



ptl

## Chair's Annual Report

The PTL Governance  
Advisory Arrangement ('GAA')

March 2018

**Novia Workplace Personal Pension Plans**



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# Introduction and Executive Summary



This report on the workplace personal pension plans provided by Novia has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA'). It is our third annual report.

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This report sets out our assessment of the value for money delivered to policyholders (see [Sections 2](#) and [3](#)). It also explains the background and credentials of the GAA (see [Appendix 3](#)). The GAA works under Terms of Reference, agreed with Novia, dated 31 March 2016. These are publicly available (see [Appendix 3](#)).

The workplace personal pension plans provided by Novia are Group Self Invested Personal Pension Plans (Group SIPPs). More details about the numbers of policyholders and their funds are shown in [Appendix 1](#).

The GAA believes that deciding what represents 'value for money' is subjective and that value for money will mean different things to different people. We think value for money can be judged by looking at the balance of the costs paid by policyholders to the Group SIPP provider against the benefits and services provided from their policy, together with appropriate comparisons from other pension providers.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP providers considering the GAA requirements are relevant due to Group SIPPS are classified as workplace pensions whereas not applicable to individual SIPPS. The GAA have highlighted this issue to the FCA. The assessment encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Novia. However, it does not include the elements provided by the Independent Financial Advisers (IFAs), or employers (including investment matters and charges) not controlled by Novia.

We have also considered the extent to which the Group SIPP provider has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been advised by a qualified and authorised IFA.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment fund processes as for other workplace pension providers. This was not necessary for Novia, as all Group SIPP policyholders received advice from a qualified IFA.

Group SIPPs can only be established on the Novia platform via an IFA and the IFA is responsible for the scheme in perpetuity. If the relationship with the IFA ends, then the account is marked as 'orphan' and the individual is instructed to find a new IFA. Until they do they are unable to transact other than to withdraw their funds. Novia state that this situation applies to less than 1% of their clients at any time.

Therefore, the GAA can regard all Group SIPPs as fully advised.

**The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Novia provide:**

- **Reasonable to poor value for money where Novia's charge is 0.5% of funds invested.**
- **Value for money is improved where Novia's charge is reduced below 0.5% of funds invested. The average charge across all group pension policies is 0.45% per annum.**
- **Value for money is worse where Novia's charge exceeds 0.5% of funds invested. This is particularly the case for those policyholders with relatively small funds invested. The introduction of the £75 minimum annual charge means that 207 policyholders (7% of all policyholders) are paying over 1% of funds invested in charges to Novia; of which 83 (3% of all policyholders) are paying over 2% and 25 policyholders (just under 1% of all policyholders) are paying over 5%.**

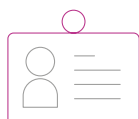
See [Section 3](#) and [Appendix 2](#) for more details of the value for money assessment.

A colour-coded summary of our value for money assessment is shown below:

Good ←	●	●	●	●	●	→ Poor	<b>Self Invested Personal Pension Plan</b>	
							<b>Investments: 'Advised' or 'sophisticated' policyholders</b>	●
							<b>Communications and support</b>	●
							<b>Risk management: operational and financial</b>	●
							<b>Other factors: administration, options at retirement, etc.</b>	●
							<b>Overall benefit</b>	●
							<b>Level of charges (excluding investment)</b>	●
							<b>Overall value for money assessment (larger funds)</b>	●

The GAA has not raised any formal concerns with Novia during the year (see [Section 4.2](#)).

Arrangements have been put in place to ensure that the views of the policyholders can be directly represented to the GAA (see [Section 4.3](#)).



If you are a policyholder and have any questions, require any further information or wish to make any representation to the GAA you should contact:

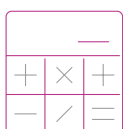
**Compliance department, Novia Financial plc**

Cambridge House, Henry St, Bath, BA1 1JS



## 2

# Value for money assessment framework for SIPP<sub>s</sub>



The GAA has developed a framework for assessing value for money. In broad terms, the benefits offered to members by the workplace pension provider are assessed in three different areas. These areas are Investment, Member Communications and Support and Additional Factors.

For Group SIPP providers the vast bulk of policyholders are either advised by a suitably qualified and authorised IFA or are ‘sophisticated investors’ as defined by the FCA (see below). Therefore, for these providers, such as Novia, the investment aspects of the framework become an assessment of the process by which the provider ascertains that members are advised or are ‘sophisticated investors.’ It becomes a wider assessment if there are policyholders who are neither.

The assessment of the benefits as a whole is then balanced against the provider charges borne by members to reach an overall conclusion on value for money.

### **Investment aspects:**

The FCA has prescribed five specific features that the GAA must assess and these have been built into the framework described above. However, some of these do not directly apply in the SIPP environment for individual SIPPS, and are relevant to the GAA due to the classification of Group SIPPS as workplace pensions. In isolation, the SIPP regulations do not require that providers consider these aspects. The GAA have highlighted this issue to the FCA. We explain this below.

The FCA has prescribed five specific features that the GAA must assess and these have been built into the framework described above. However, some of these do not directly apply in the SIPP environment and we explain this below.

The FCA requires the GAA to assess:

- “whether default investment strategies are designed and executed in the interests of relevant policyholders”.
- “whether default investment strategies have clear statements of aims and objectives”.
- “whether the characteristics and net performance of investment strategies are regularly reviewed by the firm to ensure alignment with the interests of relevant policyholders and that the firm takes action to make any necessary changes”.

Under the rules of a SIPP, the policyholder directs the investment strategy, and is usually guided by their IFA who will suggest strategies and put arrangements in place in conjunction with fund managers or investment platforms to implement those strategies. The SIPP provider has no active role in this. Its role is limited to the administration, except that it is expected by the FCA to act as a ‘gatekeeper’, for instance by carrying out due diligence on policyholders’ advisers and on non-standard investments, monitoring adviser activity in terms of excessive charging and monitoring for unsuitable clients for the SIPP environment (such as those with low fund sizes or who appear to be unsophisticated investors).

The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled for a SIPP by the member or in some cases potentially by the employers. For some Group SIPP providers there are some policyholders who choose this type of pension because they are ‘certified high net worth’ or ‘sophisticated’ investors as defined in FCA Handbook COBS 4.12.6/7/8 R. However, for Novia, all policyholders receive advice from a qualified IFA. [www.handbook.fca.org.uk/handbook/COBS/4/12.html#DES582](http://www.handbook.fca.org.uk/handbook/COBS/4/12.html#DES582)

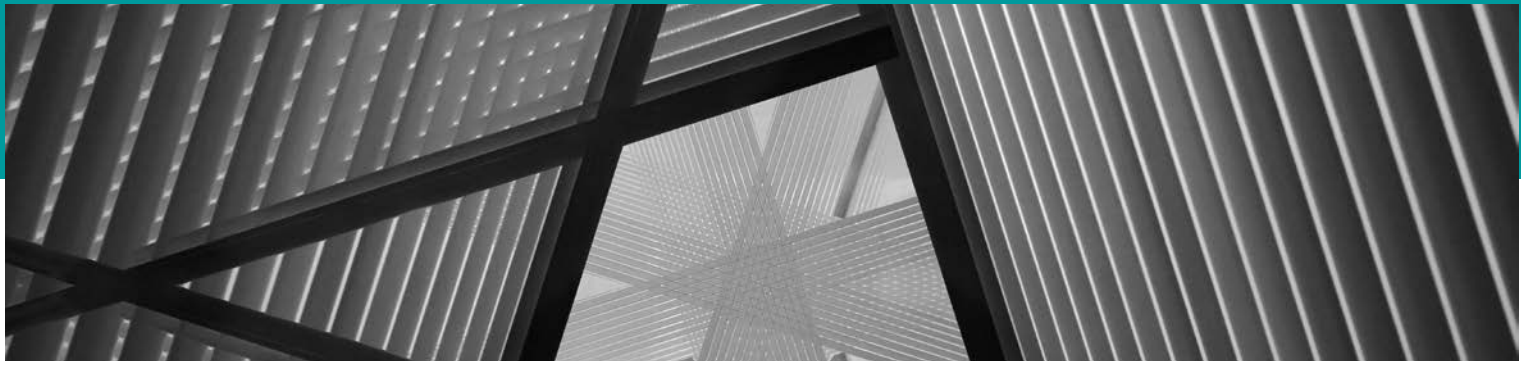
In these cases, our interpretation is the provider is safe to assume that the policyholder is able to design the strategy and evaluate whether they are obtaining value for money over time from their investments.

For unsophisticated and non-advised policyholders the GAA assesses the provider’s process of reviewing the characteristics and performance of the investment strategies. We note that by their nature, SIPPs can invest in “non-standard” assets such as the unquoted shares or business premises of the employer. In such cases, it is likely that the member themselves will be much better placed to obtain information on, and understand the characteristics and net performance of, such strategies, rather than the Provider.

The provider is, however, unable in practice to take action to make any necessary changes, because as described, it has no role in setting or managing investment strategies. The provider is able to raise concerns but cannot require action to be taken.

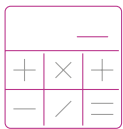
Nearly all Group SIPPs do not have default funds in operation because each member is choosing their own investments, removing the first two areas of assessment in the table above. Some Group SIPPs have the same investment for each person, but each person has chosen the investment.

**Accordingly, the GAA has not assessed the provider in relation to the first two areas in the table above unless any default funds are present. The GAA has carried out only an assessment of the third area where there are unsophisticated and non-advised policyholders. In cases where the policyholder is ‘certified high net worth’ or ‘sophisticated’ or advised by an IFA the GAA has focused on ensuring this is evidenced.**



# 3

## Value for money assessment



The GAA has assessed the value for money delivered by Novia to its workplace personal pension policyholders by looking at cost versus benefits. More detail about how we have done this is set out in *Appendix 2*.

### Key highlights of our assessment

- The GAA has evaluated Novia using the value for money assessment framework for Group SIPP's.
- All Group SIPP's on Novia's platform require advice from an IFA at outset. Therefore, the GAA's assessment has concentrated on Administration, Member Communications and Support and Additional Factors.
- Written communications are of a reasonable standard and always have the support of an IFA. The 24/7 online access to the policyholder's account and documentation is useful and convenient. Further improvements are scheduled for the online member portal.
- Administration is carried out to a good standard. If the Service Standards continue to be met, core financial transactions will be processed promptly and accurately. The back office team typically works to a 24 hour turnaround.
- Full undiscounted fees are quite high relative to other SIPP providers. Members with larger funds, or those where reduced fees have been agreed, receive fees closer to other SIPP providers.
- The introduction of a minimum annual charge of £75 per policyholder leads to significantly higher charges (as a percentage of funds invested) for policyholders with relatively small funds invested and will have a detrimental impact on value for money for those individuals.
- The GAA focused on ensuring that all Policyholders were advised or did not need advice because they understood the proposition, the evidence we have seen suggests that this is the case. There is a need for Novia to continue to check that Policyholders individual advice is ongoing rather than just at the point of joining.



## Overall assessment of value for money

Fees are generally expressed as a percentage of the fund, although a minimum annual charge has recently been introduced.

There are additional monetary charges levied for activities such as income drawdown and share dealing. In each case the policyholder will be advised by an IFA who can assist in determining whether such a transaction is worthwhile considering the cost. These additional charges are infrequently levied.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP providers. This encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Novia. However, it does not include the elements provided by the Independent Financial Advisers, or employers (including investment matters and charges) not controlled by Novia.

We have considered the extent to which Novia has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been advised and continue to be advised by a qualified and authorised Independent Financial Adviser.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment fund processes as for other workplace pension providers. This was not necessary for Novia as all policyholders receive advice from a qualified IFA.

Group SIPPs can only be established on the Novia platform via an IFA and the IFA is responsible for the scheme in perpetuity. If the relationship with the IFA ends, then the account is marked as 'orphan' and the individual is instructed to find a new IFA. Until they do they are unable to transact other than to withdraw their funds. Novia state that this situation applies to less than 1% of their clients at any time.

Therefore, the GAA can regard all Group SIPPs as fully advised.

### **The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Novia provide:**

- **Reasonable to poor value for money where Novia's charge is 0.5% of funds invested.**
- **Value for money is improved where Novia's charge is reduced below 0.5% of funds invested. The average charge across all group pension policies is 0.45% per annum.**
- **Value for money is worse where Novia's charge exceeds 0.5% of funds invested. This is particularly the case for those policyholders with relatively small funds invested. The introduction of the £75 minimum annual charge means that 207 policyholders (7% of all policyholders) are paying over 1% of fund invested in charges to Novia; of which 83 (3% of all policyholders) are paying over 2% and 25 policyholders (just under 1% of all policyholders) are paying over 5%.**

For the reasons described in [section 2](#), the points the GAA have not deemed applicable nor practical to assess include:

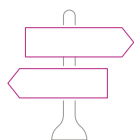
- investment strategies implemented are appropriate for each policyholder
- investment strategies are monitored and changed where required
- the net of fees results of these strategies are beneficial for policyholders.

This information currently resides with the policyholders on Novia's platform and is not collected by Novia because there is no requirement to do so and would be difficult to collect because it covers a range of different policyholders.



# 4

## GAA activity and regulatory matters



This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

### 4.1 GAA actions this year

We prepared and issued a request for data on all the relevant workplace pension policies on 15 May 2017.

On 6 July 2017, members of the GAA met with key Novia contacts for the portfolio and representatives from the investment and administration teams. We discussed how the investment funds are managed and governed. We had discussions with the administration teams to see in detail how some of their work is carried out and how they deal with policyholders, as well as service standards and how these are monitored and managed. Cyber and data security were discussed in detail during this visit.

Novia have provided all the information requested by the GAA.

The GAA held 5 meetings during 2017/18 to review and discuss the information we had received and to develop and improve the way that we assess value for money and report on this.

## **4.2 Concerns and Challenges raised with the Provider by the GAA and their response**

The GAA has engaged and challenged Novia extensively during the year covered by this report and in previous years.

In the first year engagement focused on the extent to which the provider was responsible for the entire proposition. It became clear that as a SIPP provider Novia regarded itself as a facilitator rather than a provider. It expected the policyholders were able to make their own investment decisions and assess their own value for money in the choices that members have made.

The GAA has challenged the provider to provide complete evidence that policyholders were competent to make these decisions or were taking independent advice.

Novia have confirmed that Group SIPP's can only be set up by an IFA and that the IFA is responsible for the scheme in perpetuity. If the relationship with the IFA ends, then the account is marked as 'orphan' and the individual is instructed to find a new IFA. Until they do they are unable to transact other than to withdraw their funds. Novia state that this situation applies to less than 1% of their clients at any time.

Therefore, the GAA can regard all Group SIPP's as fully advised.

## **4.3 The arrangements put in place for policyholders' representation**

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

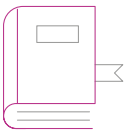
The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been communicated via the Novia website and has been highlighted on annual benefit statements since April 2016. A paragraph has been added to the Key Features Document for any new policyholders.

Novia will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders. Where Novia determines that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.



## 5

## Next steps

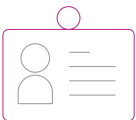


This GAA report is for the year to 5 April 2018. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

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In the next year the GAA will:

- Assess the future consideration of the charging structure
- Check that Novia continue to ensure that Policyholders individual advice is ongoing
- Ensure that information regarding transaction costs is being collated and provided as appropriate.



If you are a Group SIPP policyholder this report is for your information only and you do not have to take any action. If you do have any questions, require any further information or wish to make any representation to the GAA you should contact Novia at the address shown on page 5.

**Colin Richardson**

**Chair: PTL Governance Advisory Arrangement**

# Appendix



## Summary of workplace personal pension data at 31 August 2017

This is the GAA's third annual report in respect of the workplace personal pension schemes provided by Novia, which are all Self Invested Personal Pensions ('SIPPs').

The number of employers with a Group SIPP with Novia has increased over the last year from 97 to 113. This growth is due to IFAs introducing new policyholders onto the Novia platform.

	SIPPs
<b>Number of employers:</b> non-qualifying for auto-enrolment	113
<b>Number of employers:</b> qualifying for auto-enrolment	0
<b>Total number of policyholders</b>	<b>2,827</b>

## Appendix

## 2

### Value for money assessment

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The GAA believes that value for money is necessarily highly subjective and will mean different things to different people over time, depending on what they consider important at that time. What is clear is that it is always a balance of cost versus benefits. There is not enough publicly available data to perfectly assess value for money in an absolute or relative way. We have, however, been able to carry out limited relative comparison of the costs and benefits of these workplace personal pension plans with similar products from similar providers.

The GAA has assessed the value for money delivered by Novia to its workplace personal pension policyholders by looking at costs compared against our evaluation of the quality of the benefits.

A key area for Group SIPPS is whether policyholders are either advised by a suitable qualified and authorised Independent Financial Adviser on appropriate investment funds for their requirements, or are deemed 'sophisticated investors' as defined by the FCA (described in section 2 of this report). Therefore, a central part of the GAA's assessment has been the Provider's process to know this for all policyholders. This is the main method for the review of investment characteristics and performance. For members who are non-advised and not deemed sophisticated we have assessed the Provider's investment review process.

In addition, we have looked at the benefits offered to policyholders in communications, risk management and administration – together with other features such as the range of options available at retirement. In making our overall assessment of the quality of the benefits and standards achieved, where possible we have taken into account the likely needs and expectations of this group of policyholders, based on the information available to us.

On investment funds themselves, the FCA requires the GAA to assess:

- “whether default investment strategies are designed and executed in the interests of relevant policyholders”.

- “whether default investment strategies have clear statements of aims and objectives”.
- “whether the characteristics and net performance of investment strategies are regularly reviewed by the firm to ensure alignment with the interests of relevant policyholders and that the firm takes action to make any necessary changes”.

Due to the advised or sophisticated investor status of policyholders (described in detail in [section 2](#)) the GAA has not assessed Group SIPP Providers in the first two of these areas and has undertaken a partial assessment of the third area.

We have looked at the charges deducted by Novia, which may be applied in a number of different ways.

Finally, we have considered the quality of benefits offered versus the charges deducted, to reach an overall opinion on value for money. Where possible, we have formed our opinion taking into account the benefits and charges of other similar providers.

In each area of benefits, in the tables on the next few pages we have described the features in the left hand column, based on the information given to us. Our opinion on quality is given alongside in the right hand column.

Where we have used technical pensions terms or jargon, these are explained in the glossary at the back of this report.

Description of arrangements	GAA assessment and opinion
<b>Investment – Confirmation that policyholders are ‘advised’ or ‘sophisticated’</b>	
<p>Financial advice is required at the outset of joining the Novia platform. In addition, all IFA’s are required to sign Novia’s Terms of Business, stating that they will ensure that ongoing advice is provided to each individual. Novia ensure that all IFAs are FCA authorised initially and on an ongoing basis.</p> <p>Novia undertake no checks of financial advice being received on an ongoing basis. However, adviser input is required to make changes either to contributions or funds invested in.</p> <p>If the relationship with the member’s adviser ends, then the account is marked as ‘orphan’ and the individual is instructed to find a new adviser, until they do they are unable to transact other than to withdraw their funds. Novia state that this situation applies to less than 1% of their clients at any time.</p>	<p>The GAA have been provided with comfort that all policyholders receive independent financial advice. This means they are deemed to have self selected into the schemes and are able to design and evaluate their own investment strategy.</p> <p>IFAs provide ongoing advice in accordance with the terms of business with Novia.</p>



### Communications and Support – Overall quality of written communications, including education on pension saving

Copies of communications have been provided including welcome letters, annual statements, pre-retirement communications and benefit quotations.

In our opinion, written policyholder communications are of a reasonable standard. In Novia's case, communications will always have the support of an IFA.

In practice, Novia do not typically expect to have significant communication with individual policyholders, as this will be led by the IFA.

### Communications and Support – Other support, including telephone and online

Novia offer a member website that provides 24/7 access to the policyholders wrap account including their Group SIPP holding. The policyholder can view details of the current value, current investment holdings and performance over 6 and 12 month periods. Documentation issued to the policyholder is visible online, including the half yearly statements and current terms and conditions. Novia are currently working towards further documents and policyholder communications being online.

Details of telephone scripts have been provided. Regular training and monitoring takes place to ensure quality of calls with policyholders.

Novia make additional tools available for IFA's to undertake fund and contribution switches and to analyse the policyholder's portfolio.

The 24/7 access to the policyholder account and documentation is useful and convenient.

### Communications and Support – When choosing retirement options

A normal retirement process is in place to provide 'wake up' letters prior to retirement from Novia. In addition drawdown, including UFPLS is available within the SIPP.

Reasonable support is provided for policyholders. However, Novia anticipate that this will be led by the IFA.

### Risk Management – Security of IT systems and data protection

Security of IT systems is the responsibility of Novia. Novia uses hosting service provider that provides the highest commercially available security. Novia conduct regular penetration tests and operate robust monitoring services to ensure a very high degree of up time.

Further steps have been taken in the last year to further enhance IT security.

Novia have changed their terms of conditions to be compliant with the requirements of the General Data Protection Regulations (GDPR). Further work is being undertaken within the business to ensure GDPR compliance in other areas.

We believe that IT security and plans for GDPR compliance are adequate, based on the description of the frameworks given to us.

Note that we have not taken any independent advice from cyber security or data protection experts to support this opinion.

## Description of arrangements

## GAA assessment and opinion

### Risk Management – Financial Strength and stability

Novia are required to maintain a prescribed minimum level of capital adequacy by the FCA. Novia maintain a margin over this and maintain consistent profits.

We are satisfied that financial security of the organisation should not be a concern for policyholders.

### Risk Management – Independent assurance of firm controls

Novia operate three lines of defence which includes risk and compliance monitoring and an annual internal audit programme. Governance incorporates the Audit & Risk Committee chaired and attended by independent Non-Executive Directors.

Whilst there is no external audit, the internal controls undertaken seem adequate.

### Risk Management – Product development process to assist policyholder outcomes

There is a regular process of internal product review to ensure that products remain fit for purpose and suitable for policyholders.

Product development is considered regularly and there is a process in place to look at potential changes.

### Risk Management – Process for protecting policyholders against fraud and scams

All withdrawals are instructed by policyholders' IFAs thus providing high protection.

Novia's terms of business with IFAs provide protection for members.

### Administration service and core financial transactions

Novia carry out the administration, working to high standards. Their aim is to complete all standard work within 2 working days and where possible on the same day. When the GAA visited Novia, latest statistics showed that around 90% of policyholder enquiries were being dealt with within 1 day.

If the agreed Service Standards are met, core financial transactions will be processed promptly and accurately.

Administration service levels are monitored closely and good standards are targeted and broadly attained based on recent statistics.

### Other governance or support arrangements

By virtue of their membership of a Novia Group SIPP individuals are able to invest into other products on the Novia Wrap platform following the advice of their IFA. Other investment products include Cash ISAs, Stocks & Shares ISAs, General Investment Accounts and Offshore bonds. The same tiered rate of charges applies across all investment products and the total value of investments is used to calculate the lowest tier rate. The online access displays the total wealth of a member invested in the Novia wrap with the option to view details on each investment product.

The Novia platform includes wealth accumulation opportunities outside of pension provision. Value for money improves as policyholders build up additional funds in any product on the platform.

### Retirement options

At retirement, policyholders can take one or more UFPLS from their fund or select flexible drawdown, without transferring to a different product or provider. Alternatively, policyholders can arrange an Open Market option annuity purchase.

Policyholders can access the full range of options at retirement, with an external transfer only required if an annuity is purchased.

### Charges and direct and indirect costs borne by policyholders

Novia's fees are generally expressed as a percentage of the fund starting at 0.5% and reducing to 0.15% for large funds although the majority of members will pay 0.5%. Novia have recently introduced a minimum annual charge of £75 per policyholder.

There are additional monetary (£) amount charges levied for activities such as income drawdown or share dealing. In each case the member will be advised by an IFA who can assist in determining whether such a transaction is worthwhile considering the cost. These charges are infrequently levied.

There may be additional charges levied for IFA services although we understand that in some cases these are paid by the employer.

Novia have no control over fund management charges, which are payable in addition to Novia's fees, and in any event do not benefit from them. Novia, however, do have sight of the charges and, as investment arrangements are determined by the IFA, Novia are able to offer some bulk buying discounts to members.

Full undiscounted fees are quite high relative to other SIPP providers. Policyholders with larger funds, or members where reduced fees have been agreed, receive fees closer to other SIPP providers. The introduction of a minimum annual charge of £75 per policyholder leads to potentially significantly higher charges (as a percentage of funds invested) and will have a detrimental impact on value for money for those individuals with relatively small funds invested.

### Transaction costs

The FCA published a prescribed method for calculating transaction costs for disclosure to Independent Governance Committees (and the GAA) in September 2017 to be effective from 3 January 2018. This is relevant to Policyholders because their funds are subject to deductions for known direct costs (such as the annual management charge and explicit known charges levied by Novia) but also indirect and transaction costs which are incurred by the investment funds and paid out of the funds in the course of investment management.

Providers are under a duty to provide information on these costs from 3 January onwards. This is complex for Group SIPP Providers because many different investment managers and funds may be used. Also, the time elapsed since 3 January 2018 is very short for the production of meaningful figures.

Novia have developed an online system for the collation and sharing of this data.

## Description of arrangements

## GAA assessment and opinion

Notwithstanding this, in terms of costs and charges the GAA has looked at charges levied by Novia and not the charges levied by the investment managers. The selection of investment funds and their ongoing review of suitability is the responsibility of the policyholders' IFA and they have the responsibility for this, including transaction cost information.

In this light, the IFAs need a mechanism to receive such information and investment managers have a duty to provide the information under the FCA Rules. The IFAs and Novia need to work a way to receive this information in the future in order for the IFAs to fulfil this responsibility.

## Overall assessment of value for money

Fees are generally expressed as a percentage of the fund and full undiscounted fees are quite high relative to other SIPP providers both as a percentage and when converted to monetary terms for the average fund. The recent introduction of a minimum annual charge of £75 per policyholder will lead to significantly higher fees (when assessed as a percentage of the fund) for those policyholders with relatively small funds invested.

Policyholders with larger funds receive fees closer to other SIPP providers as so members where reduced fees have been agreed.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP Providers considering the GAA requirements are relevant due to Group SIPPS are classified as workplace pensions whereas not applicable to individual SIPPS. The GAA have highlighted this issue to the FCA. The assessment encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Novia. However, it does not include the elements provided by the Independent Financial Advisers (IFAs), or employers (including investment matters and charges) not controlled by Novia.

We have considered the extent to which Novia has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been advised by a qualified and authorised Independent Financial Adviser.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment fund processes as for other workplace pension providers. This was not necessary for Novia.

**The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Novia provide:**

- **Reasonable to poor value for money where Novia's charge is 0.5% of funds invested**

- **Value for money is improved where Novia's charge is reduced below 0.5% of funds invested. The average charge across all group pension policies is 0.45% per annum.**
- **Value for money is worse where Novia's charge exceeds 0.5% of funds invested. This is particularly the case for those policyholders with relatively small funds invested. The introduction of the £75 minimum annual charge means that 207 policyholders are paying over 1% of funds invested in charges to Novia; of which 83 are paying over 2% and 25 policyholders are paying over 5%.**

The service standards aspired to in communications and administration are of a good standard and are generally achieved. Administration services are monitored and managed in detail.

For the reasons described in section 2, the points the GAA have not deemed applicable not practical to assess include:

- investment strategies implemented are appropriate for each policyholder
- investment strategies are monitored and changed where required
- the net of fees results of these strategies are beneficial for policyholders.

This information currently resides with the policyholders of Novia's platform and is not collected by Novia because there is no requirement to do so and would be difficult to collect because it covers a range of different policyholders.

## Appendix

### 3

## Background and credentials of the PTL Governance Advisory Arrangement

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In February 2015 the Financial Conduct Authority (FCA) set out new rules for Providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, Providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- Act solely in the interests of the relevant policyholders of those pension plans and to
- Assess the 'value for money' delivered by the pension plans to those relevant policyholders.

The FCA rules also require that the Chair of each Independent Governance Committee and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

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

All of PTL's Client Directors have been appointed to the GAA. More information on each of them, their experience and qualifications can be found at [ptluk.com/team](http://ptluk.com/team).

Dean Wetton is also a member of the GAA. Dean is independent of PTL. Information on his experience and qualifications can be found at [www.deanwettonadvisory.com](http://www.deanwettonadvisory.com).

PTL, its Client Directors and Dean Wetton are independent of all of the Providers participating in the GAA in so far as:

- They are not directors, managers, partners or employees of any of the Providers, or any company within their groups, or paid by them for any role other than as members of the GAA, nor are they members of the share option or performance related pay schemes of any of the Providers nor have they been within the last five years.
- They do not have a material business relationship of any description with any of the Providers, or any company within their groups, and have not done so within the last three years.

Any potential conflicts of interest are recorded in a log and considered by the GAA in accordance with its conflict of interest policy.

The members of the GAA are appointed by the board of PTL. The board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience and independence to act in the interests of the members of the Providers' pension plans.

### **Terms of reference**

The terms of reference agreed with Novia can be found at:

[www.novia-financial.co.uk/media/1758/novia-terms-of-reference.pdf](http://www.novia-financial.co.uk/media/1758/novia-terms-of-reference.pdf)



# Glossary

## **Annual Management Charge or AMC**

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

## **Annuity**

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is 'joint life', it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ('the annuitant').

## **Core financial transactions**

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

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

## **Flexible drawdown or Flexi Access Drawdown**

An option for an individual to receive payments from their pension fund as they choose.

## **Lifestyling**

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



## **Transaction costs**

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.

## **UFPLS or Uncrystallised Funds Pension Lump Sum**

A method of drawing cash from a pension pot without buying an annuity or using drawdown.

# ptl



## Contact

info@ptluk.com · 0118 957 0610

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