



**CHAIR'S ANNUAL REPORT**  
**The PTL Governance Advisory Arrangement ("GAA")**  
January 2017

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**1. Introduction and Executive Summary**

This report on Bigblue Touch, the workplace personal pension plans provided by Aon Consulting Ltd, has been prepared by the Chair of the PTL Governance Advisory Arrangement (“the GAA”). This report also covers Bigblue Touch 4life which is an individual personal pension contract designed for use by policyholders during “*decumulation*”. Bigblue Touch 4life is not required by the FCA to be overseen by a GAA or similar independent governance committee and Aon have chosen to ask us to include it in this report. It is our second annual report.

This report sets out our assessment of the value for money delivered to policyholders (see Section 2). It also explains the background and credentials of the GAA (see Appendix 2). The GAA works under Terms of Reference, agreed with Aon, dated 28 October 2015. These are publicly available (see Appendix 2).

Details about the numbers of policyholders and their funds were supplied to PTL for the assessment.

The GAA believes that deciding what represents “value for money” is subjective and that value for money will mean different things to different people. We think value for money can be judged by looking at the balance of all the costs paid by policyholders against the benefits and services provided from their policy.

**The GAA’s opinion on the value for money delivered is that both Bigblue Touch and Bigblue Touch 4life represent good value for money for policyholders.**

See Section 2 and Appendix 1 for more details of the value for money assessment. A colour coded summary is shown below:

	Bigblue Touch	Bigblue Touch 4life
Investments		
Communications and support		
Risk Management: Operational and Financial		
Other factors: administration, options at retirement, etc.		
Overall benefit:		
Level of charges		
<b>Overall value for money assessment</b>		



The GAA has not raised any concerns with Aon during the year (see Section 3.2).

Arrangements have been put in place to ensure that the views of the policyholders can be directly represented to the GAA (see Section 3.3).

If you are a policyholder and have any questions, require any further information or wish to make any representation to the GAA you should contact: Debbie Falvey ACII FPFs, DC Proposition Leader Aon Employee Benefits, 25 Marsh Street, Bristol, BS1 4AQ, Tel: +44 (0) 117 900 4215

[debbie.falvey@aonhewitt.com](mailto:debbie.falvey@aonhewitt.com)  
[www.aon.co.uk/employee-benefits](http://www.aon.co.uk/employee-benefits)

## 2. Value for money assessment

The GAA has assessed the value for money delivered by Bigblue Touch and Bigblue Touch 4life to its workplace personal pension policyholders by looking at cost versus benefits. More detail about how we have done this is set out in Appendix 2.

### Key highlights of our assessment

- We believe there is a robust process to design the investment strategies.
- The default investment strategies are well designed, using the investment consulting skills of the Aon Group at a reasonable cost
- We believe there is also a strong process to monitor the ongoing performance of the investment strategies and the investment managers against their benchmarks. This includes taking action to make changes when necessary.
- There is a good range of choice of funds, clearly explained and structured, for those who wish to take greater control over the investment of their funds.
- Communications and financial education are very good, mainly provided through the online portal, but with telephone support available if preferred and some communications made by letter.
- There is a good governance structure in place to manage operational and financial risks.
- Administration is carried out to a high standard by the outsourced provider and monitored closely by Aon.
- The full range of retirement options is available and policyholders are well supported in making their choices.
- Policyholders have access to other facilities such as online tools to analyse their personal finances and we believe that this adds considerable value.
- Charges are competitive, in line with what we would expect to see in a modern workplace personal pension scheme. Charges will vary between employers.

The GAA's opinion is that both Bigblue Touch and Bigblue Touch 4life will represent good value for money for policyholders.

This good value for money will vary slightly between employers because of the variable pricing structure which will depend on the characteristics of each individual employer's scheme. Even for the schemes at the upper end of the charging structure there will still be good value for money under our assessment.

This assessment is based on the high quality of the benefits offered to policyholders, balanced against reasonably low charges: in particular the good value and low charges for the default strategy pre and post retirement.

### **3. 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.**

#### **3.1 GAA actions and engagement this year**

We prepared and issued a request for data on all the relevant workplace pension policies on 14 May 2016.

On 23 September 2016, members of the GAA visited Aon to meet key contacts with responsibility for oversight of the investment and administration and for business development and pricing. We discussed how the investment strategies are developed, governed and evolved.

Aon provided all the information that we requested and were very clear and open in their responses to the questions we raised at the site visit and in our follow up work afterwards.

The GAA has held 6 meetings in 2016 to review and discuss the information we had received and to develop and improve the way that we assess value for money and report on this.

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

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

We challenged Aon to describe the governance and advice arrangements for choosing investments and were satisfied with their response. As the product is new to the market, we discussed how they will assess its commercial viability in future, and again were satisfied that there are no issues arising that should concern policyholders.

#### **3.3 Risk of high charges for legacy products**

As this is a new product, designed to be compliant with the charge cap for auto enrolment, there is no legacy of older policies with higher charges.

#### **3.4 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 online platform.

Aon 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 Aon determine 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.

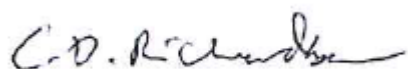
#### 4. Next Steps

This GAA report is for the year to 31 December 2016. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

In the next year the GAA will look in further detail at:

- Level of Transaction Costs
- Further Consideration of the investment review process

If you are a policyholder this report is for your information only and you do not have to take any action. If you do have any questions, require any further information or wish to make any representation to the GAA you should contact Aon at the address shown on page 2.



Colin Richardson

Chair: PTL Governance Advisory Arrangement

## **Appendix 1**

### **Value for money assessment**

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

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

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

We have looked at the total ongoing cost of the policy by analysing all the charges, which may be applied in a number of different ways.

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

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

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

<b><i>Investment - Design and performance of investment strategies</i></b>	
<p>Bigblue Touch has a default investment strategy which has been designed by Hewitt Risk Management Services Limited (HRMSL) based on requirements given by Aon Consulting Ltd, supported by modelling of policyholder outcomes.</p> <p>The default strategy consists of a series of target dated funds, designed to help manage investment risks at each stage of the policyholder’s lifetime and aimed at a retirement fund suitable for policyholders entering income drawdown at retirement. The underlying funds are predominantly passively managed, to reduce costs for policyholders.</p> <p>An alternative default fund is available, incorporating more active strategies, with higher charges.</p> <p>Other default funds are available in versions which target cash or annuity purchase, rather than drawdown. The target dated funds are constructed in 3 year bands, for policyholders to choose between based on their expected retirement date.</p> <p>The drawdown strategy for Bigblue Touch 4life also adopts the target dated fund approach, with changes to the underlying mix of funds continuing for a further 10 years after the policyholder enters the decumulation phase.</p>	<p>In our opinion, investment strategies are designed to achieve good outcomes for policyholders in terms of a smoothed investment performance journey and retirement income.</p> <p>The design allows for different choices at retirement to convert the fund into retirement income.</p> <p>Sophisticated investment funds are used, within a reasonable price, drawing on the investment skill of the Aon Group.</p> <p>As the funds are all fairly new, limited performance history is available so far.</p>
<b><i>Investment – Fund range available</i></b>	
<p>For policyholders wishing to design their own strategies, a range of self-select funds is also available, covering all the major asset classes and markets as well as a Shariah-compliant fund and an ethical global equity fund.</p> <p>Policyholders may also access the building block funds of the default strategies, to create their own variations of the target dated approach.</p>	<p>Fund choices are organised in a way that we believe is easy to understand as “Do it for me”, “Help me do it” or “Give me full control”.</p> <p>Whilst other products may have a larger range, in our opinion the funds available represent a comprehensive and coherent offering.</p>

<b><i>Investment - How investment performance of the fund range is reviewed and any changes made</i></b>	
<p>The characteristics and net performance of the investment strategies are reviewed on a quarterly basis by investment committees of HRMSL. HRMSL is part of the Aon Group but is providing a review independent of the internal Aon Consulting Limited committee which has responsibility for the overall design and operation of Bigblue Touch. HRMSL have powers to change managers or asset allocation without recourse to the internal committee.</p>	<p>In our opinion, there is a strong governance structure, which enables strategies and performance to be regularly reviewed and appropriate changes made – whether to the objectives, asset allocation or fund manager.</p>
<b><i>Communications and Support - Statement of aims and objectives of investment strategies</i></b>	
<p>The target dated funds have clearly expressed aims and objectives, and are measured against market benchmarks.</p>	
<b><i>Communications and Support – Overall quality of written communications</i></b>	
<p>As far as possible, communication is done via the online portal. At specific times or for certain types of communication, traditional written communications are required by law.</p> <p>Sample communications have been provided including annual benefit statements, pre-retirement wake-up letters issued as policyholders on approach to retirement and brochures and letters explaining retirement options.</p>	<p>In our opinion, policyholder communications are of a high standard overall. The use of on-line communications is well structured with hard copies available for any policyholder preferring these.</p>
<b><i>Communications and Support - Other support, including telephone and online and education on pension saving</i></b>	
<p>Members of the GAA have been given a demonstration of the online facilities available to policyholders, together with hard copy screenshots and brochures aimed at the employer.</p> <p>Communications are via secure electronic communication and the online platform as far as possible.</p> <p>Communications are set up to be provided at various trigger points, based on age and fund size, and if a</p>	<p>In our opinion, policyholders have access to good online and telephone support and education.</p> <p>In our opinion, the trigger based system for “nudging” policyholders into action is quite</p>



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<p>policyholder appears to be failing to engage with the online facilities.</p> <p>The online portal provides access to a wide range of educational material and interactive tools, in a variety of formats including video and downloadable written guides.</p>	<p>likely to be effective. Investment has been made in these attempts towards member engagement.</p>
<p><b><i>Communications and Support - When choosing retirement options</i></b></p>	
<p>Support with retirement options is provided via the online platform and particular care is taken to ensure that members have had the opportunity to consider suitable annuity quotations before they opt into drawdown. Members can choose to pay a fee for financial advice, which is restricted to Bigblue Touch products only rather than whole-of-market.</p> <p>The on-line capability for considering options at retirement is wide ranging, with tools to help forecast patterns of expenditure and income in retirement, whether funds will be sufficient and the ability to include other financial assets within the analysis.</p> <p>Funds from other schemes can be brought in at the point of retirement.</p>	<p>In our opinion, the online retirement process is clear and easy to follow.</p> <p>The online financial projection facilities are strong and well designed.</p> <p>We also noted that policyholders may switch to telephone support (rather than online) at any time during the process if they prefer, which we consider to be a valuable additional feature.</p>
<p><b><i>Risk Management – operational and financial</i></b></p>	
<p>Risk management, including security of IT systems, is the responsibility of the Operational Services Group, which meets on a monthly basis. These meetings discuss matters such as telephone calls, workflow, service levels attained, implementation of new employers and any breaches or complaints.</p> <p>This group reports to the Governance Committee, which meets every quarter.</p> <p>The Joint Steering Committee oversees the product as a whole. This Committee meets annually to review the product against the objective of achieving optimum value for the charges; to review whether services are performed to market-leading service levels and to review the transparency of the pricing strategy. This Committee also sets the strategy for the product, and would sign off on any material</p>	<p>In our opinion, appropriate risk management controls and processes are in place.</p> <p>Controls at the outsourced administrator are tested by an independent audit which provides a further level of risk management.</p>

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<p>changes to the pricing or services.</p> <p>There is independent assurance of internal controls for the administration work carried out by Aegon (formerly BlackRock) via an AAF report.</p> <p>Similarly, where available, AAF reports are obtained and reviewed for each asset manager for the underlying funds.</p>	
<p><b><i>Administration service and core financial transactions</i></b></p>	
<p>Administration is outsourced to Aegon UK (formerly BlackRock), who work to an agreed set of Service Standards and report quarterly. The reporting structure in place is comprehensive and the track record of the administration unit at Aegon UK (which is the same team that previously were employed by BlackRock) is strong.</p> <p>If the agreed Service Standards are met, core financial transactions will be processed promptly and accurately.</p>	<p>We believe that the administration service provided to policyholders is of a good standard and that core financial transactions are processed promptly and accurately.</p>
<p><b><i>Other governance or support arrangements</i></b></p>	
<p>There are no other governance or support arrangements, except as already described.</p>	<p>We note that no external advice is obtained, which could provide additional support to the internal governance arrangements.</p>
<p><b><i>Retirement options</i></b></p>	
<p>The full range of decumulation options after retirement is available to policyholders without requiring an external transfer, including annuities and flexible drawdown. Annuities must be purchased from an insurance company and there is no “in house” option.</p>	<p>In our opinion, the range of choice of retirement options is good.</p>

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<b><i>Charges and direct and indirect costs borne by policyholders</i></b>	
<p>Each scheme within Bigblue Touch will have its level of charges determined individually, based on the size of the membership, level of turnover, ongoing contributions and the assets under management.</p> <p>The range of expected charges has been notified to us, together with an explanation of the principles of the pricing model.</p>	<p>In our opinion the charges are likely to fall well within the range expected for a modern contract, and in any case will need to comply with the charge cap of 0.75% where used for auto-enrolment.</p>
<p>The charges for Bigblue Touch 4Life are an Annual Management Charge of 0.5% plus the charges for the chosen fund or funds (for example 0.03% for the passively managed default option).</p>	
<p><b>Transaction costs</b></p> <p>Information has been supplied with regard to estimated additional investment expenses incurred as a drag on performance for all available funds, including transaction costs. This primarily relates to commission and stamp duty in the underlying BlackRock funds. These costs are close to zero for bond funds and 1 to 7 basis points for equity funds.</p> <p>Transaction costs are incurred when HRMSL decide to change the asset mix of the blended funds and they have confirmed that the costs of making such changes are factored into the decision making process. As an example, one such change in 2016 incurred a cost of 1 basis point.</p>	<p>Progress is being made in relation to monitoring and measuring transaction cost information at both levels – the effect of HMRSLS’s strategic changes to asset allocation within the blended funds and the effect of trading by BlackRock.</p> <p>The evidence provided is that transaction costs are very low.</p>

**Overall assessment of value for money**

The GAA’s opinion is that both Bigblue Touch and Bigblue Touch 4life will represent good value for money for policyholders.

This value for money will vary slightly between employers because of the variable pricing structure which will depend on the characteristics of each individual employer’s scheme. Even for the schemes at the upper end of the charging structure there will still be good value for money under our assessment. At the lower end of charging very good value for money is provided.



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This assessment is based on the high quality of the benefits offered to policyholders, balanced against reasonably low charges: in particular the good value and low charges for the default strategy pre and post retirement.

## Appendix 2

### Background and credentials of the PTL Governance Advisory Arrangement

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

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

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

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

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

Dean Wetton is also a member of the GAA. Dean is independent of PTL. Information on his experience and qualifications can be found at <http://www.deanwettonadvisory.com/consultants/index.html>.

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

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

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

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

Terms of reference: The terms of reference can be found in your online service [www.bigbluetouch.com](http://www.bigbluetouch.com) – click through the ‘Pension’ section of the web site and then on the PI&D (Plan Information & Documents) button. You will also find a download able copy of this report within the PI&D area.

## Glossary

*“Active management” means 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” or “AMC” means 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” means 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”).*

*“Basis point” means one hundredth of 1%, so for example 10 basis points means 0.1%.*

*“Core financial transactions” means the essential processes of putting money into a pension policy or taking it out, namely:*

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

*“Custodian” means a financial institution independent of the investment management function to store and safeguard a scheme’s assets, including the maintenance of accurate records of ownership. It may also collect income, produce tax reclaims and provide other services where required, such as stock lending.*

*“Decumulation” means the process of using policyholder’s fund to provide retirement income. This could involve purchasing an annuity to provide an income for life or leaving the fund invested and taking it out as one or more lump sums.*

*“Default investment strategy” means the investment funds into which contributions are invested for policyholders who do not select other specific investment funds from the full range of funds available.*

*“Flexible drawdown” or “Flexi Access Drawdown” means an option for an individual to receive payments from their pension fund as they choose.*

*“Lifestyling” means 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.*

*“Passively managed” means investment funds which invest to track a particular index of assets by investing as closely as possible in the same proportion or weighting as the index components.*

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