

Chair's Annual Report

Year ended 31 December 2020

The PTL Governance Advisory
Arrangement (GAA)



Fundment
Workplace
Personal
Pension Plans

July
2021

Introduction and Executive Summary

This report is on the workplace personal pension plans provided by Fundment Limited (the 'Firm'), for advised clients ('the Client Plans') and for its own staff ('the Staff Plan').

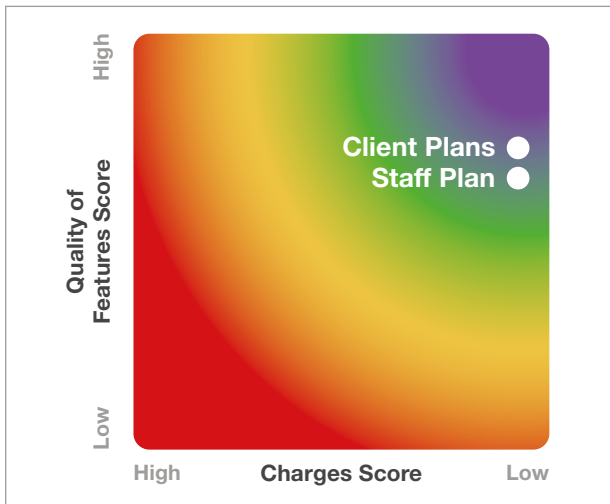
It has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders. Further background and details of the credentials of the GAA can be found in Appendix 2. The GAA works under Terms of Reference, agreed with Fundment, the latest version of which is dated 18 November 2020 and are publicly available (see Appendix 2).

As Chair of the GAA, I am pleased to deliver our first annual report and the value assessment of the Fundment Client Plans and the Staff Plan. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2020 to 31 December 2020. The GAA has developed a Framework to assess Value for Money and further details are set out on page 5.

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

	Weighting toward VfM assessment	Fundment Workplace Personal Pension Plans	
		Client Plans (advised)	Staff Plan (non-advised)
Strategy Design and Investment Objectives	10%	●	●
Investment Performance and Risk	10%	●	●
Communication	30%	●	●
Firm Governance	10%	●	●
Financial Security	10%	●	●
Administration and Operations	25%	●	●
Engagement and Innovation	5%	●	●
Overall Quality of Features	100%	●	●
Overall Cost and Charge Levels	100%	●	●
Overall Value for Money Assessment		●	●

Value for Money Scoring



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

The overall conclusion is that the Fundment Client Plans provide excellent value for money and the Staff Plan provides good value for money. There are two specific potential areas for improvement identified, namely, the development of a more formal process for obtaining feedback and the extension of the support available to members of the Staff Plan around their retirement options. In addition, the GAA is mindful that Fundment's workplace pension plans only launched in March 2020, and therefore evidence of the product governance is necessarily limited to a short period. The GAA will look for ongoing evidence that the investment strategies, investment performance and risk are regularly reviewed, with changes being made where appropriate. The GAA also notes that Environmental, Social and Governance (ESG) is a rapidly evolving area and would therefore expect to see ongoing developments into the future.

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

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

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

Clare James

Chair of the PTL Governance Advisory Arrangement

July 2021



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

Fundment

Mappin House, 4 Winsley Street, London, W1W 8HF

Alternatively, you can contact the GAA directly at:

gaacontact@ptluk.com

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Overview of the Value Assessment

The GAA has assessed the Value for Money delivered by Fundment to its workplace personal pension plan policyholders in the Client Plans and Staff Plan by looking at cost versus benefits. More detail about how we have done this is set out below.

Our approach

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

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

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

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

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against 7 different overarching quality features. These quality features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to innovation, culture and service, and a wider overview of the administration quality and processes, not confined to just the processing of [core financial transactions](#).

Within each of the 7 quality features are a number of sub-features and these are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring. Each set of score descriptors sets out what the GAA would expect to see to achieve each numerical score. These scores are then combined to produce an overall score for each of the 7 quality features, as well as an overall score for the quality features combined. The Framework incorporates relative weightings for this purpose as shown in the table in the Executive Summary.

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

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

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

Value for money assessment framework for Workplace Personal Pension Plans for advised policyholders

For the Client Plans, Fundment has confirmed that all policyholders are advised by an FCA authorised IFA. Therefore, the investment aspects of the framework in respect of these policyholders becomes an assessment of the process by which Fundment ascertains that members are advised. Fundment also has a duty to operate certain filters or screening of investments, for example, that the funds available to policyholders are bona fide investment funds.

Investment aspects

The FCA has prescribed a number of specific features that the GAA must assess and these have been built into the framework described above. However, some of these do not directly apply in the environment where policyholders are advised i.e. for Fundment's Client Plans and we explain this below.

The FCA requires the GAA to assess:

- » Whether default investment strategies are designed and executed in the interests of [relevant policyholders](#).
- » Whether default investment strategies have clear statements of aims and objectives.
- » Whether the characteristics and net performance of investment strategies are regularly reviewed by the firm to ensure alignment with the interests of [relevant policyholders](#) and that the firm takes action to make any necessary changes.

Under the rules of the Client Plans, the policyholder directs the investment strategy, guided by their FCA authorised IFA. The provider does not have a role in designing or managing investment strategies, nor in setting their aims and objectives, notwithstanding that, in the case of Fundment, policyholders are able to invest in funds that are designed and managed by Fundment. Fundment's Client Plans do not have default funds in operation because each policyholder chooses their own investments, removing the first two areas of assessment referred to above.

Furthermore, since all policyholders in Fundment's Client Plans are advised, the policyholders, guided by their IFA, are expected to keep their investment strategies under regular review and take action to make any necessary changes. Therefore, in relation to the third area of assessment referred to above, the GAA has focused on seeking evidence that an FCA authorised IFA remains in place.

In the sections on the following pages we have described each of the Firm's 7 quality features, the rating the GAA has awarded, together with any areas for improvement we have identified. There is also a separate section on Costs and Charges and a section setting out the GAA's views on the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial considerations, and stewardship.



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

Strategy Design and Investment Objectives

Client Plans value score: Good



Staff Plan value score: Good



The Firm's approach

After an extensive period of engagement with advisers, Fundment designed and launched its workplace personal pension plans for clients in March 2020 (referred to in this report as the Client Plans). At the same time, Fundment launched a plan for its own staff (referred to in this report as the Staff Plan).

The investment range provided by Fundment comprises 16 model portfolios, across 3 different ranges: standard, ethical and income. There are 9 standard, 5 ethical and 2 income funds. Each fund range provides different fund choices to suit varying risk appetites, ranging from a target allocation to equities of 20% to 100%, as well as holdings in long term bonds, cash, gold and short-term bonds. The majority of assets are passively managed, with the only exception being the infrastructure allocation in the income portfolios. This entire fund range is available to all policyholders in the Client Plans and the Staff Plan.

Policyholders in the Client Plans all have FCA regulated advisers paid for by their employers and the policyholders receive advice from their advisers on an appropriate investment strategy to suit their individual needs and objectives.

Fundment does not provide an adviser for members of its Staff Plan, but staff are required to complete an online risk questionnaire, which is used to assess each member's risk profile and capacity for loss. The responses to the questionnaire lead to a fund choice suggestion, but members are free to choose higher or lower risk options within a specified range of the suggested fund. Fundment intends that members will complete a similar questionnaire annually, to help them review if their investment choices remain appropriate.

Fundment has no default funds.

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 20, we expect to see evidence of how these matters are taken into account in the design of the investment strategy and in investment decision making.

The Firm's strengths

Fundment has evidenced a clear, documented investment process for designing and governing their investment fund ranges, including explaining their approach to determining the asset allocations and their approach to managing investment risk.

All funds have risk metrics displayed clearly on their factsheets. All fund options have relevant aims/objectives linked to policyholders' risk appetite, which are communicated on the fund factsheets.

Fundment's Investment Committee is responsible for the governance of the investment fund ranges. The Committee meets on a quarterly basis and has oversight of investment strategy design including asset allocation and security selection, as well as performance monitoring.

The GAA has seen copies of meeting minutes of the Investment Committee evidencing regular reviews taking place, with changes being implemented where appropriate to ensure alignment with the interests of policyholders.

Fundment was able to demonstrate to the GAA how their [ESG](#) policy is incorporated within the investment strategy and in investment decision making process. The GAA notes that Fundment also offers a designated range of Ethical funds.

Areas of improvement – GAA observations



The GAA would expect to see continued evolution with regard to the integration of [ESG](#) within investment decision making processes, recognising this is an area of rapid change in the marketplace.

The GAA would expect to see ongoing evidence that the investment strategies are regularly reviewed to ensure alignment with policyholder interests and changes made where appropriate. Whilst evidence of review has been provided to date, the GAA is mindful that the Client Plans and Staff Plan only launched in March 2020.

Investment Performance and Risk

Client Plans value score: Good

Excellent
 Good
 Satisfactory
 Poor

Staff Plan value score: Good

Excellent
 Good
 Satisfactory
 Poor

The Firm's approach

Fundment has a comprehensive governance framework in place for regularly monitoring investment performance and risk.

Fundment monitors their portfolios on a daily basis, rebalancing when volatility measures exceed specified risk levels and when asset allocations deviate outside specified asset allocation tolerances. Investment performance of the funds is monitored against Index Industry Association ('IAA') benchmarks.

Fundment's Investment Committee is responsible for the governance of the investment fund ranges, including oversight of investment performance and risk monitoring. The Committee meets on a quarterly basis.

What are we looking for?

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

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

The Firm's strengths

The GAA has seen a copy of the Terms of Reference of the Investment Committee, as well as copies of meeting minutes which provide evidence of ongoing monitoring of investment performance and risk since the launch in March 2020.

Areas of improvement – GAA observations



The GAA would expect to see ongoing evidence that investment performance and risk are regularly reviewed, and that changes are made where appropriate.

Whilst evidence of review has been provided to date through Investment Committee minutes, the detail is limited, and the GAA is mindful that the Client Plans and Staff Plan only launched in March 2020.

Communication

Client Plans value score: Good



Staff Plan value score: Good



The Firm's approach

Fundment provides a range of routine communications directly to the policyholders in the Client Plans and to members of the Staff Plan, including benefit illustrations and retirement wake-up letters with accompanying risk warnings.

All members of the Staff Plan have access to an online risk questionnaire which is used to assess each member's risk profile and capacity for loss, guiding the member to a suggested fund choice. The risk questionnaire can also be made available to the policyholders in the Client Plans if their adviser or employer requests this.

Communications are predominantly through the online portal. However, in addition, policyholders can communicate with Fundment by telephone or e-mail. Communications can also be sent by post, on request.

For the Client Plans, policyholders are advised by FCA regulated advisers paid for by their employers. The adviser, rather than the policyholder, tends to be the main point of interface with Fundment, and adviser feedback is obtained on an ongoing basis, informing the development of the Fundment product offering.

What are we looking for?

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

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

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

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

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

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

The Firm's strengths

The GAA has been provided with a range of sample communications to review including pensions illustrations, quarterly pensions statements and retirement wake-up communications. Communications are clear and contain appropriate risk warnings, and pensions terminology is explained in a glossary. The GAA was also given a demonstration of the online portal.

Full online functionality is available to switch investment options.

Fundment has explained and provided documentary evidence of the due diligence process undergone before working with new FCA regulated advisers and has explained how they monitor that the adviser remains in place. All policyholders in the Client Plans are currently advised.

Regular ongoing feedback from advisers and informal feedback from members of the Staff Plan informs product development and Fundment was able to evidence several examples of this to the GAA.

Areas of improvement – GAA observations



Fundment should consider how to develop its direct engagement with advisers, policyholders in the Client Plans and members of the Staff Plan to obtain formal feedback, especially as the book of business grows.

Fundment should consider developing the retirement guidance and support available to Staff Plan members, who currently do not benefit from having an FCA regulated adviser.

Firm Governance

Client Plans value score: Good



Staff Plan value score: Good



The Firm's approach

Fundment has put in place a governance framework for appointing and monitoring internal and external service providers.

This includes an investment process for reviewing and selecting investment portfolios available on retail platforms, which Fundment use to construct their model portfolios.

Fundment's Risk and Compliance Committee oversee the formal due diligence process to check that advisers are FCA regulated and appropriately qualified, the management of data security and cyber-risk and an annual review of banks and custodians.

What are we looking for?

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

The Firm's strengths

Fundment was able to demonstrate that there was a robust governance framework in place and provided the GAA with documentary evidence of the due diligence process for checking advisers are FCA regulated, and evidence of the recent review of their banks and custodians, undertaken in December 2020.

Areas of improvement – GAA observations



The GAA did not identify any specific areas for improvement. However, the GAA is mindful that the product was only launched in March 2020 and so will seek further evidence of the operation of the Firm's governance processes and that changes are made where required in the future.



Financial Security

Client Plans value score: Good



Staff Plan value score: Good



The Firm's approach

Risk management, including security of IT systems, is the responsibility of the Risk and Compliance Committee. Measures are in place to ensure data is held within systems securely, with restricted staff access, and that any transfer of data is encrypted. Fundment adopts a policy that no e-mail communications can contain links or personal data.

There is a formal process required to be followed where a policyholder wishes to access funds, for example in drawdown. New bank accounts need to be verified and other security checks are carried out before a payment is made. Policyholders in the Client Plans have an additional layer of protection as Fundment would also liaise with their FCA regulated advisers.

What are we looking for?

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

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

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

The Firm's strengths

Fundment is a start-up business that is currently investing significantly in the development of its platform and investment offering, and as a result, Fundment was shown to have made a loss in its most recent set of audited accounts as at 31 July 2020. In July 2020 Fundment successfully secured a £3.375m investment from ETFS Capital to enable further expansion of its proposition.

Fundment has confirmed that FSCS protections are available for policyholders in the event of a failure within Fundment. Policyholders' funds are held in segregated accounts and investments are readily realisable.

Fundment has clearly explained the procedures and processes it has put in place to protect the security of policyholders' data and to reduce the risk of cyber security.

Areas of improvement – GAA observation



The GAA notes that Fundment is a start-up business that is dependent on securing funding to invest in development of the business. The GAA will monitor progress and growth of the business as part of its annual review.

The GAA will look for continued evidence that cyber security and data protection are considered a key risk and that appropriate staff training and regular penetration testing are carried out.



Administration and Operations

Client Plans value score: Good



Staff Plan value score: Good



The Firm's approach

Fundment's processes for [core financial transactions](#), such as investment of contributions, are fully automated. Contributions are paid by direct debit and service levels for investing contributions are 5 working days. In practice, Fundment would trade within 1 business day where larger contributions are involved, but smaller amounts of around £1,000 are aggregated and traded within 5 business days. Daily reports are produced listing balances needing to be traded.

Fundment has a business continuity plan in place.

Fundment has a clear, formal process for handling complaints.

What are we looking for?

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

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

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

The Firm's strengths

Fundment were able to adhere to their agreed service levels during the period, including during peak months of the COVID-19 pandemic.

Fundment has supplied the GAA with a copy of its business continuity plan and was able to evidence that COVID-19 had not caused any significant issues for the operation of the business, with business continuity being maintained during the year.

Fundment received no complaints during 2020. Fundment was able to demonstrate the process it has in place for resolving any future complaints, with provision to provide appropriate redress in the event of financial loss if a complaint is upheld.

Areas of improvement



The GAA did not identify any specific areas for improvement.

Engagement and Innovation

Client Plans value score: Good

Excellent
 Good
 Satisfactory
 Poor

Staff Plan value score: Good

Excellent
 Good
 Satisfactory
 Poor

The Firm's approach

Fundment has a culture of encouraging feedback from advisers on an ongoing basis and this feedback informs product development. Staff are also encouraged to give feedback on the Staff Plan.

The Investment Committee has formal responsibility for the review and sign off on new product developments.

What are we looking for?

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

The Firm's strengths

Fundment only launched their workplace personal pension plans in March 2020 and so evidence of ongoing reviews is necessarily limited. However, Fundment was able to demonstrate ongoing regular engagement with advisers, leading to a number of new developments and innovations over the year, including the launch of the two income funds, a phased drawdown product and a sweep facility to automate the payment and investment of contributions at the start of a tax year.

Areas of improvement – GAA observation



Fundment should consider how to extend and formalise its proactive engagement with advisers to include policyholders, in order to obtain broader and more formal feedback on its product, for example through the use of policyholder and adviser surveys.

Overview of Policyholder Charges

Client Plans charges: Low



Staff Plan charges: Low



The Firm's approach

Fundment's approach is to use technology to automate processes and by using mainly passive investments Fundment is able to reduce costs and create efficiencies for its policyholders.

The Investment Committee actively monitors all costs, including transactions costs. There is a best execution policy to manage spreads on Exchange Traded Funds ('ETFs').

Risk of high charges for legacy products

This is a new and evolving product. There is no legacy of older policies with higher charges.

GAA comment and view

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

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

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

The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including [transaction costs](#).



Fundment charges a product fee of 0.15% per annum (reduced from 0.3% per annum during 2020) and underlying fund charges range from 0.09% to 0.11% per annum, with any [transaction costs](#) in addition. We believe that the Firm offers low charges to policyholders of the Client Plans and members of the Staff Plan.

The FCA has introduced new requirements that the administration charges and transactions costs information in relation to each relevant scheme must be published by 31 July each year, in respect of the previous calendar year. These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a member is able to select. They should also include an illustration of the compounding effect of the administration charges and [transaction costs](#), on a prescribed basis and for a representative range of fund options that a policyholder is able to select.

For this year, the requirement only applies to default funds but in subsequent years this is extended to all self-select fund options as well. Since Fundment does not have any default funds, there are no additional disclosures required this year.



ESG, Non-Financial Matters and Stewardship

What are we looking for?

The FCA requirements set out in COBS 19.5.5 state that where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA should assess the adequacy and quality of the Firm's policy in relation to [ESG](#) financial considerations, non-financial matters, how these are taken into account in the Firm's investment strategy or investment decision making, and assess the adequacy and quality of the Firm's policy in relation to stewardship.

Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account, where relevant, when scoring the area of Strategy Design and Investment Objectives on page 8, how the Firm has integrated [ESG](#) financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

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

GAA comment and view



Fundment has provided details of its policies on [ESG](#) financial considerations, non-financial matters and stewardship to the GAA.

Fundment believes that [ESG](#) is fundamental to delivering sustainable, long-term returns to policyholders. Fundment constructs its portfolios through fund-of-fund multi asset solutions, supporting the UN development goals and the 2015 Paris Climate Change Agreement. Fundment's fund range seeks to invest in companies that embrace best practices in areas such as sustainability, energy efficiencies, gender equality and clean water. Fundment's investment selection process evaluates how each of the underlying funds are constructed and their alignment with Fundment's goals. Fundment applies specific exclusions to investment in companies involved in arms and gambling.

Fundment also provided the GAA with details of its approach to stewardship, including evidence and examples of how it monitors ongoing engagement and voting activity of underlying managers.

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

Appendix 1:

GAA Activity and Regulatory Matters

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

GAA engagement and actions this year

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

Members of the GAA had a meeting with representatives of Fundment on 9 September 2020 to kick off the Value for Money assessment process for the 2020 calendar year and to discuss and agree timescales.

On 25 November 2020, members of the GAA had a meeting with representatives of Fundment 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, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. Given government restrictions in light of COVID-19, this meeting was virtual.

On 29 March 2021, members of the GAA had a meeting with representatives of Fundment to discuss the GAA's provisional scoring of Value for Money of the in-scope Fundment workplace pensions.

Additional engagement by e-mail has taken place between the GAA and Fundment over the intervening period, with Fundment providing additional information and explanations in relation to a number of follow up queries from the GAA.

As part of the Value for Money assessment process, Fundment 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. In particular, the GAA has seen evidence of Fundment's process for governing and monitoring the investment fund range.

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

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

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

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

The arrangements put in place for policyholders' representation

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

- » The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via the online platform.
- » Fundment 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 Fundment 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.

In addition, the GAA has established a dedicated inbox at gaacontact@ptluk.com so that policyholders can make representation to the GAA direct. Fundment will include details of this contact e-mail address on the online platform.

Appendix 2:

PTL GAA Credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, providers had to have set up an Independent Governance Committee (IGC) 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 IGC and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

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

The members of the GAA are appointed by the Board of PTL. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience, and independence to act in the interests of [relevant policyholders](#) or pathway providers.

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

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

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

The terms of reference agreed with the Firm can be found at www.fundment.com/info/gaa

Appendix 3:

Glossary

Active management

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

Annual Management Charge / AMC

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

Annuity

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

Core financial transactions

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

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

Environmental, Social and Governance (ESG)

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

Life-styling

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

Relevant policyholder

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

Transaction costs

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

With Profits

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

ptl

Personal
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