs and charges are kept under regular review to ensure they remain suitable and competitive
- Action is taken to remedy issues identified in relation to costs and charges
- Whether OMW highlights lower cost options (funds) to customers who have selected relatively higher charging options
- Cost of funds available to policyholders

Administration and service

We consider:

- Whether key financial transactions and other administrative processes had been processed promptly and accurately
 - Regular contributions
 - Lump sum contributions
 - Transfers Out
 - Fund switches
 - Annuity purchase
 - Lump sum withdrawals
 - Death claims
- The type and quality of service received, including the experience of staff; operational capability; complaints handling
- Processes and safeguards of OMW aimed to prevent policyholders falling foul of pension scams
- Customer satisfaction measures (for example Net Promoter Score)

Communications and engagement

We consider whether:

- Policyholder communications are clear
- Policyholders receive targeted communications at appropriate points during their lifetime, for example, when policyholders are near or at retirement
- Policyholders have access to real-time online information and can make changes easily
- Policyholders are able to interact using different means
- OMW's approach to vulnerable customers

Other matters

We assess a broad range of "other matters" the IGC considers has an impact on value. Examples from the last CAS include benchmarking project, GDPR, and provider cooperation with the IGC.

Other areas considered during 2018/19 were:

- Financial strength/stability and reputation of provider; and
- Controls and safeguards (e.g. management of operational risk; security of systems; independent assurance; Financial Services Compensation Scheme compensation)

APPENDIX 4 – SUMMARY OF CHARGES

This table shows the weighted average total charges policyholders in each of the different Old Mutual Wealth products pay (ignoring the impact of transaction costs). The figures represent the overall average charge and will therefore differ from the charges you actually pay on your policy which depends on the type of product you have and the specific funds you are invested in. Your annual statement shows which product you have, the funds you are invested in and the charges you actually pay.

	PROPORTION OF POLICYHOLDERS WITH PRODUCT	PRODUCT CHARGE (INCLUDES COMMISSION)	FUND COST	TOTAL
PPS	0.4%	0.75%	1.06%	1.81%
PRA	18.1%	0.43%	0.65%	1.08%
PP1	0.6%	0.85%	0.81%	1.66%
PP2	3.3%	0.85%	0.96%	1.82%
PP3	5.4%	0.72%	1.00%	1.72%
PP4	9.4%	0.79%	1.01%	1.80%
PP5	28.3%	0.72%	1.06%	1.78%
PP6	34.5%	0.31%	0.90%	1.20%

On average the charges paid by Old Mutual Wealth policyholders are higher than those paid by policyholders of other workplace pension providers. By and large, this is because the investment funds used by most of Old Mutual Wealth's policyholders are managed by firms other than them.

Product charge:

This is the charge taken by Old Mutual Wealth to cover the services they provide (plus to pay adviser commission where applicable).

Fund Cost:

This is the charge taken by the managers of the funds your savings are invested in (which may not be Old Mutual Wealth).

Adviser fee:

Fees paid to advisers are shown in the table below where applicable. The cost shown is the average fee for those paying an adviser fee and excludes policies where no adviser fee is paid.

	PROPORTION OF POLICYHOLDERS PAYING ADVISER FEES	ADVISED FEE
PP5	1%	0.61%
PP6	12%	0.63%

More information on transaction costs can be found on page 15.