



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

Zurich Assurance Ltd Group Personal Pension Plans

- | Year ended 31 December 2023
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2024



Executive summary

This report on Group Personal Pensions plans, which constitute the entirety of Zurich Assurance Ltd's ('the Firm') ('ZAL') workplace personal pension book, provided by the Firm has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D respectively. The GAA works under Terms of Reference, agreed with the Firm, the latest version of which is dated 10 March 2022 and are publicly available (see Appendix D).

This is our third annual report. The Firm appointed the GAA with effect from 9 June 2021, with oversight having previously been provided by the Firm's Independent Governance Committee (IGC).

As Chair of the GAA, I am pleased to deliver this value assessment of the Firm's workplace personal pension plans. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2023 to 31 December 2023. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to policyholders against what they pay for those services and investment performance. Further details are set out on page 7.

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

	Weighting toward VfM assessment*	Group Personal Pensions
1. Product strategy design and investment objectives	7%	●
2. Investment performance and risk	20%	●
3. Communication	13%	●
4. Firm governance	5%	●
5. Security of policyholder benefits	7%	●
6. Administration and operations	13%	●
7. Engagement and innovation	3%	●
8. Cost and charge levels**	33%	● ● ●
Overall Value for Money assessment	100%	● ● ●

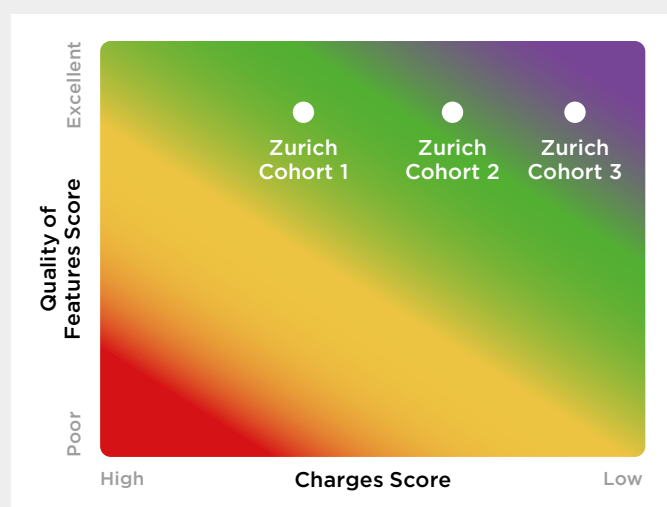
* May not add to 100% due to rounding.

** Each colour-coded dot represents a cohort of customers with different cost and charge levels: from left to right, cohort 1 represents 63% of customers with small pot sizes (average £21k pot size) (representing 29% of AUM) have charges greater or equal to 0.75% p.a (the charges on this cohort are capped at 1% based on the default investment cost), cohort 2 represents 7% of customers with medium pot sizes (representing 6% of AUM and average pot size of £39k) have charges greater or equal to 0.5% and less than 0.75% p.a., and cohort 3 represents 30% of customers with larger pot sizes (representing 65% of AUM and average pot size of £104k) have charges less than 0.5% p.a.

Quality and investment features (1-7)	Cost and charge levels (8)
● Excellent ● Good ● Satisfactory ● Poor	● Low ● Moderately Low ● Moderately High ● High

How we determine our Value for Money rating is set out on page [7] of this report. The overall Value for Money is visually represented by the heatmap below.

VALUE FOR MONEY SCORING



The overall conclusion is that the Firm's Group Personal Pension plans provide **excellent** value for money.

There are no specific areas identified where the GAA has challenged the Firm to make improvements, however, the GAA has made a number of observations as follows:

- | **Administration and Operations:** The GAA understands that penetration testing is carried out on a risk-based approach and was not performed in 2023 assessment period. The GAA asks the Firm to review this approach and consider carrying out penetration testing for the workplace pensions book every year..
- | **Engagement, Innovation and Improvements for Policyholder Experience:** The GAA understands that the planned product review in 2023 was delayed as resource was diverted to planning for business continuity relating to a print supplier, and this review was completed in 2024.
- | **Cost and Charge Levels:** The GAA observed last year that Cohort 1 had moderately high cost and charge levels in comparison to Cohort 2 ('moderately low') and Cohort 3 ('low'). The GAA continues to encourage the Firm to continue to reduce the difference between the cost and charges applied to the different cohorts. In addition, the GAA has identified that some of the top funds by AUM such as Zurich Managed AP, Zurich Managed 1% AP, Zurich Equity AP, and the Zurich Balanced Managed 2000 fund had incurred relatively high **transaction costs** during the assessment period. The GAA would like the Firm to review the transaction charges for these funds, whilst appreciating that higher levels of transaction charges can result in better returns, and the Firm does have a monitoring process for outliers and for funds above two standard deviations from the range.

The GAA also made a number of observations last year and we are pleased to report that the Firm has made progress in addressing the points we raised and credit must go to the Firm for such developments. We have set out the improvements observed in more detail to these in each section of this report.

We also concluded that the Firm's policies in relation to **Environmental, Social and Governance** (ESG) risks, non-financial considerations and stewardship were adequate and well implemented.

The FCA requires a comparison of your pension product with other similar options available in the market. If an alternative scheme appears to offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification this year. Our view on each feature that we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group is set out in Appendix B.

A joint consultation was launched in early 2023 by the Financial Conduct Authority (FCA), the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) on the framework for assessing Value for Money. This consultation set out a transformative framework of metrics and standards to assess value for money across all Defined Contribution (DC) pension arrangements including the workplace pensions reviewed by the GAA. The regulators' overarching aim is to improve the value savers get from their DC pension by increasing comparability, transparency, and competition across defined contribution (DC) pension schemes, regardless of whether regulated by the FCA or TPR. The consultation does not affect this year's review but may mean a change in the way that Value for Money is assessed in the future.

Where we have used technical pensions terms or jargon, these are explained in the glossary in Appendix E.

Details of the numbers of policyholders and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix F.

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

Payam Kazemian

Chair of the ZEDRA Governance Advisory Arrangement for Zurich Assurance Ltd Group Personal Pension Plans

September 2024



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:

Zurich Assurance Ltd, Unity Place, 1 Carfax Close, Swindon SN1 1AP

zurich.customer.service@uk.zurich.com

www.zurich.co.uk/about-us/governance-advisory-arrangement

Alternatively, you can contact the GAA directly at ZGL.gaacontact@zedra.com



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Overview of the value assessment

The GAA has assessed the Value for Money delivered by the Firm to its workplace personal pension plan policyholders by looking at costs versus investment and service 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 cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the investment performance and quality of services provided to policyholders.

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 quality features, including net investment performance, 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 the information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA and to undertake comparisons of the Firm's product against a suitable comparator group of providers for certain Quality of Service and Investment Features and Cost and Charges.

- | 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 eight different features covering Quality of Service, Investment Performance and Strategy (the "Quality of Service and Investment Features"), and the Costs and Charges borne by the Policyholders. This assessment is undertaken relative to the GAAs view of good practice.

The Quality of Service and Investment Feature have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in [COBS](#) 19.5.5, including services relating to communications with policyholders and processing of [core financial transactions](#). The assessment also includes other aspects the GAA considers important based on our experience of conducting Value for Money assessments over many years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement, innovation and service improvement, and a wider overview of the administration quality and processes.

Within each of the Quality of Service and Investment Features are several sub-features. These sub-features are each scored using a numeric scoring system. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients, each outlining what the GAA would expect to see to achieve the relevant numeric score. The scores for each sub-feature are then aggregated to the feature level based on our view of the relative value of the sub-feature to the policyholders ranging from Poor to Excellent.

The GAA will then consider the value represented by the costs and charges which policyholders bear. The assessment of cost and charge is primarily driven by the level of on going charges for investment management, administration, and any platform fees. The GAA also considers the underlying transaction costs incurred by the funds invested in and how they are controlled, and any additional costs the policyholders have to pay in managing their policies. The costs and charges are also rated on a scale from Low to High. This rating takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The scores for each feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAA's views of the relative importance to the policyholders of each feature. The weightings are tilted towards the features which have been identified in the regulations relevant to forming this assessment of value. Where possible, we have taken into account the likely needs and expectations of this group of policyholders.

In the sections on the following pages, we have described the Firm's approach to delivering each of the features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

In addition, there is 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. Whilst this is a largely qualitative assessment the GAA has considered the Firm's policies in comparison to others the GAA has knowledge of.

A comparative assessment of the Firm's pension product has also been made of the net investment performance, quality of communication and quality of the administration service including processing of core financial transactions, and costs and charges relative to a suitable comparator group of product providers. Comments on the outcome of these assessments is included in the sections for the relevant Features. We have also considered whether overall an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of how the comparator providers and products were determined is set out in Appendix B.

1. Product Strategy Design and Investment Objectives

Value score:



Excellent



Good



Satisfactory



Poor

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 the membership.

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 in place, 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 25, 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 approach

The Firm does not offer any Firm designed 'default' strategies. However, a number of pension schemes within the scope of the GAA do contain Lifestyle and Glide path strategies; these relate to policies on the Corporate Pension Administration System (CPAS) and Group DC systems, which represent approximately 5% of in-scope assets under management (AUM). The Firm's approach is to review these Lifestyle and Glide path strategies every 3 years. The default funds were originally designed by the employers and their advisers.

There is also an annual review of the performance of the funds available to the schemes with a focus on those contained within these strategies, in addition to a review of the Standard Replacement Funds. This is presented to the Investments Solutions Group. Age to maturity and the stated retirement age is considered as part of the linked review. A full review of the 'default' strategies was carried out in March 2022 (and shared with the GAA).

In addition, as at 31 December 2023 there are 217 different funds (total AUM of c£2.21bn) available to 47,000 policyholders across the various products with the Managed Fund AP and Managed 1% AP representing the largest amount of in-scope assets for the GAA (c65% of AUM). These are mixed asset class funds and are not in themselves lifestyle or glidepath funds, but can be included within a lifestyle or glidepath.

The criteria against which the glidepaths are reviewed is contained within the Firm's Unit Linked and Operational Standards, noting that the 'Standards for Lifestyles in Contract-based schemes' would only be reviewed in the context of a new glidepath or a change to the glidepath. The Investment Solutions Group (ISG) Terms of Reference (ToR) require deep dives every year in Default funds, and the detailed process was evidenced to the GAA.

Fact sheets for the fund ranges where the majority of AUM are invested were provided to the GAA. All funds have fund objectives that are clearly shown within the fact sheets available to customers. It is noted that the Firm is closer to the setting of investment guidelines and performance of the discretionary funds, but are a step removed from the external asset manager of the wrapped funds. The Firm is not required to provide risk ratings for funds as they are not 'authorised funds'.

In the case of the Balanced Managed Fund, there are clear quantitative and qualitative objectives. In the case of the largest fund, the Managed Fund, however, in terms of what is disclosed to the customer, the fact sheets have performance (Growth) and volatility as well as performance of the comparator funds, but do not include an explicit quantitative benchmark.

The Strategic Asset Allocation (SAA) of the Managed fund was reviewed and subsequently implemented in September 2021. The SAA of the Managed Equity funds were reviewed in 2022 and implemented in 2023.

The in-scope business is administered across four different mainframe systems: Pulsar, Merlin, IPAS and CPAS. The Group DC mainframe was decommissioned in 2022 with all schemes and members (who are all now paid-up) migrated to the existing IPAS mainframe system during the first half of 2022. As part of this migration, the firm reviewed the funds available to these members.

The funds available on Merlin were reviewed in 2021/22 with Pulsar last reviewed 2018/19 and CPAS in 2019. The pension products used by members on IPAS were reviewed in 2020, with a detailed review of the funds available to be considered once other activity in this space is complete.

Remedial action reviews across all funds were undertaken quarterly throughout the year through the Remedial Action Process. Fund rationalisations have taken place for underused funds or funds where there is a crossover, especially where such rationalisation has led to policyholders being subject to reduced charges or being able to access a more modern fund.

The Firm proactively monitors funds suitability through reviewing policyholder feedback, complaints, Net Promoter Score feedback, and other criteria. If it is decided that a fund needs to be removed, then there is a process to identify a suitable alternative fund that will remain aligned with customer's interests.

The Firm's strengths

The Firm has a comprehensive governance process for the strategic review of the design of the default and self-selected funds and regularly review the fund aims and objectives to ensure alignment with the interests of [relevant policyholders](#). The Firm takes action to make any necessary changes.

The Firm takes on board and responds to customer feedback and the GAA noted that customer feedback has been a key driver in informing the fund rationalisation reviews. In April 2022, the Firm conducted a workshop with a small number of customers. The customers reported that they lacked confidence in switching funds. The Firm sees very little fund switching activity and so are investigating ways they can provide additional customer support in this area.

Improvements since last year

Last year, the GAA made observations on performance objectives and the integration of [ESG](#) financial considerations within the funds. The Firm has improved the clarity of its fact sheets which went live in June 2024 by giving a more explicit quantitative performance benchmark within the objectives of the Managed Fund.

The Firm has also taken more steps towards introducing 10 Responsible Investment funds within the Managed fund and improved its governance over assessing the ESG credentials of wrapped funds with ESG designations in their names to mitigate against 'green washing'.

Areas for improvement

The GAA did not identify any specific areas for improvement.

2. Investment Performance and Risk

Value score:



Excellent



Good



Satisfactory



Poor

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 and stated benchmark. Performance should be net of fees. In addition to the stated benchmark comparison risk adjusted returns should also be considered.

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. We also expect to see evidence that the strategies are effective and take into account the policyholders' attitudes to risk.

The Firm's approach

ZAL performance monitoring is done through the remedial actions process. The performance of discretionary funds is reviewed on a quarterly basis with updates provided to the Board, Asset Liability Management Investment Committee (ALMIC) and ISG. Remedial reviews of the funds' net performance against the benchmarks were undertaken by the Firm on a quarterly basis, with follow-up actions taken as required. Within the quarterly Remedial Actions Process the review is undertaken net of any charges that are taken

within the unit price. In the case of discretionary funds, where there is no underlying external fund, the analysis includes the impact of product charges. In the case of wrapped funds, where there is an external fund, the analysis is performed on the underlying fund, excluding product charges. This approach ensures a consistent view and includes the impact of asset manager charges.

Funds are ranked into quartiles by the Firm, and if ranked bottom quartile for 3 out of 4 quarters then action is taken. Formal processes for close monitoring of the funds with concerns are in place, which include contact with the investment manager to discuss any issues with performance.

In May 2022 the Firm did a review of sector coverage by product from each of their mainframe systems to ensure that there was at least one fund in each key sector available across all systems, which should provide an opportunity for policyholders to align their fund choices to their risk appetite.

In addition from 2022, the Firm performs an annual volatility review to monitor if funds are more volatile than the sector average which may indicate that individual managers are taking too much or too little risk.

The Firm's strengths

The quarterly Remedial Actions Process is comprehensive and covers many aspects of the governance and performance of the fund. In addition, corporate actions processes are closely linked to the governance processes in place. Overall, the GAA considers that the Firm has strong monitoring and assessment of investment performance and risks. The review process around the net investment performance and risk measures is well designed to ensure alignment with the interests of [relevant policyholders](#) and that the Firm takes action to make any necessary changes.

Lastly, around 94% of the assets invested were in-line or outperformed their benchmark weighted by Assets under Management (AUM). In particular the Zurich Managed Funds (around 65% of AUM) outperformed their benchmarks.

Overall, the review process and governance of investment strategy performance is strong.

Improvements since last year

Investment performance improved from last year and the great majority of funds outperformed the benchmark/comparator on average weighted by assets under management (AUM).

Last year the GAA made an observation to the Firm to improve their investment performance benchmarks by making them more quantitatively defined. The GAA notes that updated fund fact sheets went live in June 2024 referencing the Association of British Insurers (ABI) sector within the Investment Objective as a suitable comparator.

Net Investment Performance

The net investment performance of the most significant funds (over £45million) available to policyholders and, where available, the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table.

Fund Name	Net Investment Performance	Benchmark
Zurich Managed AP	9.00%	7.88%
Zurich Managed 1% AP	9.00%	7.88%
Zurich Equity AP	13.73%	12.80%
Zurich Balanced Managed 2000 AP	8.03%	7.88%
Zurich Managed 1 EP	8.37%	7.88%
Zurich European AP	13.57%	13.60%

Comparator results

We have assessed how the [net investment performance](#) provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance relative to benchmark for the Firm's policyholders over 2023, weighted by the size of funds invested, was average, i.e. relative to benchmark.

Areas for improvement

The GAA did not identify any specific areas for improvement.

3. Communication

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

As a minimum we expect communications to be fit for purpose, 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.

Information on administration charges and **transaction costs** should be made available to policyholders on a publicly available website annually, including illustrations of the compounding effect of the administration charges and transaction costs on an annual basis.

In a high quality communication service offering we would expect a substantial online offering, 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 would 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.

The Firm's approach

The Firm provides a full suite of communication documents. Customers can access information and support via the operations contact centre and through the website, and via the webchat functionality in some scenarios. In addition to signposting to advisers and Pension Wise, customers are given the option of a referral to HUB Financial solutions for support in accessing the retirement options not offered direct to customers.

The Firm's strengths

The GAA found the communications were clear and engaging, with clearly signposted places for support with decision making, including Pension Wise. Reviews were made of key communications to ensure they remain appropriate and summary table produced with date last reviewed and changes made since last review.

The Firm has demonstrated to the GAA its commitment to continually review their communication processes and introduce improvements over time, including annual statements, information on pension

scams, signposting to costs and charges illustration, switch forms, wake-up letters, reminders of retirement date, and revised call scripts tailoring the message to the customer. The Firm has continued to invest in Customer Service training relating to vulnerable customers.

Improvements since last year

The Firm has responded to GAA observation for further improvement in retirement support tools, advice and guidance for [annuity](#) services and retirement and planning calculators. The Firm has provided additional support for customer circumstances by giving better prominence to with-profits wording; created an indicative tax calculator to assist customers in deciding whether to take a full lump sum or series of partials, updated call scripts with Stronger Nudge to tailor message to customers and publishing magazine articles on basic principles of investing for customers.

The Firm has added customer education content on investing, risk and diversification to their website, has promoted their retirement support in the HUB Financial Solutions, has had monthly service meetings to review the service levels for Retirement Support (HUB Financial Solutions), and most actions/functionalities have become available online or through telephone/email.

Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2023 were above average, i.e. relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.

4. Firm governance

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We would expect to see a comprehensive governance structure in place where, for example, Terms of Reference are provided for key committees, reviewed on a regular basis, with clearly defined scope. We would expect to see evidence of the key committees operating during the year with minutes or meeting packs demonstrating that the key scope elements of the committee remit have been adequately covered.

There should be a transparent and documented process for appointing and monitoring service providers, with evidence of regular reviews being undertaken and changes being made as required.

The Firm's approach

Member services are provided by an external company, although the Firm provide the IT infrastructure, hardware, and software. Standard audit controls are in place, along with a Supplier Management Business Regulatory Review process. Where an external asset manager has been appointed to run an investment portfolio on behalf of the Firm, quarterly performance and governance meetings take place to assess their overall performance. Pensions Proposition Management

Group oversees the delivery of the Proposition Management Process and all elements of it operate in line with the Firm's Customer Outcomes Framework. A quality assurance framework sets out how ZAL appoint and monitor suppliers.

The Firm's strengths

The Firm has a strong, comprehensive governance framework in place for appointing and monitoring internal and external service providers including new external asset managers. This governance extends to testing external companies using the Firm's IT infrastructure, hardware, and software.

The Firm provided the GAA with detailed evidence of their framework and processes covering supplier, investment, product, and resilience governance including the Supplier Delivery Management Meetings, Investment Solutions Group, Pensions Proposition Management Group, UK Territory Oversight Committee and Asset/Liability Management Investment Committee (ALMIC) and meeting minutes demonstrating regular asset manager review meetings. Summary dashboards to ALMIC are presented each quarter to ALMIC.

Areas for improvement

The GAA did not identify any specific areas for improvement.



5. Security of policyholder benefits

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect to see that the Firm is in a sound financial position with sufficient capital backing to enable it to continue to operate for the foreseeable future.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both the Firm and investment manager level. For example, this could relate to FSCS or other regulatory protections, ringfencing or the structure of the underlying product.

We are looking for evidence that the Firm has processes in place for protecting policyholder assets against fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

The Firm is an insurance company regulated by the PRA and FCA. The solvency level at the end of the assessment period was in line with the Firm's upper solvency target. In addition, the Firm has an AKG financial strength rating B+ Very Strong. Policyholders would also be able to claim on the Financial Services Compensation Scheme if the

Firm was deemed to be in default. Members would be able to claim compensation to 100% the value of the plan with no upper limit.

The Firm's strengths

The Firm's Fraud policy and key fraud controls provided through Financial Crime Risk Management Framework details governance, reporting, escalation, monitoring and assurance and is reviewed annually.

Staff working on the workplace personal pension plan book of business undertake financial crime training upon employment and at least annually. This training is risk based training tailored to the specific roles undertaken by the individuals.

Communications provided to investors in respect of the transfer of benefits include details of pensions scams, outlining how to identify scams and what actions to take with signposting to the Smart Scam leaflet and website.

Improvements since last year

The Firm has responded to last year's GAA observation and performed reviews of customer wellbeing policy and training; and evidenced case studies on scams in 2023.

Areas for improvement

The GAA did not identify any specific areas for improvement.

6. Administration and Operations

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that **core financial transactions** are processed promptly and accurately, such as processing contributions, transfers processing and death benefit payments.

We look for evidence of regular internal and external assurance audits on controls and administration 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 expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing.

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

The Firm's approach

Capita has been the long-standing administration team for the Firm since 2006. A full call recording system is in place with Capita, which means at any point the Firm's team could listen to the information provided to policyholders via the telephone helpdesk. Call listening is undertaken by the Proposition management team to ascertain if there are trends in information requests or improvements that can be made. Capita's contract is regularly reviewed with a renewal date in 2026.

The core financial transactions in the assessment period were completed broadly within the agreed timescales at 98.3% against the average expected Service Level Agreement (SLA) of 97.1% with a minimum SLA level of 94.2%. The Firm has a contractual agreement with Capita that the Critical Service Levels and Key Measurements are subject to annual continuous improvement. Each SLA target has an option to be increased on an annual basis, although Zurich can waive this in favour of applying a different metric, such as outcome-based measures. Complaints had been raised by a small percentage of customers, with less than half of these being upheld. The Firm reviews complaints to identify any problems with the products or the administration services. Detailed reporting was completed on the root cause, type of complaint and how these were being resolved including promptness.

The Firm's strengths

The Firm provides a time-stamped promise to apply the price at which the transaction was received which means that customers are protected against any financial consequences of a delay in completing a transaction.

Business continuity continued to be managed exceptionally well through 2023 while remote working was further facilitated and embedded. In 2023 the Firm carried out a robust disaster recovery exercise covering critical applications and loss of site simulation. The Firm has confirmed that the March 2023 data breach at Capita did not impact any of the Firm's policyholder data or Capita's administration of the members in scope of the GAA assessment.

Improvements since last year

The Firm improved its core financial transactions SLA performance achieving 98.3% compared to last year's performance of 96.2%.

Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firms policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2023 were average, i.e. relative to the comparator group.

Areas for improvement

GAA observations

The GAA understands that penetration testing is carried out on a risk-based approach and was not performed in 2023 assessment period. The GAA asks the Firm to review this approach and consider carrying out penetration testing for the workplace pensions book every year.

7. Engagement, innovation and improvements for policyholder experience

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect to see evidence that the product is reviewed on a regular cycle of not more than every three years, with new product features or service innovations being launched when appropriate and in line with relevant improvements being made to other similar products being offered by the Firm. We expect these changes to have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

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 approach

The Firm has a customer portal which it continues to develop. The portal hosts plan specific information and links to educational fact sheets and generic information on their main website.

Referrals to HUB Financial Solutions are offered where members are seeking to access the retirement options not offered direct to customers.

The Firm continually reviews and improves its service proposition and customer communications (including call scripts) using insights from customer feedback. The GAA was provided with extensive evidence of customer feedback being used to inform changes, including the portal development and improvements in the retirement journey processes.

The Firm's strengths

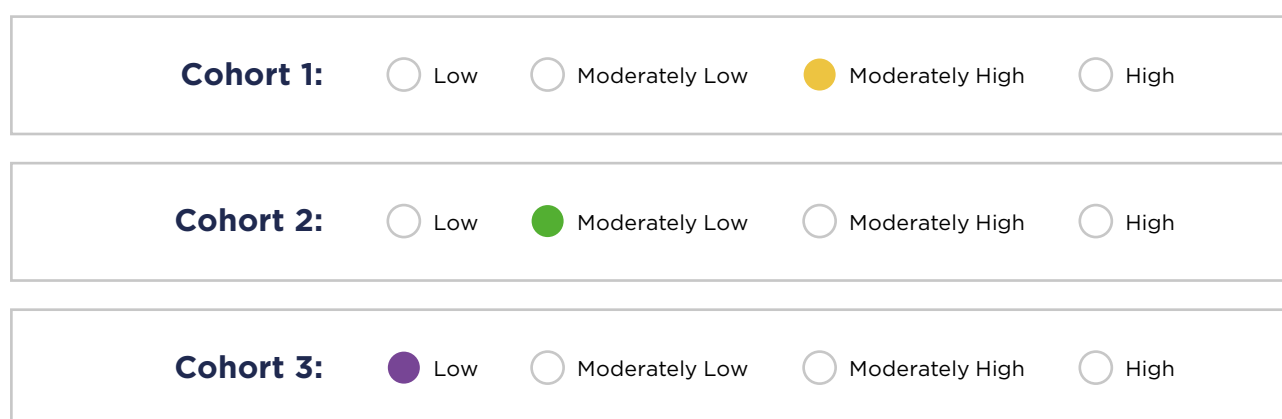
The Firm has a strong process around improving some services and products such as communications and scripts following customer feedback as well as undertaking a project to improve the customer portal and the retirement journey processes. Annual surveys from customers are reviewed and categorised to address key themes. Transactional Net Promoter Score (tPNS) monitored daily and used for weekly liaison with Capita and trends reviewed each month.

Areas for improvement

GAA observations

The GAA understands that the planned product review in 2023 was delayed as resource was diverted to planning for business continuity relating to a print supplier, and this review was completed in 2024.

8. Cost and Charge levels



What are we looking for?

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

- the annual fund [management and administration charges](#) being borne by policyholders
- the [transaction costs](#) incurred by the underlying investment funds which reduce the investment return experienced by policyholders
- any other charges being paid by policyholders to manage and administer their workplace pensions
- the Firm's process for collecting and monitoring overall member charges, including transaction costs.

We expect fund management charges to be comparable to charges for similar investment products in the wider pensions market after considering the active or passive nature of the investment and the type of assets involved. We take into account where the majority of [relevant policyholder](#) assets are invested.

In looking at transaction costs we also consider the overall level of volatility in the markets, recognising that in highly volatile markets transaction costs may increase.

We assess whether the overall level of administration charges are reasonable, bearing in mind the types of services provided to policyholders.

Finally for products which are used for providing auto enrolment pensions we consider the government required charge cap.

Whilst we have considered the average total costs and charges payable by policyholders we have also noted where there may be significant outliers such as high charges for small pots.

Further information on the required disclosures relating to costs and charges payable by the Firms policyholders can be found in Appendix A.

The Firm's approach

The business within the scope of the GAA covers a range of different charging structures, each reflecting the nature of products offered across the wider market at different times from the late 1980s to more recently.

With the support of its previous Investment Governance Committee (IGC), the Firm implemented a charge capping exercise across their portfolio. This limits ongoing charges to 1% per annum, based on the cost of the most commonly used or default fund choice.

Risk of high charges for legacy products

As the products are legacy products, there are some legacy charging arrangements. We have generally observed that customers can be divided into three distinct groups based on the charges applied to them, which we will refer to as cohorts as following:

- | **2023 Cohort 1:** 63% of customers with small pot sizes (average £21k pot size) (representing 29% of AUM) have charges greater or equal to 0.75% p.a. (but as noted, the charges on this cohort are capped at 1% based on the default investment cost).
- | **2023 Cohort 2:** 7% of customers with medium pot sizes (representing 6% of AUM and average pot size of £39k) have charges greater or equal to 0.5% and less than 0.75% p.a.
- | **2023 Cohort 3:** 30% of customers with larger pot sizes (representing 65% of AUM and average pot size of £104k) have charges less than 0.5% p.a.

Ongoing charges for all members are capped at 1% based on the default investment cost. Where members have chosen investments other than the default, their actual costs differ and may be higher (most notably including property funds). Overall, only 3% of members have charges above 1% (representing only 2% of total AUM).

The charging structures may include percentage charges applied within the pricing of the investment funds, percentage charges applied by unit deduction at product level, and policy fees expressed as monetary amounts applied by unit deduction at product level. Some charging structures may include combinations of, and variations on, these types of charges. No charges apply for investment fund switches, and any legacy commission is paid by the Firm, so separate commission charges do not apply to member pots.

If we look at the charges weighted by AUM, they average to just under 0.50% p.a., which includes all charges except transaction costs, expressed as a percentage of the total fund AUM. Whilst overall the average charges are low, the position for different policyholders varies based on pot size and those with the smallest pots are subject to charges the GAA rate as moderately high.

Transaction costs for the Firm's Managed Fund, which is actively managed and is the largest fund by AUM, were 15bps during 2023 (2022: 32bps p.a.). All funds transaction costs ranged from 0% to 1.29% (2022: 0% to 1.80%).

The Firm's strengths

A thorough value-for-money charge capping exercise was undertaken by the Firm to make sure there is an effective 1% charge cap across their portfolio and a strong monitoring process around reviewing this is in place.

Improvements since last year

In response to GAA's observation of continuing to seek ways to reduce charges for policyholders with small pots, Zurich had further investigated this during the assessment period and responded that the charge capping they already have in place continues to limit ongoing charges for all GAA scope members to no more than 1%, based on the cost of the Managed Fund. For members with small pots, seeking to further reduce charges would only be of marginal benefit since they are already capped to 1%; and by definition this is a small percentage of a small pot, and so, it does not represent large absolute amounts.

Comparator results

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2023 were average, i.e. relative to the comparator group.

Areas for improvement

GAA observations

The GAA observed last year that Cohort 1 had moderately high cost and charge levels in comparison to Cohort 2 ('moderately low') and Cohort 3 ('low'). The GAA continues to encourage the Firm to continue to reduce the difference between the cost and charges applied to the different cohorts. In addition, the GAA has identified that some of the top funds by AUM such as Zurich Managed AP, Zurich Managed 1% AP, Zurich Equity AP, and the Zurich Balanced Managed 2000 fund had incurred relatively high transaction costs during the assessment period. The GAA would like the Firm to review the transaction charges for these funds, whilst appreciating that higher levels of transaction charges can result in better returns, and the Firm does have a monitoring process for outliers and for funds above two standard deviations from the range.

ESG financial considerations, non-financial matters and stewardship

What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to **ESG** financial considerations, non-financial matters and stewardship. The GAA will consider how these are taken into account in the Firm's investment strategy and investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

We expect the Firm's policy in relation to these considerations:

- a) sufficiently characterises the relevant risks or opportunities;
- b) seeks to appropriately mitigate those risks and take advantage of those opportunities;
- c) is appropriate in the context of the expected duration of the investment; and
- d) is appropriate in the context of the main characteristics of the actual or expected **relevant policyholders**.

We also expect that the Firm's processes have been designed to properly take into account the risks and opportunities presented.

Where ESG considerations have been delegated to external investment managers we expect the Firm to have a suitable oversight and stewardship process in place.

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 Product Strategy Design and Investment Objectives on page 9, how the Firm has integrated ESG financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

The Firm's approach

For ZAL Discretionary funds (mandated funds), ESG is embedded in the decision making process within the Firm. An ESG tilted benchmark has been used for the passive US equity allocation of the managed funds, which increases investment towards the better ESG-scored companies and lower carbon emissions. In general, where two investment options are equal, the Firm expects the investment manager to choose the one with the higher ESG credentials. The Firm meets with investment managers with regards to ESG scores and engagement. The Firm believe in a high level of engagement and see disinvestment as a last resort if this is unsuccessful.

On stewardship matters for wrapped funds (where ZAL does not set the investment mandate), the oversight approach is set out in ZAL's ESG Approach document and implemented through the Investment Solutions Group (ISG). The activities of the ISG include monitoring and engaging on matters such as strategy, performance, risk, and governance of the investments, where appropriate The ISG does not apply a proxy voting policy on behalf of the

Firm to non-discretionary investment funds but is confident that those third-party asset managers have frameworks that are sophisticated with regards to their approach to stewardship.

For Discretionary asset managers, the Firm has implemented its Exercise of Voting Right Policy. The policy describes how the Firm exercises its stewardship obligations working with third party asset managers and is overseen by the ZAL Asset/Liability Management Investment Committee and Board.

Given the diverse nature of the client base, the Firm does not deem it appropriate to take into account individual policyholder specific considerations on ESG, and hence the Firm's Responsible Investment Strategy (set at Group level), makes no specific reference to non-financial matters.

The Firm's strengths

The Firm has fully embedded ESG considerations into the investment decision making process. The Firm is an active member of ClimateWise in the insurance industry and has produced a TCFD (Task Force on Climate-related Financial Disclosures) report which forms part of the ZAL Strategic & Directors' Report and Integrated Sustainability Disclosure in the Group's Annual Report.

The Firm has clear policies on ESG, non-financial matters and stewardship. The GAA considers the policies to be adequate and of good quality.

Improvements since last year

The Firm has continued to make progress on the integration of ESG financial considerations with ESG being an important part of all performance meetings with its discretionary asset managers, and its development of investment management processes and governance policy. The Firm has completed its work in June 2024 and provided a link ([Climate-related fund information | Zurich Insurance UK](#)) for the disclosures of climate related metrics for all funds.

Areas for improvement

The GAA considers the policies to be adequate and of good quality.



Appendix A: Administration charge and transaction cost disclosures

The FCA requires that administration charges and transactions costs, in relation to each [Relevant Scheme](#) must be published by 30 September, in respect of the previous calendar year and be available for free on a publicly accessible website. 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.

The Firm provides the relevant disclosures to members on their website, including a policy number lookup tool to assist members in finding the specific disclosure which is relevant to their plan type. Members' annual statements include a link to www.zurich.co.uk/workplace-pension-costs

Each relevant disclosure provides details of the costs and charges relevant to the member's plan type, plus an illustration that shows them the compounding effect of these costs and charges on an annual basis. All cost and charge disclosures can be found directly at www.zurich.co.uk/workplace-pension-costs/full-list

The Firm has compiled these disclosures and compounding illustrations, which are provided on a publicly accessible website www.zurich.co.uk/workplace-pension-costs/full-list

If members are unable to find their statement or want further support, they can contact Zurich's Customer Contact Centre on 0370 241 6950.

The total costs and charges are a combination of two elements. Firstly, there are fund costs and charges which relate specifically to the investment fund chosen and which are always taken from the fund itself. Secondly, there are product charges which do not depend on the investment fund chosen; these may be taken within the funds or may be taken separately by unit cancellation or by adjusting the amount of payments before allocation to units. The level of some product charges may also vary at individual employer scheme level.

The Firm has provided the GAA with the following disclosures in respect of the period 1 January 2023 to 31 December 2023 in respect of the default fund(s).

Fund Name	Sedol	**Transaction Cost Availability	One Year Transaction Cost	Annual Management Charge	Additional Fund Expenses	Current Year Total Fund Cost	***Average Transaction Cost	AuM £m
Fund Used in Defaults – DC Platform								
Aquila European Equity Index ZP	B4ZS095	100.00%	0.00%	0.0%	0.02%	0.02%	0.00%	15.6
BlackRock Euro Liquidity ZP	B64GRS2	100.00%	0.01%	0.06%	0.00%	0.07%	0.02%	0.8
European Bond ZP	3382783	99.90%	0.04%	0.0%	0.25%	0.29%	0.04%	2.5
Long Dated Gilt 1EP	273772	100.00%	0.01%	0.0%	0.19%	0.20%	0.03%	0.5
Managed 2 EP	296575	99.93%	0.20%	0.0%	0.19%	0.39%	0.26%	19.5
Money Market ZP	BCZT3V7	100.00%	0.01%	0.1%	0.03%	0.14%	0.01%	0.0
Secure 2EP	297523	100.00%	0.01%	0.0%	0.06%	0.07%	0.01%	0.7
Fund Used in Defaults – CPAS								
American 1EP	297114	100.00%	0.28%	0.0%	0.05%	0.33%	0.34%	2.4
Equity Managed 1 EP	296694	99.95%	0.31%	0.0%	0.17%	0.48%	0.30%	16.9
European 1 EP	297095	99.81%	0.85%	0.0%	0.07%	0.92%	0.94%	4.2
Long Dated Gilt 1 EP	419985	100.00%	0.01%	0.0%	0.19%	0.20%	0.03%	0.4
Managed 1 EP	296683	99.93%	0.20%	0.0%	0.19%	0.39%	0.26%	56.6
Property 1 EP	297318	100.00%	0.15%	0.0%	0.54%	0.69%	0.23%	0.8
Secure 1 EP	296672	100.00%	0.01%	0.0%	0.06%	0.07%	0.01%	3.2
UK Equity 1 EP	297051	100.00%	0.26%	0.0%	0.19%	0.45%	0.17%	4.6
UK Preference & Fixed Interest 1 EP	297170	99.65%	0.06%	0.0%	0.15%	0.21%	0.07%	5.2
With Profits 4 EP*	N/A	100.00%	0.06%	0.0%	0.00%	0.06%	0.06%	18.3

Notes:

Charges are the latest available up to 30/11/23. Transaction cost figures and AUM are as at 31/12/2023.

* The With Profits funds do not have annual management charges or additional fund expenses deducted in the same way as other funds; therefore only transaction costs have been provided. Other product-related charges may be applied.

Appendix B: Approach to comparisons

The FCA requires that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm's offering against a selected group of other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, we must inform the pension provider.

ZEDRA's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to carry out the required comparisons this year. This is done on an anonymised basis.

How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products so as to be comparable to those provided by the Firm for this purpose. The selection was based on the following broad criteria:

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.
- | Products where Firms provide similar services, for example whether the provider has responsibility for setting and monitoring the investment strategy.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of the Firm's Group Personal Pension Plans.

Comparison of Net Investment Performance

We have assessed how the net of fees investment performance provided to the Firm's policyholders compares to other similar employer pension arrangements. This takes account the performance of the investments being offered. Where multiple investment funds are made available, we have taken into account the amount invested by [relevant policyholders](#) in each fund.

Comparison of Communication provided to policyholders

We have assessed how the full range of communication materials, including any websites and modelling tools, provided to the relevant policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the type of pension product provided, and whether the communication materials are fit for purpose considering the age profile of the relevant policyholders.

Comparison of Administration Services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements.

Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | Annual administration and investment fund charges
- | **Transaction costs**
- | Other costs and charges

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the type of product provided. The costs of services that are provided directly to the policyholder and paid for separately by the policyholder (for example financial or investment advice) are not included.

Appendix C: 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 in early 2024.

Members of the GAA met with representatives of the Firm to kick off the Value for Money assessment process for the 2023 calendar year and to discuss and agree timescales.

We subsequently had a meeting with representatives of the Firm to discuss the information that had been 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. In some cases this meeting was virtual.

We discussed the GAA's provisional scoring of Value for Money of the Firm's in-scope workplace pensions and the approach for meeting the cost and charges disclosure requirements in [COBS](#) 19.5.13.

As part of the Value for Money assessment process, the Firm has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be suitable and can be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, work was undertaken to improve the data request and to make the overall process more efficient.

The GAA documents all formal meetings with the Firm and maintains a log which captures any concerns raised by the GAA with the Firm, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	07/02/2024
Kick off meeting	08/02/2024
Site visit	25/03/2024
GAA panel review meeting	13/05/2024
Discuss provisional scoring	17/06/2024

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 the Firm's website and annual report at www.zurich.co.uk/about-us/governance-advisory-arrangement
- | The Firm 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 the Firm 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 ZGL.gaacontact@zedra.com so that policyholders can make representation to the GAA directly. The Firm has included details of this contact e-mail address on their website at www.zurich.co.uk/about-us/governance-advisory-arrangement

Appendix D: ZEDRA 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 is 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.

These requirements were then extended to Firms providing investment pathways from 1 February 2021.

The FCA rules 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 ZEDRA Governance Advisory Arrangement (“the GAA”) was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA 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. More information on the ZEDRA GAA can be found at www.zedra.com/GAA

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. 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 and [pathway investors](#).

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. The majority of ZEDRA Governance Ltd’s Client Directors act as representatives of ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

The Board of ZEDRA Governance Ltd has appointed either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act in the capacity of Chair of the GAA in respect of each Firm.

More information on each of ZEDRA’s Client Directors, their experience and qualifications can be found at www.zedra.com/people

Information on Dean’s experience and qualifications can be found at 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 ZEDRA Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

The terms of reference for the GAA agreed with the Firm can be found at: www.zurich.co.uk/about-us/governance-advisory-arrangement

Appendix E: Glossary

Please note that some of the terms referred to in this glossary may not be applicable to your product.

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 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”).

COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

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

Decumulation

The process of converting pension savings to retirement income.

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.

Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

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.

Net investment performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

Pathway investor

A retail client investing in a Firm's pathway investment offering.

Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

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.

Relevant Scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.

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.

Unit-Linked

A type of investment where the investments of a number of people are pooled together and divided into units of equal value. The value, or price, of each unit depends on the value of the assets of the unit linked fund. The unit price determines the number of units the policyholder receives when they invest money in the fund, and the sum they receive when they sell their units.



Appendix F: Data table

Membership data as at 31 December 2023

Mainframe system	Number of members	Assets Under Management
Pulsar	28,455	£1,782m
Merlin	9,879	£187m
IPAS	4,031	£124m
CPAS	4,157	£83m
Group DC*	555	£32m

**Group DC customers were migrated onto the IPAS mainframe system in 2022. Please note that this was primarily a system migration and there was no material change or reduction to the customer offerings.*



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