

# Chair's Annual Report

ptl

Year ended 31 December 2020

The PTL Governance Advisory  
Arrangement (GAA)



NFU Mutual  
Workplace  
Personal Pension  
Plans

July  
2021

# Introduction and Executive Summary

This report on workplace personal pension plans provided by NFU Mutual (the 'Firm'), has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders.

Further background and details of the credentials of the GAA can be found in Appendix 2. The GAA works under Terms of Reference, agreed with NFU Mutual, the latest version of which is dated 25 November 2020 and are publicly available (see Appendix 2).

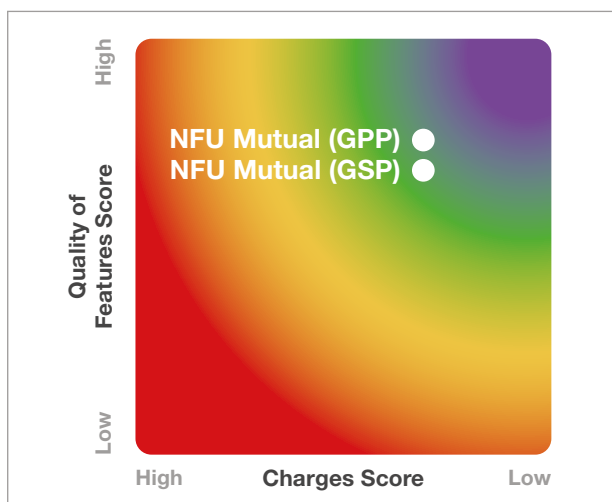
This report covers two workplace pension plans provided by NFU Mutual. The Group Stakeholder Pensions (GSP) is the larger of the two pension plans and offers policyholders a default option. The Group Personal Pensions (GPP) does not offer policyholders a default option. This is our sixth annual report.

As Chair of the GAA, I am pleased to deliver this value assessment for the Group Stakeholder Pensions and Group Personal Pensions provided by NFU Mutual. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2020 to 31 December 2020. The GAA has developed a Framework to assess Value for Money and further details are set out in the section, Overview of the Value Assessment, which is on page 5.

**A colour coded summary of the GAA assessment is shown below:**

	<div> <div>Excellent</div> <div>Good</div> <div>Satisfactory</div> <div>Poor</div> </div>	Weighting toward VfM assessment	Group Stakeholder Pensions	Group Personal Pensions
Strategy Design and Investment Objectives		20%	●	●
Investment Performance and Risk		20%	●	●
Communication		30%	●	●
Firm Governance		5%	●	●
Financial Security		10%	●	●
Administration and Operations		10%	●	●
Engagement and Innovation		5%	●	●
<b>Overall Quality of Features</b>		<b>100%</b>	●	●
Overall Cost and Charge Levels		100%	●	●
<b>Overall Value for Money Assessment</b>			●	●

## Value for Money Scoring



The Overall Value for Money rating is determined on a rating scale based on the product of the Quality of Features score and the Charge Levels score and is visually represented by the heatmap below.

**The overall conclusion is that the Group Stakeholder Pensions and Group Personal Pensions provided by NFU Mutual offer good value for money.** There are no specific areas for improvement identified, although the GAA notes that NFU Mutual has made improvements in terms of choice available to policyholders, particularly in the area of [life-styling](#) options and would expect this along with the approach to [ESG](#) to continue to evolve. The GAA would expect to see ongoing developments in this area.

Details of the numbers of policyholders and their funds were supplied to the GAA for the assessment and these are included in Appendix 4.

The FCA has introduced a new requirement this year for the disclosure of costs and charges where there is a default option. There is a default option for Group Stakeholder Pensions and further details can be found in Appendix 5.

The GAA has not raised any concerns with NFU Mutual during the year.

I hope you find this value assessment interesting, informative, and constructive.

Clare James

Chair of the PTL Governance Advisory Arrangement

July 2021



**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:**

**GAA Manager**  
**Marketing Department**  
**NFU Mutual**

Tiddington Road  
Stratford-upon-Avon  
Warwickshire, CV37 7BJ

**Alternatively, you can contact the GAA directly at:**  
**[gaacontact@ptluk.com](mailto:gaacontact@ptluk.com)**

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# Overview of the Value Assessment

The GAA has assessed the Value for Money delivered by NFU Mutual to its GSP and GPP policyholders by looking at cost versus benefits. More detail about how we have done this is set out below.

## Our approach

The GAA believes that value for money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of costs versus benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the benefits and services provided to policyholders. We have attempted to make appropriate comparisons with other relevant pension providers, although there is limited information available in the public domain.

The key steps for the GAA in carrying out the Value for Money assessment are:

- » Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of areas or quality features, as well as full information on all costs and charges, including [transaction costs](#).
- » Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.
- » Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA.
- » The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against seven different overarching quality features. These quality features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to innovation, culture and service, and a wider overview of the administration quality and processes, not confined to just the processing of [core financial transactions](#).

Within each of the seven quality features are a number of sub-features and these are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring.

Each set of score descriptors sets out what the GAA would expect to see to achieve each numerical score. These scores are then combined to produce an overall score for each of the seven quality features, as well as an overall score for the quality features combined. The Framework incorporates relative weightings for this purpose as shown in the table in the Executive Summary.

In making our overall assessment of the Quality of Features the GAA has, where possible, taken into account the likely needs and expectations of this group of policyholders, based on the information made available.

The GAA then went on to consider the Value for Money represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and platform fees, but the GAA does also consider [transaction costs](#) in isolation and how they are controlled. The Cost and Charge Levels are rated on a scale of Low to High, taking into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The Quality of Features score and the Cost and Charge Level rating are then combined to determine an Overall Value for Money rating.

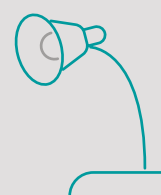
**In the sections on the following pages we have described each of the Firm's seven quality features, the rating the GAA has awarded, together with any areas for improvement we have identified. There is also a separate section on Costs and Charges and a section setting out the GAA's views on the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial considerations, and stewardship.**



Where we have used technical pensions terms or jargon, these are explained in the [Glossary](#) in Appendix 3.

# Strategy Design and Investment Objectives

**Value score: Good**



## The Firm's approach

NFU Mutual offers policyholders a limited range of funds, which are actively managed. It is the Firm's belief that a focused range of funds provides better member outcomes. Policyholders have online access to fund factsheets which provide clear statements of aims and objectives.

Performance is monitored regularly at quarterly meetings with remedial action taken where required. Benchmarks have been set with the aims and objectives of policyholders in mind and these are clearly articulated in fund factsheets and other communications. Recognising that the Firm's core strength was its understanding of the UK markets, the management of some overseas assets has been outsourced to third-party managers since early 2019.

NFU Mutual takes an integrated approach to [ESG](#) and it is considered alongside traditional financial measures. The approach is pragmatic and recognises that it is easier to implement for equities than for fixed income instruments. [ESG](#) policies of third-party managers are reviewed for compliance. The Firm uses Institutional Shareholder Services (ISS) for voting at meetings and have over the last year voted against important issues, mainly relating to remuneration and appointment of directors.

NFU Mutual offers two workplace personal pensions plans.

Group Stakeholder Pensions (GSP) are no longer open to new employers, although new members are able to join an existing GSP. The default fund for GSP is the Mixed Portfolio Max 100% Share Fund which predominantly invests in equities. There are a further seven unit linked funds for policyholders to choose from. In addition, there is a default lifestyle which targets [annuity](#) purchase at retirement. Following the introduction of pension freedoms and an assessment of the actions of policyholders at retirement, additional lifestyles aimed at [drawdown](#) and cash were introduced in early 2017. The default lifestyle was also changed to [drawdown](#) at this time.

Group Personal Pensions (GPP) are currently closed to new employers but accept new policyholders for existing employers.

GPP does not offer a default fund or strategy, but most policyholders are invested in the Mixed Portfolio 40-85% Shares Fund, with some policyholders in the [With Profits](#) version of this fund. Policyholders have one unitised [With Profits](#) fund, along with seven other unit linked funds to choose from.



## What are we looking for?

We expect to see an investment strategy for the default that is designed and managed taking the needs and interests of policyholders into account, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon and age profile of policyholders.

We want to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that these objectives link back to the needs of policyholders.

We are also looking for evidence of a robust ongoing review process for all investment options, including the default, and evidence that the Firm has taken steps to implement changes to investment options, where appropriate, to ensure alignment with policyholders' interests.

Whilst policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 21, we expect to see evidence of how these matters are taken into account in the design of the investment strategy and in investment decision making.

## The Firm's strengths

The GAA reported, in its April 2020 Annual Report, that the investment function had been restructured with the introduction of an Investment Office which was distinct from the Investment Department. This has resulted in a separation of asset allocation and stock selection responsibilities.

Investment performance is regularly reviewed by the Financial Services Management Committee and there is a quarterly presentation to the main Board. The range of funds available is regularly reviewed by the Financial Proposition Governance Forum.

These processes, in the opinion of the GAA, separate the various functions and deliver a rigorous process with regards to investment matters. All funds offered to policyholders are actively managed as the Firm believes this adds value to policyholders as compared to taking the passive or index-tracking approach.

The funds offered to policyholders have previously been reviewed and the review process has resulted in the introduction of new funds and the outsourcing of the management of some overseas assets to third-party managers. Additional lifestyles have been introduced and the default lifestyle for the GSP has been changed to the more appropriate [drawdown](#) lifestyle, based on the choices made by policyholders at retirement. The Firm has provided the GAA with the decision matrix for communication with policyholders. The GAA has reported on these changes in previous reports.

[ESG](#) considerations are integrated into the investment process and are considered alongside traditional financial measures.

All fund factsheets along with pricing, investment performance and charges are available online and easily accessed by policyholders. The fund factsheets state the investment objective, provide risk ratings on a scale of 1 to 6, have a crown rating of up to 5 crowns and provide a clear breakdown of asset allocation.

### Areas of improvement – GAA observations



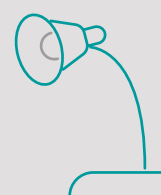
The GAA would expect to see continued progress with regards to [ESG](#), where thinking is evolving at a rapid pace.

The GAA would like to see further consideration given to the range of funds available to policyholders, although it is noted that the vast majority of policyholders invest in the default for the GSP and the Mixed Portfolio 40-85% Shares Fund for the GPP.



# Investment Performance and Risk

**Value score: Good**



## The Firm's approach

NFU Mutual has a clear process for reviewing performance. The Financial Services Management Committee reviews performance regularly and presentations are made to the main Board on a quarterly basis.

Performance is reviewed for both strategic asset allocation and stock selection. Performance is reviewed against the benchmark and by quartile to ensure good outcomes for policyholders.

The process for managing investment performance and risk is rigorous and NFU Mutual has demonstrated that changes are implemented when required. A full review of the fund range and lifestyle arrangements was carried out in 2016 which resulted in additional funds and lifestyles being introduced to the range for policyholders.

## What are we looking for?

We would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable benchmark.

Where there are any concerns over investment performance, we expect to see evidence of appropriate action being taken, which may include engagement with investment managers and/or implementing changes to fund options.

## The Firm's strengths

The default fund for GSP is the Mixed Max 100% Shares Fund. It was last reviewed in November 2019 and NFU Mutual concluded that it met its stated aims and objectives. Performance was impacted by Covid-19 resulting in third quartile performance for 3-month and 1-year periods and second quartile for the 3-year and 5-year periods as at 31 December 2020. The GAA notes that Q1 2021 performance indicates an improvement with first quartile performance for 1-month and second quartile for 3-month and 6-month periods.

The majority of investors in GPP invest in the Mixed Portfolio 40-85% Shares Fund, which was also negatively impacted by Covid-19. Here too there has been a rebound in performance with performance in the first quartile for all periods as highlighted in the Q1 2021 fund factsheet.

NFU Mutual has demonstrated that there is a robust governance framework in place and has provided clear evidence of the monitoring undertaken during the year. Investment Committee minutes highlight that investment performance is reviewed for both internally and externally managed funds. This is alongside fund strategies and positioning.

There is evidence that the processes for monitoring risk and performance work as demonstrated by more recent performance outcomes for the two funds where most policyholders are invested.

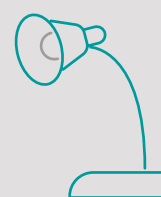
### Areas of improvement – GAA observations



The GAA would like to continue to monitor performance to ensure the short-term dip due to Covid-19 is in the past.

## Communication

### Value score: Good



### The Firm's approach

NFU Mutual communications are clear and free from jargon. Policyholders are provided with comprehensive welcome packs and pre-retirement wake-up communications are issued every five years, starting at age 50, with a number of communications during the year before the policyholder's selected retirement date.

Whilst there are no case studies, policyholders are encouraged to make use of NFU Mutual's Financial Planning Service which is well signposted. Contact can be made by letter, email, online and telephone and details are easily available to policyholders. Policyholders are required to either write or telephone when making fund switches; online options are as yet not available.

NFU Mutual provides policyholders with information on a range of retirement options, including signposting to Pension Wise, their Financial Planning Service and open market options with Heritage and Select Pensions. NFU Mutual also launched Investment Pathways in January 2021.

### What are we looking for?

We would expect communications to be clear and engaging and to be tailored to take into account policyholders' characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications including annual benefit statements, pre-retirement wake-up letters and retirement option packs.

We would expect the online offering to be substantial, with a range of online support materials such as online calculators to enable personalised calculations with various selectable options. We would expect telephone support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we expect policyholders to be able to switch investment options online and to have support available to help them make appropriate decisions. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to be able to offer a range of different retirement options for policyholders, as well as clear signposting to policyholders on where they can obtain guidance and advice on their retirement options.

We are looking for evidence of regular, proactive engagement with policyholders to obtain feedback and for this feedback to be taken into account when reviewing the product offering.

## The Firm's strengths

NFU Mutual provides policyholders with the full range of communications and signposts important retirement milestones. Policyholders are able to access financial advice when required through the Firm's Financial Planning Service.

The GAA has reviewed a range of sample communications which are clear and free from jargon. These communications are reviewed regularly and updated in line with prevailing regulations, service offerings, tax implications and topical issues such as Covid-19.

Policyholders are able to communicate with the Firm via a range of options including letter, telephone, email and online messaging. However, there remains the requirement to either write in or telephone in order to switch funds. The Firm seeks feedback after all calls made by policyholders. Any complaints are analysed to determine if there are any improvements that can be made to the service.

NFU Mutual has communicated with policyholders to highlight new fund and lifestyle options.

## Areas of improvement – GAA observations

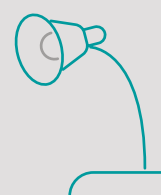


Whilst the Firm has communicated with policyholders in relation to the new fund and lifestyle options, there has been little feedback. The GAA would like to see more engagement in this area.

The GAA would also like to see further online capability, particularly in relation to fund switches.

## Firm Governance

### Value score: Good



### The Firm's approach

NFU Mutual has a clear process for appointing and monitoring performance of investment managers, both internal and external. Investment Committee minutes provide a clear indication of the process. Third-party external managers were appointed in 2019 for some overseas equity funds. It is still early days to assess the investment performance of these managers, nevertheless, the GAA notes that there is a robust process for managing risk and assessing investment performance.

### What are we looking for?

We would expect to see a comprehensive governance structure in place, with evidence of regular reviews being undertaken and active changes being made as required.

### The Firm's strengths

NFU Mutual has a robust process in place for reviewing and monitoring risk and performance for funds and lifestyle options. Discussions and actions taken are recorded in minutes.

The GAA was provided with the papers for the FS Proposition Governance Form, which meets every quarter to discuss fund performance, risk and current issues relating to the options available to policyholders.

The Firm was able to recognise that some overseas assets were better managed by external managers and outsourced this in 2019. A full review of policyholder activity at retirement also resulted in the introduction of additional lifestyle options and a switch in the default lifestyle option to [drawdown](#) in 2017. Whilst the GAA notes that there has been limited feedback from policyholders, the Firm is proactive in communicating with policyholders, seeking their opinion.

### Areas of improvement – GAA observations

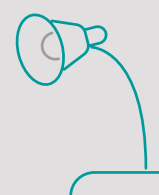


The GAA did not identify any specific areas for improvement. However, the GAA would like to ensure the weaker performance in 2020 does not continue.



## Financial Security

### Value score: Good



### The Firm's approach

NFU Mutual is a UK registered insurance company and is required to adhere to the rules in relation to capital adequacy and solvency ratios as laid out by the Prudential Regulation Authority (PRA). The PRA sets testing thresholds and the GAA is satisfied that based on these requirements, policyholders' interests are protected.

NFU Mutual includes the FCA leaflet about scams along with the required forms when Policyholders request a transfer. UK transfers are executed over Origo which significantly reduces the risk of fraud and is widely used by regulated firms. Overseas transfers are checked manually. Both UK and overseas transfer procedures follow the ABI code of conduct and there are robust audit processes in place. In suspicious circumstances, transfers are referred to NFU Mutual's Financial Crime Unit. Should a policyholder insist on a transfer despite the warnings generated by this process, the Firm requests that policyholders confirm that they have received communication with regards to the checks and warnings issued.

### What are we looking for?

We look for information about the financial position of the Firm supported by evidence such as accounts, as well as ratings from third party rating agencies, where available.

We look for evidence of regular internal and external assurance audits on controls and processes. In particular, we are looking for a robust risk control framework around the security of IT systems, data protection and cyber-security. We would expect to see evidence that cyber-security is considered as a key risk by the Firm's relevant risk governance committee and that appropriate monitoring, staff training and penetration testing is put in place.

We are looking for evidence of a clear process to warn policyholders about fraud and scams and to identify possible scamming activity.

## The Firm's strengths

The Firm completed a wide-ranging Cyber Security project in 2019. The project covered areas such as secure email, vulnerability patching, application risk assessment and improved user access controls.

NFU Mutual operates under the PRA regime which provides the GAA with reassurance that policyholders' interests are protected.

The Firm has demonstrated that it has a robust policy with regards to transfer requests and that every effort is made to safeguard policyholders against fraud.

## Areas of improvement



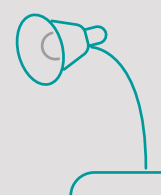
The GAA did not identify any specific areas for improvement.





# Administration and Operations

## Value score: Excellent



### The Firm's approach

Administration is carried out in-house and service levels are closely monitored. Clear standards are set and there are quality audits to ensure these are adhered to. Despite the onset of Covid-19, call answer rates remained at 98% or more and 99% of all payments were made within the 5-day deadline.

By retaining administration in-house, NFU Mutual is able to react quickly and decisively to emerging issues as demonstrated by its response

### What are we looking for?

We are looking for evidence of strong administration processes with appropriate service standards in place and regular reporting evidencing adherence to those service standards. In particular, we are seeking evidence that [core financial transactions](#) are processed promptly.

We are looking for a comprehensive business continuity plan and evidence of its effectiveness in maintaining business continuity during Covid-19.

We would expect to see a low level of complaints and demonstration of a clear process for resolving complaints.

### The Firm's strengths

The administration practices at NFU Mutual are run to tight standards. Payments out are processed on a 5-day target and 99% were processed on time. Policy servicing achieved 97% completion on a 5-day target. Whilst there was a small dip in service levels as a result of the onset of Covid-19, the Firm was able to restore good service levels by Q3. Quality audits conducted by the Firm recorded a similar experience with a dip in Q1 and Q2 followed by a restoration of service standards by Q3.

The Firm was able to update policyholders about changes in working practices due to Covid-19 by updating the website. Business continuity plans were successfully implemented with no major issues experienced.

Despite the issues surrounding Covid-19, NFU Mutual recorded a reduction in the number of complaints and breaches.

NFU Mutual was able to evidence a high adherence to administration Service Standards throughout the year including during peak months of the Covid-19 pandemic.

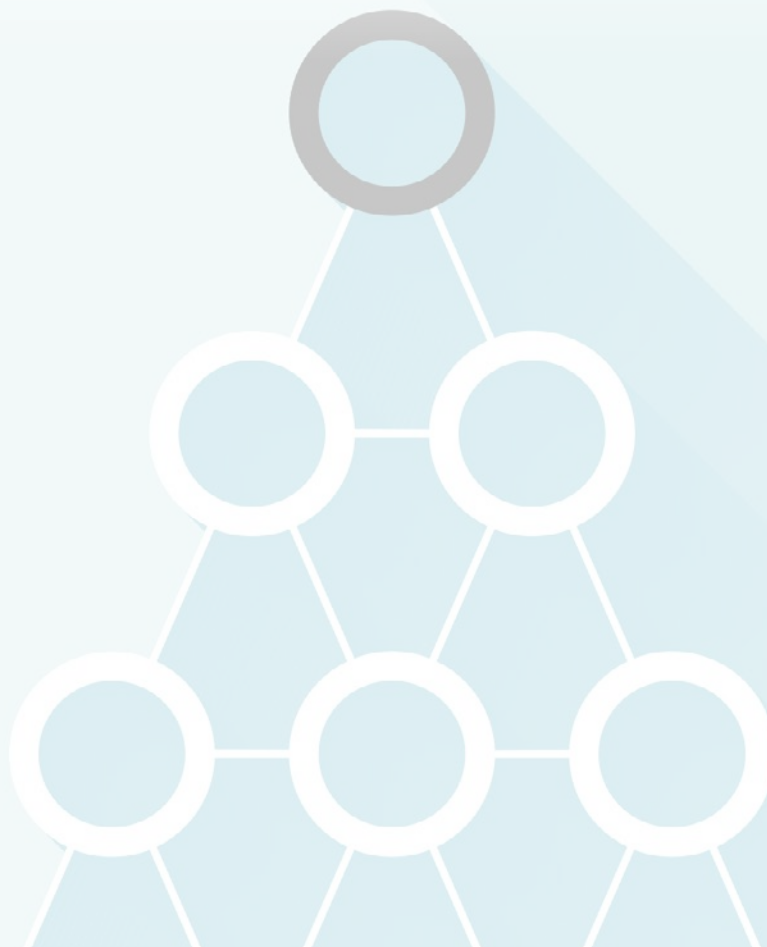
The Firm has comprehensive business continuity plans in place and business continuity was maintained throughout the year.

NFU Mutual was able to evidence a very low level of incidence of complaints and were able to demonstrate the process for resolving those complaints with appropriate redress being provided for the small number of complaints that were upheld.

## Areas of improvement

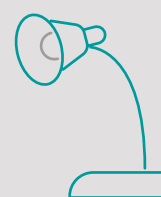


The GAA did not identify any specific areas for improvement.



# Engagement and Innovation

## Value score: Good



### The Firm's approach

There are a number of committees in place to oversee the products offered to policyholders. The range of funds, fund characteristics along with aims and objectives, performance and risk, fees, and relevance for policyholders are reviewed regularly and updated where required.

This process has resulted in the addition of new funds, the introduction of new lifestyle options and the outsourcing of some overseas assets to third-party managers.

### What are we looking for?

We expect to see evidence that the product is reviewed at least annually, with new developments / improvements being launched on a regular basis, that have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

### The Firm's strengths

NFU Mutual was able to demonstrate that the product is under continuous review. Whilst no significant changes were introduced during the year in review, recent changes have significantly improved the flexibility for policyholders.

The GAA has reviewed Investment Committee minutes and proposition reviews and the Firm has demonstrated that its offering is reviewed on a rolling three-year basis with changes made where required.

NFU Mutual has demonstrated that it is able to take action where required within the constraints of a fund range that remains relatively limited.

The experience over 2020 and the response to the Covid-19 pandemic has demonstrated that the Firm keeps policyholders updated as appropriate. During the year under review, the Firm undertook research to understand how attitudes to savings and investment had changed as a result of the pandemic. Further research was also conducted on women's approach to pensions.

### Areas of improvement – GAA observations



NFU Mutual should consider how to develop its proactive engagement with policyholders in order to obtain broader feedback on its products. Whilst feedback is solicited, there has been limited traction with policyholders.

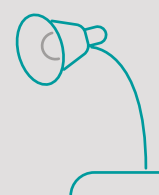
# Overview of Policyholder Charges

## Charges: Moderately low

High charges



Low charges



### The Firm's approach

The AMC for the GSP is 0.749% per annum or lower for all fund options, with lower charges for larger fund values. The charging structure is implemented via the use of rebates with reference to the gross AMC of 1% per annum. Rebates are 0.251% to 0.50% per annum, depending on fund size.

The AMC for the GPP is 0.625% per annum across all funds. There is no bid/offer spread but allocation rates vary between 95% and 98%, depending on the size of the premium, for payments started after 31 December 1997 (or 97% to 100% where no commission is payable). There are no exit charges for all policyholders, irrespective of age.

[Transaction costs](#) for the year under review were between 0% for the Deposit, Fixed Income and Index-linked funds, with the Property fund having the highest costs of 0.07%. Transactions costs for the Mixed Portfolio Max 100% Share Fund, the default for the GSP, were 0.04%. [Transaction costs](#) for the Mixed Portfolio 40-85% Shared Fund, where the majority of the GPP policyholders are invested, was also 0.04%.

### GAA comment and view



The GAA has considered the overall level of charges borne by policyholders over the year. This included assessing:

- » the process for collecting and monitoring overall member charges, including [transaction costs](#);
- » how the Firm monitors charges;
- » whether the overall level of charges is reasonable, bearing in mind the nature of the investment, level of performance, and degree of risk management; and
- » the distribution of charges across policyholders.

The GAA was provided with comprehensive details of policyholder charges including [transaction costs](#) calculated on the DC workplace methodology.

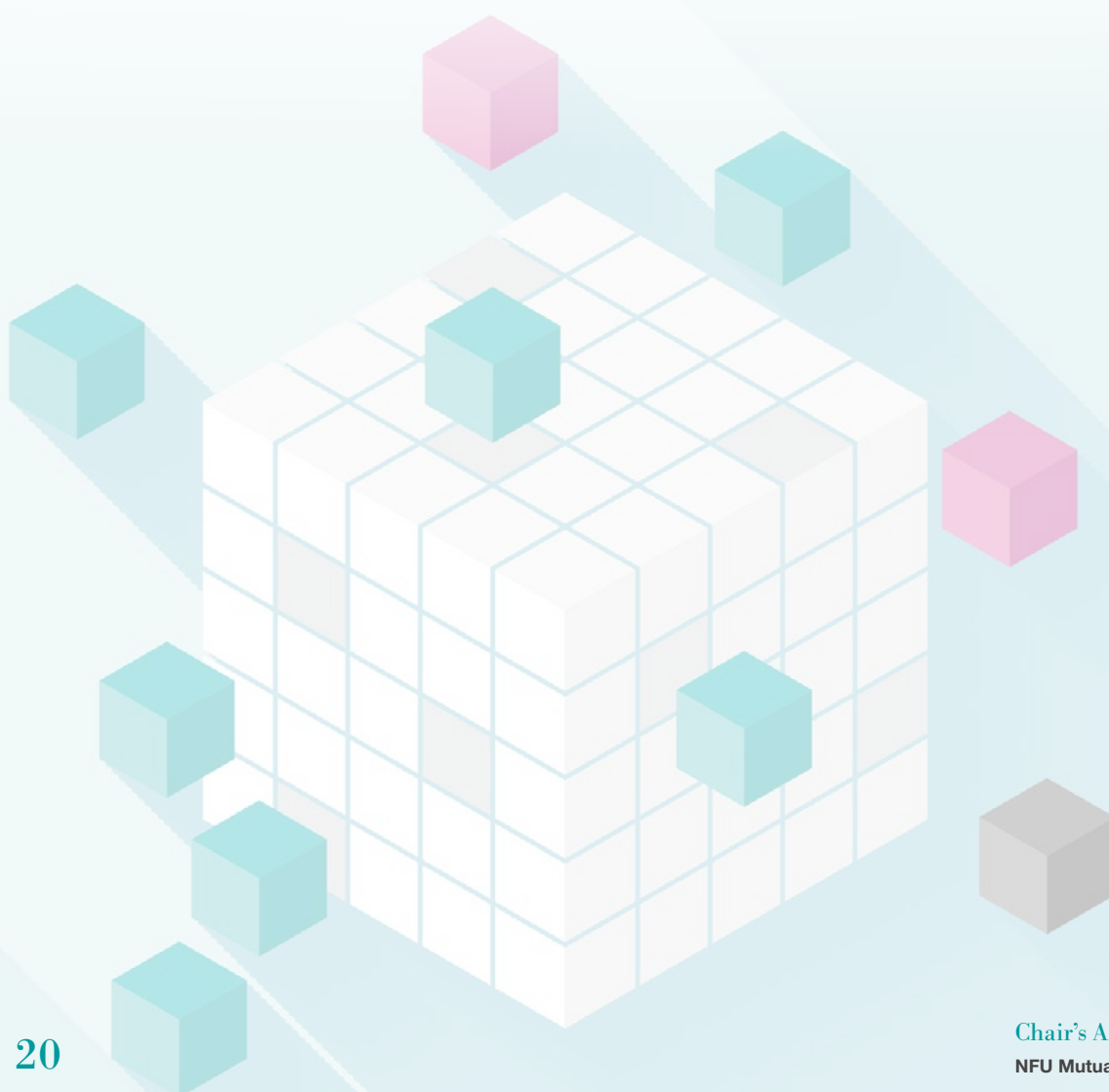
## PTL comment and view (continued)



The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including [transaction costs](#), and how that process could escalate into a decision to suspend a fund.

Whilst we have assessed charges as 'Moderately Low', it should be noted that all the investment options are actively managed, which will tend to have higher charges when compared to passive management. The GAA rating reflects the charges applied for the NFU Mutual GSP and GPP.

The FCA has introduced new requirements that the administration charges and transactions costs information, in relation to each relevant scheme must be published by 31 July each year, in respect of the previous calendar year: These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a member is able to select. They should also include an illustration of the compounding effect of the administration charges and [transaction costs](#), on a prescribed basis and for a representative range of fund options that a policyholder is able to select. For this year, the requirement only applies to default funds but in subsequent years this is extended to all self-select fund options as well. Further details can be found in Appendix 4.



# ESG, Non-Financial Matters and Stewardship

## What are we looking for?

The FCA requirements set out in COBS 19.5.5 state that where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA should assess the adequacy and quality of the Firm's policy in relation to [ESG](#) financial considerations, non-financial matters, how these are taken into account in the Firm's investment strategy or investment decision making, and assess the adequacy and quality of the Firm's policy in relation to stewardship. Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account, where relevant, when scoring the area of Investment Strategy and Objectives on page 7, how the Firm has integrated [ESG](#) financial considerations and non-financial matters in the Firm's investment strategy and investment decision-making.

The GAA expected the Firm to be able to provide a clear explanation of the Firm's approach to taking into account [ESG](#) financial considerations, non-financial matters and stewardship, together with evidence of how these are implemented in practice. The GAA expected any policies to take into account the expected investment duration and be aligned with the interests of policyholders.

## GAA comment and view



NFU Mutual has provided details of its [ESG](#) policy and shareholder engagement to the GAA, which clearly explains the approach and how it is implemented. The policy is reviewed on an annual basis. The range of funds offered is relatively small and there are no ethical or green funds within the range.

NFU Mutual takes an integrated approach to [ESG](#) and fund managers consider [ESG](#) alongside traditional financial measures. The Firm's approach is to engage proactively with management teams in order to effect change where required. It is the Firm's policy to cast its vote at all meetings and this is executed using the proxy services of Institutional Shareholder Services (ISS), although it has taken a tougher stance than that recommended by ISS in a number of cases. The Firm has well developed [ESG](#) and stewardship policies in place for UK equities and this is now being extended to overseas investments as well.

These policies are implemented across fixed income investments as far as possible. The introduction of green bonds has facilitated this process. Following industry feedback, NFU Mutual believes that exclusions are likely to play a more important role than they do in equities.

[ESG](#) for third-party overseas investments are assessed using Mercer's ratings for individual funds.

The GAA considers the policies to be adequate and of good quality. This is an area which is evolving and the GAA will continue to monitor developments in this area.



## Appendix 1:

# GAA Activity and Regulatory Matters

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

### GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies on 2 September 2020.

Members of the GAA had meetings with representatives of NFU Mutual on 11 November 2020 and 2 December 2020 to discuss the Value for Money assessment for the 2020 calendar year.

Discussions focused on the information provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, fund range including design of defaults, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. Given government restrictions in light of COVID 19, these meetings were virtual.

On 19 April 2021, members of the GAA had a meeting with representatives of NFU Mutual to discuss the GAA's provisional scoring of Value for Money of the in-scope NFU Mutual workplace pensions and the approach for meeting the new cost and charges disclosure requirements in COBS 19.5.13.

Additional formal meetings and engagement by e-mail have taken place between the GAA and NFU Mutual on the pre-launch design of Investment Pathways but this falls outside the scope of this report.

As part of the Value for Money assessment process, NFU Mutual has provided the GAA with all the information that was requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit. In particular, the GAA has seen evidence of [ESG](#) integration within NFU Mutual's investment decision process, evidence of the process for reviewing investment performance and evidence of communications provided to policyholders at various milestones to retirement.

The GAA held several meetings during the year to review and discuss the information received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. The GAA documents all formal meetings with NFU Mutual and maintains a log which captures any concerns raised by the GAA with NFU Mutual, whether informally or as formal escalations.

### Concerns raised, and challenges made with the Provider by the GAA and their response

The GAA has not raised any concerns with NFU Mutual during the year covered by this report.



## The arrangements put in place for policyholders' representation

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

- » The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via NFU Mutual's website and annual statements.
- » NFU Mutual 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 NFU Mutual 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.

In addition, the GAA has established a dedicated inbox at [gaacontact@ptluk.com](mailto:gaacontact@ptluk.com) so that policyholders can make representation to the GAA direct. NFU Mutual will include details of this contact e-mail address on their website.

## Appendix 2:

# PTL GAA Credentials

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

- » act solely in the interests of the [relevant policyholders](#) of those pension plans; and to
- » assess the 'value for money' delivered by the pension plans to those [relevant policyholders](#).

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 ('the GAA') 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 [www.ptluk.com](http://www.ptluk.com)

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 [relevant policyholders](#) or pathway providers.

The Board of PTL has appointed PTL Governance Ltd to the GAA, including as Chair. All of PTL's Client Directors act as representatives of PTL Governance Ltd on the GAA and Clare James currently represents PTL Governance Ltd in the capacity of Chair. More information on each of PTL's Client Directors, their experience and qualifications can be found at [www.ptluk.com/Our-Team](http://www.ptluk.com/Our-Team)

Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, is also appointed to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of PTL. Information on Dean's experience and qualifications can be found at [www.deanwettonadvisory.com](http://www.deanwettonadvisory.com)

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of PTL Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of [relevant policyholders](#).

The terms of reference agreed with the Firm can be found at: <https://www.nfmutual.co.uk/financial-planning/pensions/governance-advisory-arrangement/>

## Appendix 3:

# Glossary

### Active management

The investment of funds where the skill of the fund manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question

### Annual Management Charge / AMC

A 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').

### 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 life-styling processes
- » Settlement of benefits – whether arising from transfer out, death or retirement

### Drawdown

A way of getting pension income when you retire while allowing your pension fund to keep on growing.

Instead of using all the money in your pension fund to buy an annuity, you leave your money invested and take a regular income direct from the fund.

### Environmental, Social and Governance (ESG)

These are the three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company.

### Life-styling

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

### Relevant policyholder

A member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme.

### Transaction costs

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

### With Profits

An insurance contract that participates in the profits of an insurance company. The insurance company aims to distribute part of its profits to with-profits policy holders in the form of bonuses.

## Appendix 4:

# Summary of Workplace Personal Pension Plan Data at 31 December 2020

	Group Stakeholder Pensions (GSP)	Group Personal Pensions (GPP)
<b>Number of employers:</b>		
Non-qualifying for auto-enrolment	Not known	Not known
Qualifying for auto-enrolment	Not known	Not known
<b>Number of policyholders</b>	<b>9,692</b>	<b>1,041</b>
Contributing	8,717	933
Non-contributing	975	108
<b>Total value of assets (market value)</b>	<b>£441m</b>	<b>£62m</b>

## Appendix 5:

# Cost and Charges Disclosure

The FCA has introduced a new requirement for the publication and disclosure of costs and charges as set out in COBS 19.5.13. This year, the requirement only applies to default funds. NFU Mutual has provided the GAA with the following disclosures in respect of the period 1 January 2020 to 31 December 2020. In addition, these disclosures are provided on a publicly accessible website at:

<https://www.nfumutual.co.uk/financial-planning/pensions/governance-advisory-arrangement/>

ptl

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Pragmatic  
Professional

