

# Independent Governance Committee

Annual Report



For the year ending 31 December 2020

# Contents of report

<b>03</b>	The Chairman's Introduction
<b>05</b>	Administration
<b>06</b>	Asset and Data Security
<b>07</b>	Investment Performance and Process
<b>09</b>	Online Facilities
<b>10</b>	Costs and Charges
<b>13</b>	Engagement
<b>15</b>	Member Feedback
<b>16</b>	COVID 19
<b>18</b>	Regulatory Developments
<b>20</b>	Member Survey
<b>22</b>	Future Work
<b>23</b>	Appendix 1 - Background to the IGC
<b>25</b>	Appendix 2 - Glossary of terms
<b>26</b>	Appendix 3 - Costs and performance - all funds

# The Chairman's Introduction

I am delighted to be delivering the sixth annual report of your True Potential Investments (TPI) Investment Governance Committee (IGC); my second full report as Chairman.

I write to you about the calendar year that has just gone past - the year of 2020: not a year that we will forget. It is the first 'calendar year' report we have published and we intend to publish IGC annual reports on a calendar year basis from now onwards.

We all know the challenges - both personal and business - that COVID 19 brought into focus for us all during 2020. The changes that we made as a committee and TPI as a business meant that the service to members was not impacted by the COVID restrictions this includes the operations, management and governance of your retirement funds.

There have been forced changes and some delayed regulatory implementations (detailed within the report), but there has been no significant impact to your governed retirement funds - either in operations, management or governance.

This has truly been a team effort - from every member of the committee and every member of the TPI team supporting us. Throughout this whole year, the whole IGC committee, as a team, have worked together across every part of our remit. I would like to thank the members of the committee for all their support throughout the whole year and, of course, to TPI who continue to provide first class service to enable us to do our jobs on your behalf - and ensured that COVID had no significant impact on your pension.

Throughout 2020 we have been working hard, as custodians of your contributions, to secure value for money for your pension investments. We have challenged the business, the investment managers and operational strategies of those looking after your retirement funds. I have added a table under each heading in the report to cover the challenges that we have raised with TPI and their current status - which also includes informed commentary on the Environment, Social and Governance awareness operating within your investment funds.

We are pleased with the progress that has been made in developing and implementing our Value for Money framework. There have been some huge positive steps forward and we have outlined a number of successes within the report. However, there is still more work to be done on your behalf and we will continue to revise and update our Value for Money framework should it need to be adapted as a result of future regulatory guidance from both the Financial Conduct Authority ( FCA) and The Pensions Regulator (TPR).

We are well prepared to adapt to the FCA's review of the operation of IGCs and it may be that they issue guidance or further regulations along with the expanded remit we have for 2021. We will respond and adapt our Value for Money and methodology to suit - and keep you informed.

Last year we promised to be in touch and get feedback directly from members and we did exactly that: I am delighted that our survey of members was completed during the year and the results show a very positive outlook from the members.

Of course, there are things we have heard from you that need more work from us - and we'll be addressing those areas you have highlighted to us.

We will continue to work with TPI to develop the reporting that they provide to us, to ensure that we can effectively and efficiently fulfil our extended remit and deliver value for money for every member. There has been a lot of positive work on this throughout 2020.

## The Chairman's Introduction (Cont'd)

As outlined in my last report, we have introduced a 'traffic light' system to capture our assessment of the value for money provided to AE scheme members. This reporting mechanism is one of several initiatives to try to make it easier for you to read the report and to consider progress that has been made.

The 'traffic light' assessment scheme operates as follows:

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### Good

In the opinion of the IGC, scheme members are receiving value for money (for that area of assessment).

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### Average

In the opinion of the IGC, the scheme members may not be receiving value for money and TP have been requested to take action to rectify the position.

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### Poor

In the opinion of the IGC the scheme members are not receiving value for money and TP has not or was not able to take the necessary action identified by the IGC, to rectify the position, within agreed timescales.

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## Outcome



The good news is that our overall assessment for the period is **Green**.

Which means that, in the opinion of the IGC, scheme members received value for money during the last 9 months of 2019. That's not to say TP can't do more; overall the assessment of performance over the year was positive, but with work to do to maintain that value for members.

The FCA have given some hints as to future direction, indicating that they "may include benchmarking costs and charges, together with performance and service metrics" - and we look forward to those challenges to ensure that you know you continue getting value for money from your TPI investments.

Meantime, from the whole committee and everyone supporting the committee from within the TPI business, we wish you well.

Keep safe and take care - here's wishing for us all a safe, healthy and prosperous future as 2021 opens up.

Chairman on behalf of the whole committee.

# 1. Administration

In order that the pension contributions of its members can be invested and ultimately provide a retirement income, TPI must provide a range of effective administrative services. This is a critical part of our criteria in assessing value for money; low costs do not necessarily mean good overall service. Delivering a high quality of service at a reasonably low cost is the challenge TPI must meet and the duty of the IGC to appraise.

The following shows details of the reports and/or metrics that the IGC will use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of Review	Status
Initial response rate to calls, emails or secure messages	Quarterly	Green
Timeliness and accuracy of investment of member contributions	Quarterly	Green
Timeliness and accuracy of fund transactions	Quarterly	Green
Timeliness and accuracy of changes to member requirements or personal data	Quarterly	Green
The timeliness and accuracy of investment withdrawals and pension payments	Quarterly	Green
Range of choices available at retirement	Quarterly	Green
Experience and expertise of administration staff	Annual	Green
Any breaches in the regulations of the FCA, HMRC, DWP or TPR in relation to the administration of the scheme.	Annual	Green

During the year TPI has enhanced its reporting to the IGC by the development a dashboard which shows how TPI has met its performance targets across a large range of administration metrics. The nature of any exceptions to normal processing are then reviewed by the IGC to make sure that there has been no detriment to members and there are no underlying issues. We are pleased that TPI have continued to work to develop their service levels and that, unlike with other providers, there was no fall in service levels as a result of COVID.

The following details the challenges in this area that the IGC has raised with TPI during the period or which have yet to be completed.

Report/Metric	Status
Provide details of the timeliness of transaction processing	Complete
Provide a dashboard showing administration performance versus key performance indicators.	Complete

## 2. Asset and Data Security

To provide the pension services of the scheme to members, TPI must securely hold the data, assets and money belonging to the scheme members and ensure that client data is only used for the purposes agreed with clients and that it is not accessed by unauthorised persons.

The following shows details of the reports and/or metrics that the IGC use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of Review	Status
Report on client asset security arrangements	Annual	Green
Report on data security arrangements	Annual	Green
Details of any Data Security breaches in relation to the scheme	Quarterly	Green
Details of any FCA breaches in relation to the scheme	Quarterly	Green

We had a metric covering the review of an independent assurance report on TP's controls in relation to the scheme. TPI do not currently commission such a report and so we have removed the metric until such time as they do. We have challenged TPI to commission such a report; although we are aware of the cost to firms of doing so, we believe that an independent review can give great comfort to the IGC, to members and to other stakeholders that TP's controls are appropriately designed and have operated correctly throughout the year.

During the year the IGC received a presentation of the enhancements that TPI has made to its data security arrangements. TPI has recognised that, as COVID has required most staff to work from home, the profile of systems access has changed necessitating changes to systems security and monitoring. TPI has 24/7 third party monitoring of its systems to highlight any unusual systems activity or attempts to breach security. It has also enhanced malware and email scanning and has an ongoing program of education for TPI staff in maintaining data security. The IGC feels that this is an area that requires constant attention to ensure the security of members data and was pleased with the progress that has been made.

The IGC has reviewed all data protection and FCA breaches recorded during the period and found that each was a minor, isolated instance of human error.

The following details the challenges in this area that the IGC has raised with TPI during the period or which have yet to be completed.

Challenge	Status
Commission independent report on controls in respect of the Scheme and Investment Pathways	Ongoing

### 3. Investment Performance and Process

A principal obligation of the IGC is to review the framework underpinning TP's investment policies and practices, and to assess the performance of all funds in which scheme members have invested. The suitability of fund selections and the risk-adjusted return on their investments over time are key components in the value for money that members receive.

One of the challenges the IGC raised with TPI last year was to develop an 'investment dashboard' to facilitate appraisal of investment returns and to enable judgements about the performance of funds TPI makes available to its members, relative to the returns available via other providers in the auto-enrolment market.

It is pleasing to report that progress has been made in this regard. The substance and style of reports received, alongside efforts to make clear the fees and charges levied against members' accounts, have enabled these judgements to be made. The focus of attention has been on evaluation of the performance of the fund that members are invested in by default the SVS True Potential Investments Balanced 5 Fund (to be known as the True Potential Balanced 5 Fund from 1st May 2021). The fund is also known as the True Potential Investments Global Managed fund (TPGMF). As at 31st December 2020 96% of all members held the TPGMF. Assets under management in this fund at the end of the reporting period was £345.6m (2019 = £212m).

The gross return on investment in this fund for the year was 6.0% (2019 = 14.1%). After adjusting for inflation of 0.8% (CPI, 2019 = 1.4%) and the platform charge (0.4%) the net real return on the fund was 4.8% (2019 = 12.3%). Whilst these figures reveal a deterioration in investment performance, market research has indicated that performance of this default fund compares favourably with returns achieved by other fund providers in the auto-enrolment pension market.

2020 was a turbulent investment environment, as suggested by the increase in the volatility of investment returns, typically measured by the standard deviation. The standard deviation of returns in the default fund in 2020 was 11.9% (2019 = 5.9%). In the opinion of the IGC the return on investment over the reporting period was good and the increase in investment risk is not a significant concern, bearing in mind the market environment and the profile of scheme members who are invested in the default fund.

The IGC recognises that its obligations extend to all auto-enrolment scheme members. A challenge laid down at the end of this year is to bring about similar improvements in the reporting and appraisal process for all funds and investment pathways offered to TP's members. A great deal of effort has already been expended in this regard. The IGC will continue to work closely with members of TP's investment team to ensure this objective is achieved.

TPI was due to implement a policy with regard to Economic, Social & Governance (ESG) issues that may impact on fund selection and investment performance in 2020. Although TPI have made good progress on the development of their ESG policy they did not complete that work by the end of the year and so we have changed the corresponding metric to Amber. TPI have explained that the impact of COVID has meant that their focus has been on maintaining service standards to clients and we understand and accept that explanation. We have seen a draft of the ESG policy and have provided feedback on it. Further details of the draft policy can be seen in the Regulatory section on page 17

In 2021 attention will be turned towards development of greater understanding of the potential impact of ESG matters on investment selection and performance. TPI and the IGC are not

### 3. Investment Performance and Process (Cont'd)

alone in terms of trying to determine the source, nature and influence of ESG risks that could have a material financial, or non-financial, consequence for its pension scheme members. This is a matter of concern for all stakeholders in the global investment market and wider society. Throughout the year the IGC will call upon TPI to provide information to help it monitor, review and appraise the application and integration of its ESG policies on its investment strategies and investment performance.

During the year we challenged TPI to provide more evidence on the suitability of the investment strategy of the default fund for scheme members. TPI's Product Governance Committee will review, assess and document the ongoing suitability of all of its products and we have seen some draft output from the committee which we found to be well-structured and useful. We have also challenged TPI to consider when the size of scheme could make feasible the launch of other default funds for members with longer or shorter than average time horizons and to document their conclusions in a roadmap.

The following shows details of the reports and/or metrics that the IGC use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of Review	Status
Confirmation that default strategies are designed and execution in the interests of members	Annual	Green
Confirmation that default fund investments have clear statements of aims and objectives	Annual	Green
Report on operation and governance of investment process	Annual	Green
Performance of each of the funds within the scheme after fees compared to cash returns and industry benchmarks	Quarterly	Green
Details of any breaches of FCA Collective Investment Scheme rules in relation to the scheme	Annual	Green
Details of TPs ESG, ethical and stewardship policies (or TP's reasons for not having such policies)	Annual	Amber
Details of TP's implementation of their ESG, ethical and stewardship policies.	Annual	N/A

The following details the challenges in this area that the IGC has raised with TPI during the period or which have yet to be completed.

Challenge	Status
Develop performance dashboard to summarise reporting	Complete
Show current asset allocation versus strategic asset allocation	Complete
Develop ESG policies, including categorisation of relevant risks	Ongoing
Develop strategy for the incorporation of ESG into the investment process and reporting on effectiveness to IGC	Ongoing
Provide details on investment strategy suitability assessments	Ongoing
Provide rationale behind the selection of investment pathway funds	Ongoing
Provide roadmap for launch of other default funds	Ongoing

## 4. Online Facilities

The IGC believes that it is essential that scheme members are easily able to access information about their pension and to make changes at a time of their choosing; this is a key service deliverable. The IGC will periodically review the range of facilities made available to members and monitor how the service offering compares to that offered by other product providers.

The following shows details of the reports and/or metrics that the IGC will use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of review	Status
Range of online facilities made available to members	Annual	Green
Quality of design and ease of use of online facilities	Annual	Green
Details of system availability	Quarterly	Green
Trend of number of unique member logins	Quarterly	Green



During the year the IGC was given a demonstration of the latest version of the online facilities available to members. IGC was impressed by the design of the facilities, which appeared to be intuitive and simple to use while covering all of the needs of the members. The IGC was also impressed by the addition of the True Potential Rewards Scheme and the extent that this enhanced the facilities available to members, as well as improving member engagement (for further details see Engagement section).

There are no challenges raised, outstanding or closed in this area during the period.

## 5. Costs and Charges

The IGC believes that the most important factor when considering whether members in the scheme are receiving value for money are the cost and charges that they pay to receive the scheme services.

The following shows details of the reports and/or metrics that the IGC use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of review	Status
Costs incurred by members in the workplace scheme (including direct and indirect costs within the funds) for default services in comparison to the regulatory cap and other providers	Annual	Green
Costs incurred by members using investment pathways	Annual	N/A
Costs incurred by members in the scheme for optional services	Annual	Green

Over the past year, the IGC committee have been working on how best to communicate to you your potential investment returns and the effects of costs and charges on them. The illustration of the effect of charges and costs on your investment returns that is included in this report provides an indication of what your investments could ultimately be worth in future, upon your retirement, in today's money.

Clear communication of costs and charges is a very important aspect of our remit. All forms of communication need to comply with rules and regulatory guidance and be presented in a manner that makes it easy for you and the IGC to understand what is being conveyed. Understanding the effect of all charges being applied to your investments is critically important for you and the IGC. This will help you and the IGC committee make more informed decisions about the value for money being offered from TPI.

The illustration shown overleaf is a representative example of a £1000 lump sum investment and £50/month regular payment invested in the TPGMF over a working life of 35 years, as shown in the table.

The total annual cost for a typical AE member is 0.71%. This is made up of a management charge in the fund of 0.30%, the costs of transactions within the fund of 0.01% and a platform charge of 0.40%.

The effect of these charges on your potential returns are shown in the table. It shows you the difference between what you could get with and without charges.

All the figures we have used are assuming 2.5% inflation (both on your contributions and investment returns) to enable you to think of these numbers in today's terms (those future numbers, after the effects of inflation, can give you an idea of what they are worth in today's money). The figures, of course, are only an illustration: not guaranteed, nor minimums or maximums.

## 5. Costs and Charges (Cont'd)

### Projected pension pot in today's money - default fund (TPGMF)

Year	Before charges and costs deducted	After all charges and costs deducted
1	£2,031	£2,020
2	£2,808	£2,780
3	£3,591	£3,540
4	£4,378	£4,300
5	£5,161	£5,050
15	£13,127	£12,400
25	£21,550	£19,700
35	£30,900	£27,400

#### Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £1,000.
3. Inflation is assumed to be 2.5% each year.
4. Contributions (£50/month) are assumed from age 25 to 60 and increase in line with assumed earnings inflation of 2.5%.
5. Values shown are estimates and are not guaranteed.
6. The projected growth rate for the default fund TPGMF is 2.5% above inflation

In Appendix 3 on page 25, you will find cost illustrations for the funds that employers can choose as the default fund for their employees as an alternative to TPGMF. Also shown are details of the costs and performance of all the funds available to members of the scheme.

During the year, the IGC has started to try to benchmark the costs of the scheme against other schemes with similar attributes. The IGC has found difficulty making these comparisons because of a lack of publicly available information and due to differences in the way that different schemes make charges. During the year the FCA started a consultation process on proposed changes that would require all IGCs to carry out such benchmarking and would prescribe the method of doing so (see Regulatory section on page 17). The results of the consultation were due at the end of 2020 but, at the time of writing have yet to be issued. The IGC welcomes these proposals and hopes that they will clarify how the IGC should carry out that benchmarking and will enable us to obtain the information that we require to do so.

The investment pathways were not implemented until February 2021 and so we have not yet received a report on the costs incurred by members when using them.

We had a metric to review an estimate of the costs incurred by TPI in providing the scheme so that we could check whether the profits made by TPI in operating the scheme are reasonable and we had an outstanding challenge to TPI to provide these estimates. TPI has explained that it does not breakdown its general costs (of premises, management, compliance, IT, HR etc) by product and to do so would be onerous, especially when the company is focused on maintaining and developing its services in the midst of the pandemic. The IGC has been informed that the size of the scheme is still below the level at which TPI will make significant profits from its operation. The IGC has agreed that this response is reasonable and so have removed this metric and the related challenge but has raised a related challenge for TPI to develop a roadmap of when the growth of the scheme will allow TPI to look at reducing the costs to members.

## 5. Costs and Charges (Cont'd)



The following details the challenges in this area that the IGC has raised with TPI during the period or which have yet to be completed.

Challenge	Status
Provide estimated allocated costs in relation to the provision of the scheme services	Closed
Provide roadmap for the review of scheme costs as the scheme grows	Ongoing

## 6. Engagement

The IGC takes a keen interest in the nature and form of communications that TPI send to scheme members and makes available to the wider public. The quality, range and appeal of its communications are important components in its endeavour to serve the needs of its members and to generally promote the value of saving into a pension scheme to enable savers to fulfil their financial and lifestyle goals in retirement.

### Communications strategy

During 2020 TPI recognised the need to significantly develop its communication strategy to keep clients even more informed and engaged during the COVID pandemic. An impressive array of informative and engaging client communications has been created and delivered during the year, as the firm looked to provide support and reassurance to members. These include:

**True Insight** - The magazine content includes expert investment commentary during the pandemic and an overview of portfolio allocations and performance.

**Morning Markets Videos** - 238 videos with 102,376 views on YouTube in 2020. The content includes daily investment updates and analysis of major world events.

**The Do More With Your Money Podcast** - 49 podcasts with 92,569 views on YouTube in 2020. The content includes hour long episodes providing money commentary and information, conversational discussions and opportunities for clients to engage in Q&A sessions.

### True Potential Rewards Scheme

In September 2020 TPI launched an innovative and creative rewards and savings scheme to its auto-enrolment clients. Partnering with hundreds of top brands, such as eBay, Just Eat, Tui, Sky, Asos, BT and Sainsburys, it offers clients the opportunity to earn money back rewards on their everyday online purchases which can then be added to their investments.

The initial response from clients to this new scheme is favourable and there is evidence that it has improved member engagement as we saw an increase in members access to their online services following the launch; this supports TP's intention to extend this scheme in future.

The following shows details of the reports and/or metrics that the IGC use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of review	Status
Details of all communications to members by TP.	Quarterly	Green
Assessment of effectiveness of engagement campaigns	Quarterly	Green
Clarity and content of annual benefit statements	Annual	Green
Number of members no longer contactable and steps taken to trace them	Annual	Amber
Trend of contributions including transfers in and impulse saves	Quarterly	Green

The issue of clients where the firm does not hold current, up to date contact information is one of concern to all providers of pension schemes in the UK and in particular auto enrolment schemes.

## 6. Engagement (Cont'd)

When individuals change employers, they often leave their pension benefits in their previous employer's scheme and do not always inform their pension provider of their new details if they then change their address. This issue is likely to worsen over time unless steps are taken to address it.

Although this is recognised as an industry-wide issue, and some national, centralised solutions have been proposed, as yet no solution has been identified. We have challenged TPI to develop a strategy to address the issue in the meantime.

Although TPI recognise the importance of the issue, they have yet to develop a strategy to resolve it and so we have turned this metric Amber. We have had useful engagement with TPI over various solutions, and we expect to be able to report progress on the implementation of a strategy in next year's report.

A similar but slightly different issue is the recording of an expression of wishes, which ensures that members pension benefits can be forwarded quickly to their beneficiaries in the event of their death. We are pleased that TPI has made good progress in this area with regular reminders online to members who have not yet completed an expression of wishes.

We look forward to hearing more from TPI on their strategy for engagement with AE members over the next 12 months. Although we have been impressed by the communication strategy that TPI has developed during the year, we believe that there should also be some communications that are targeted specifically for the needs of AE members and the users of Investment Pathways

The following details the challenges in this area that the IGC has raised with TPI during the period or which have yet to be completed.

Challenge	Status
Provide more narrative to explain changes in trends of contributions	Complete
Develop strategy for determining clients no longer contactable and taking steps to trace them	Ongoing
Encourage members to complete an expression of wishes	Complete
Articulate the strategy for engagement with AE members for the next 12 months	Ongoing

## 6. Member Feedback

The IGC will continue to make an independent assessment of the quality of service delivered to members and consider the extent to which it may be regarded as good value for money. However, a comprehensive assessment cannot be completed without feedback from members. The more we can understand your motivations to engage with the AE scheme and any barriers to engagement, the more we can do to serve your interests and evaluate outcomes of any activity we initiate. That is why it is important that we seek, and you provide, feedback on the services that TPI provides.

The IGC reviews details of any complaints raised by members to TP, to determine if these could be representative of an issue which is affecting the value for money that members receive. In the event that you would like to make a complaint, or provide any other feedback, directly to the IGC, you can do so by sending an email to us through the IGC mailbox: [IGC@tpllp.com](mailto:IGC@tpllp.com)

When a member transfers out, we look at any reasons given to see if this is an indication of a lack of value for money and we review the trend of number of members that opt out of the scheme or transfer elsewhere, to see if this is an indication of dissatisfaction with the service.

The following shows details of the reports and/or metrics that the IGC use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of review	Status
Results of member surveys	Ad-hoc	Green
Details of member complaints	Quarterly	Green
Review of direct feedback to the IGC from members	Quarterly	Green
Feedback from clients transferring out	Quarterly	Green
Trend of opt-outs and transfers out	Quarterly	Green

During the year the delayed member survey was completed and so this metric changed back to Green from Amber. Details of the results of the survey and the steps that are being taken to respond to your feedback can be found in the Member Survey section on page 18. We have asked TPI to review all of the individual responses to determine whether any further action is needed to enhance member satisfaction with the service.

The following details the challenges in this area that the IGC has raised with TPI during the period or which have yet to be completed.

Challenge	Status
Ensure that the distribution of the member survey is prioritised as soon as COVID 19 developments permit	Complete
Provide direct access to Accountants that use the service to allow direct feedback to be collected	Complete
Improve collection of feedback from clients transferring out	Complete
Review 2020 member survey results and determine the steps to be taken to enhance service quality	Ongoing

## 7. COVID-19

In the 2019 report I included a section on COVID 19 even though it did not begin to affect members until after the period that the report covered. I thought that it would be useful to re-iterate and update the summary of our reviews of the changes that TPI has made in reaction to the pandemic.

### TP's Actions in response to COVID 19

TPI has in place tested plans to ensure business continuity in the event of a range of events and issues; part of these are facilities that allow staff to work from home.

When in March 2020 it became apparent that social distancing would be required and that TPI would need to implement widescale homeworking TPI took steps to upgrade their homeworking capabilities and to develop procedures to allow almost the entire workforce to work from home.

A series of tests were conducted, and TPI was able to introduce the new procedures in advance of the lockdown being announced. All telephone calls and client emails were routed to staff at home, all meetings were rescheduled to use video conferencing. The only staff within TP's offices were a skeleton crew required to handle incoming and outgoing mail; these staff were isolated within the offices to ensure that there was no cross-infection. Non-essential work and projects were deprioritised to focus on the maintenance of daily service standards.

### Impact of COVID 19 on the work of the IGC

As a result of the social distancing rules all the work of the IGC has been conducted by email and all meetings have been held by videoconference. The IGC has been able to continue its work without impact except for in one area; the member survey that we mentioned last year. Once the effects of COVID 19 were clear, TPI took the decision that it would be inappropriate to devote resources to conducting the member survey until after the lockdown was lifted. Although disappointed that a delay resulted, the IGC agree with and fully support TPI's decision. There have been some challenges that the IGC has raised where progress has not yet been made within the hoped-for timeframes; again, IGC understands TP's position and is providing forbearance and support.

### IGC's review of TP's Actions

The IGC found that TPI took all the necessary steps to maintain the services to members in a timely and effective manner.

- True Potential Investments has been fully operational throughout the pandemic.
- There has been no break in service to members when going in or out of lockdown, with normal opening hours maintained.
- Support and service levels have been maintained throughout, and in some cases enhanced further.
- True Potential Investments has continued to expand its workforce.

The IGC's assessment is that, overall, TPI has provided an excellent service in the circumstances and the value for money provided to members has not been adversely affected.

## 7. COVID-19 (Cont'd)

### Current Position

Since the outset of the pandemic, True Potential has been determined to ensure that their office is a safe working environment for all our staff and visitors, this was one of the main focus areas when they redesigned their office for 2021. They adapted their way of working to incorporate a hybrid approach which has allowed them more flexibility and space when deciding what furniture to use. They have reduced the number of traditional fixed seats and selected a variety of working spaces to allow for full social distance including single seater desks. They continue to use a one-way system when entering, exiting and travelling around the office. Their work force will be distributed into separate groups who will be given specific working days in the office which will ensure that there is a reduced number of staff in the office at any time allowing all staff to maintain social distance whilst working in their Head Office. Masks are provided and required to be worn when not at your desk. Temperature scans will continue to be taken upon entry into the office and hand sanitising stations are located at every entry / exit point. TPI continues to comply with their COVID-19 risk assessment and give their staff regular updates of our COVID-19 guidance.



## 8. Regulatory Developments

### Investment Pathways

The FCA has introduced new rules covering all pension providers that allow a non-advised client to draw-down on their pension. They need to provide a series of 4 easy to understand options to the client which they can choose based on their requirements; these are called investment pathways. Under the new rules, it is the duty of the IGC to consider not only value for money for workplace pension schemes operated by TPI but also for the investment pathways offered to all non-advised pension clients. The new rules were due to come into effect in August 2020, but they were delayed until February 2021 as the FCA recognised the impact that COVID 19 on firms' capacity for change.

TPI has completed the design of their investment pathways and the IGC has reviewed them and provided feedback. In particular the IGC has requested that TPI provide documentation of the rationale for their choice of funds for each of the investment pathways.

Further information on the implementation of the Investment Pathways and the value for money that they provide to non-advised pension clients will be included in the 2021 report.

### Environmental Social and Governance Issues (ESG)

Last year's report drew your attention to several regulatory developments that had extended the remit and responsibilities of the IGC. One of these was the duty for IGCs to consider and report on TPI's policies on ESG issues, particularly with regard to identification and management of financial or non-financial matters that could pose a material risk to members' investment returns over time.

An example of a material financial risk would be corporate behaviour that undermines the future profitability of an organisation or precipitates an absolute loss of value. This could be a reliance on fossil fuels or public disclosure of fraudulent activity. An example of a non-financial risk could be engagement in manufacture of military weapons or using animals for testing. The latter activities may not have a material financial risk but could contravene the ethical principles of pension scheme members.

A second component of this extended remit was for the IGC to review TPI's implementation of its ESG, ethical and stewardship policies. This relates to how TPI integrates its policies in these areas in its investment activities.

We are happy to report that material progress has been made in the development of policy. TPI has issued a draft 'Sustainability Investment Policy' that includes a policy statement on ESG issues. The principal objective driving TPI's investment strategy is to secure the strongest and most suitable risk-adjusted returns for its pension scheme members, commensurate with their investment profile and goals. The potential for ESG issues to affect investment performance are recognised and form part of the investment manager's portfolio selection decisions, but more time is required to understand the nature of ESG risks and meaningfully measure their potential impact.

TPI is committed to aligning its business, investment strategies and governance activity with the needs and demands of its members, its employees, stakeholders, regulators, and society. It joins the call from other pension providers to develop industry-wide knowledge and understanding of ESG matters before it can fully integrate principles, policies, and concerns in its day-to-day investment practices.

## 8. Regulatory Developments (Cont'd)

In the short-term, it has developed a framework and criteria to enable a standardised approach to evaluation of the sustainability of fund and fund managers' investment performance. This includes quantitative and qualitative components. It will be interesting to review TPI's experience in adopting this approach over the next 12 months.

TPI will be a signatory to the United Nations' 'Principles of Responsible Investment'. There are six principles to which signatories commit. These include incorporation of ESG issues into investment analysis and decision-making processes and working together with others to enhance the effectiveness of implementing all six principles.

We anticipate implementation of TPI's 'Sustainability Investment Policy' over the next 12 months and look forward to providing feedback on the final policy and reviewing its effectiveness in next year's IGC Report.

### Disclosing Costs and Charges

The FCA has extended the remit of IGCs to include the requirement to report to workplace pension scheme members details of the costs and charges of the options within the scheme. You will see in the Costs and Charges section enhanced details of the costs and charges of the default fund and an illustration of the effect of those charges on the investments of members. You will also see in Appendix 3 details of the charges of all other funds available to members. In future we will be extending the illustrations to cover a sample of these other funds.

### IGC's approach to assessing Value for Money

The FCA has issued a consultation paper (CP 20/9) which proposes changes to the rules governing the operation of IGCs to clarify their expectations and promote a consistent approach to assessing Value for Money. In summary they propose that IGCs should:

- Take into account 3 key elements of value: charges and costs; investment performance; and services provided (including member communications).
- Assess and report on Value for Money, in particular through comparison with some reasonably comparable options on the market.
- As far as they are able, to consider whether an alternative scheme would offer lower administration charges and transaction costs and inform the pension provider if so. If the IGC is unsatisfied with the pension provider's response, the IGC should also inform the relevant employer.
- Set out their overall assessment in their reports about whether the scheme or pathway investment provides value for money.
- Explain how they have assessed Value for Money in their reports and keep relevant evidence they relied upon for at least 6 years.

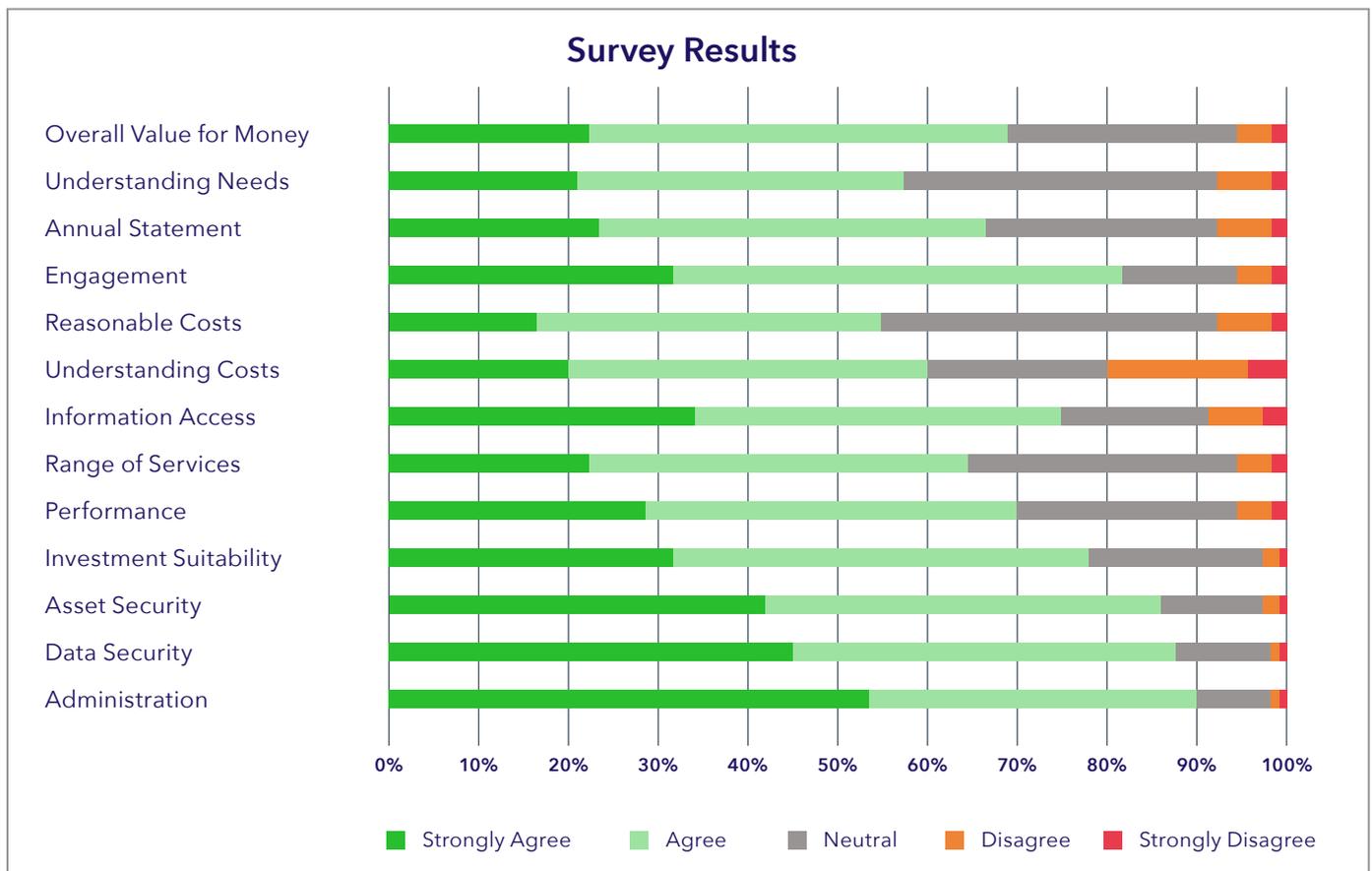
Having reviewed the proposed approach, the IGC considers that the approach that it has already adopted is generally consistent with its requirements. One area of potential change is the need to benchmark the Value for Money of the scheme against other comparable options. The IGC has started to try to do this but has been hampered by the difficulty of comparing schemes with different charging structures and the lack of publicly available information. The IGC hopes that the new rules will make the implementation of benchmarking easier for the IGC.

The consultation closed in September 2020 and the policy statement containing the new rules was due to be issued in the fourth quarter of 2020. We expect that the policy statement will be issued shortly and that the changes will come into effect in 2021. I will provide more information in my 2021 report.

## 9. Member Survey

The issue of the member survey was delayed last year due to the coronavirus pandemic. A total of 86,000 surveys were issued in the second half of the year and 896 were completed and returned – a response rate of 1%.

The following chart shows the response in respect of each of the questions.



In respect of the main question on Value for Money – “Taking everything into consideration, I am very happy with the value for money I receive on my pension account” the percentage of respondents that agreed or strongly agreed was 69% versus 5% that disagreed or strongly disagreed. This result is encouraging to the IGC as it confirms that the view of members on the main area that the IGC is required to assess is aligned to the views of the IGC.

The three areas in which most positive feedback (% of agree and strongly agree’) was received were:

- **Administration (90%)** – “My workplace Pension is handled in a smooth, efficient and professional manner”
- **Data Security (88%)** – “I am confident that True Potential take all reasonable steps to protect the security of my personal data”
- **Asset Security (86%)** – “I have no reason to doubt that my investments are managed effectively and securely”

## 9. Member Survey (Cont'd)



The issue of the member survey was delayed last year due to the coronavirus pandemic. A total of 86,000 surveys were issued in the second half of the year and 896 were completed and returned – a response rate of 1%.

The following chart shows the response in respect of each of the questions. The three areas in which most negative feedback (% of clients who disagreed or strongly disagreed') was received were:

- **Understanding Costs (20%)** – “I understand the costs and charges I pay for my workplace Pension”
- **Information Access (9%)** – “I find it easy to access the information I need when I log in”
- **Reasonable Costs (7%)** – “I believe that the costs and charges I pay are reasonable in relation to the services provided.”

In the Costs and Charges section on page 10 you will find more information on the costs and charges of the default fund and an illustration of their effect on your investments. There are also details of the charges of other funds available to you in Appendix 3; we hope that this will help you to better understand your costs. We expect next year to be able to benchmark costs and charges against other schemes to check that they are reasonable. TPI is reviewing the design of its online facilities and in particular the document library to make it easier for members to find the information that they need. We have also asked TPI to review all of the individual responses to determine if any other improvements should be made to their service and to provide a roadmap for the implementation of those changes.

The IGC recognises the fallibility of conclusions drawn from analysis of these results. It considers the exercise to have been worthwhile and provides a useful benchmark for appraisal of feedback on similar surveys in future. Overall, the feedback from this survey is considered satisfactory and does not indicate any serious misgivings about the quality of service delivered by TPI and the value for money received.

## 10. Future Work

Over the coming year the IGC expects to undertake the following work, in addition to the routine assessments of Value for Money:

- Review and comment on the final version of TP's ESG policies when implemented
- Review TP's steps to integrate their ESG policies and review reports on the operation of those policies
- Review the output of the TPI Product Committee in respect of the default fund and Investment Pathways
- Extend all of its annual and quarterly assessments to include Investment Pathways and to extend its annual reporting to cover Investment Pathways where required
- Review TPI strategy to assess and reduce the number of members not contactable
- Develop further the reporting of costs and charges by the illustration of their impact on a sample of funds
- Implementation any changes required from the rule changes made by the FCA arising out of its latest consultation paper (CP 20/9)
- Reviewing the changes that TPI has made to its service in response to your detailed feedback
- Carrying out a further member survey to assess the impact of the changes made to your view of the service

# Appendix 1 - Background to the IGC

The role of the Independent Governance Committee (the "IGC") is to oversee the operation of the workplace pension scheme and the investment pathway solutions for all pension schemes operated by True Potential ("TP") and, acting as an independent advocate of the members, ensure that the workplace pension policyholders and the pathway investors (the "members") are receiving value for money, challenging TPI appropriately where required. The IGC must also assess and report on the policies that TPI in respect of environmental, social and governance (ESG) issues, members' ethical concerns and their stewardship.

The IGC consists of 5 members and meets at least quarterly to review operation of the scheme and the investment pathways. Having considered the FCA's guidance on the assessment of independence, three of the members of the IGC are considered by them and by the IGC to be Independent of TP; John Reynolds (Chairman), Richard Curry and Trevor Williamson.



## John Reynolds (Independent Chairman)

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John Reynolds has over 25 years' experience as a pension practitioner, providing expert pension advice, consultancy and training into specialist advisory businesses across the UK.

He currently holds fellowship with the PFS, is a Chartered Financial Planner and is a Chartered Fellow of the Institute of Securities and Investments. In 2017 he completed his MSc in Financial Planning and Business Management at Manchester Metropolitan University (MMU).



## Richard Curry (Independent Member)

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Richard has over 30 years of experience in the investment management industry in a variety of senior management roles at large UK financial firms. Initially Richard worked as a computer programmer in the nuclear power industry before transferring those skills to the financial sector.

During his career he has held the positions of Head of Development, Head of IT, Director of Operations and finally Chief Operating Officer; a role that he performed for 15 years before entering semi-retirement in 2018. As part of his last role Richard was responsible for the implementation, operation and governance of a pension scheme with over £300m of client assets. Richard now works part-time as a consultant and independent governance committee member.

## Appendix 1 - Background to the IGC (Cont'd)



### **Trevor Williamson (Independent Member)**

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Trevor comes with a strong academic background, whose global experience in the design and delivery of business case workshops and working with thought leaders and diverse stakeholders in a variety of strategic, business and financial management situations has developed a keen eye for asking the right questions to help facilitate key decision-making.

He is an experienced academic versed in the use and application of critical thinking skills, with a natural inclination to challenge assumptions and behaviours underpinning organisational strategy and financial performance.



### **Brian Shearing (TPI Nominated Member)**

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Brian Shearing has devoted his entire career to financial services. For almost 30 years Brian has worked as a management consultant providing his expertise to pensions, investment and platforms.

In addition to a degree in mathematics and statistics he holds fellowships with the Chartered Insurance Institute (he is a chartered insurance practitioner), the Pensions Management Institute and the Institute of Directors. Brian is a member of the Pensions Policy Institute and the Association of Professional Compliance Consultants.



### **Sean Montgomery (TPI Nominated Member)**

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Sean has worked at True Potential since 2011 and became Operations Manager role in 2017. Sean has been a key influence on various projects and brings with him a wealth of knowledge of the internal workings of the TPI organisation.

## Appendix 2 - Glossary

Term	Meaning
AE	Auto-enrolment
COBS	Conduct of Business Sourcebook
ESG	Environmental, Social and Governance
DWP	Department for Work & Pensions
FCA	Financial Conduct Authority
HMRC	HM Revenue & Customs
IGC	Independent Governance Committee
TPI	True Potential Investments LLP, the provider and operator of the True Potential Pension Scheme
TPR	The Pensions Regulator
TPGMF	True Potential Investments Global Managed fund

## Appendix 3 – Costs and performance – all funds

In the Invest Performance section on page 6 we detailed the performance of the fund that AE members are invested in by default, the SVS True Potential Investments Balanced 5 Fund (to be known as the True Potential Balanced 5 Fund from 1st May 2021). In the Costs and Charges section on page 10 we have detailed the costs and charges of that fund and provided an illustration of the effect of those costs and charges over time.

There are four other funds that employers can choose for their employees to be invested in by default; the following table shows an illustration of the effects of cost and charges on the potential returns of those funds:

At end of year	L&G Multi-Index 3		L&G Multi-Index 4		L&G Multi-Index 6		L&G Multi-Index 7	
	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted
1	£2,022	£2,010	£2,022	£2,010	£2,022	£2,010	£2,022	£2,010
2	£2,810	£2,780	£2,809	£2,780	£2,810	£2,780	£2,809	£2,780
3	£3,593	£3,540	£3,592	£3,540	£3,593	£3,540	£3,593	£3,540
4	£4,372	£4,290	£4,371	£4,290	£4,372	£4,290	£4,371	£4,290
5	£5,156	£5,050	£5,165	£5,050	£5,156	£5,040	£5,155	£5,050
15	£13,059	£12,400	£13,150	£12,400	£13,059	£12,300	£13,153	£12,400
25	£21,530	£19,700	£21,610	£19,700	£21,530	£19,600	£21,620	£19,700
35	£30,850	£27,200	£30,810	£27,200	£30,850	£27,200	£30,820	£27,200

### Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £1,000.
3. Inflation is assumed to be 2.5% each year.
4. Contributions (£50/month) are assumed from age 25 to 60 and increase in line with assumed earnings inflation of 2.5%.
5. Values shown are estimates and are not guaranteed.
6. The projected growth rate for each fund is 2.5% above inflation

## Appendix 3 – Costs and performance – all funds (cont'd)

The following table shows all the funds that members can choose to invest in, showing the charges within the fund, the costs associated with transactions in the fund and the performance in 2020 in real terms after adjusting for the effects of inflation (CPI – 0.8%) and the platform charge (0.4%).

Fund Name	Ongoing Charges Figure	Transaction Costs	Performance				
			2020	2019	2018	2017	2016
SVS TRUE POTENTIAL BALANCED 5 A ACC	0.31	0.01	6.04%	14.08%	N/A	N/A	N/A
L&G Multi-Index 4 Fund (I) - Acc	0.32	0	6.15%	12.83%	-3.53%	6.53%	11.68%
L&G Multi-Index 6 Fund (I) - Acc	0.33	0	6.35%	16.96%	-4.81%	10.49%	16.30%
L&G Multi-Index 3 Fund (I) - Acc	0.32	0	6.06%	9.79%	-1.75%	4.42%	10.10%
L&G Multi-Index 7 Fund (I) - Acc	0.33	0	7.70%	19.18%	-6.05%	12.21%	18.89%
SVS True Potential Balanced A Acc	0.56	0.02	6.48%	10.26%	N/A	N/A	N/A
SVS True Potential Cautious A Acc	0.58	0.02	5.10%	7.79%	N/A	N/A	N/A
SVS True Potential Defensive A Acc	0.58	0.02	4.37%	5.27%	N/A	N/A	N/A
SVS True Potential Growth A Acc	0.58	0.02	6.84%	13.39%	N/A	N/A	N/A
SVS True Potential Aggressive A Acc	0.58	0.02	7.41%	16.09%	N/A	N/A	N/A
SVS TPI Cautious 1 A Inc	0.84	0.07	3.09%	12.11%	-2.32%	8.68%	5.79%
SVS TPI Cautious 1 A Acc	0.84	0.07	3.10%	12.17%	-2.41%	8.73%	5.82%
SVS TPI Cautious 2 Income A Inc	0.63	0.04	1.22%	9.47%	-1.80%	5.36%	8.21%
SVS TPI Cautious 2 Income A Acc	0.63	0.04	1.22%	9.45%	-1.84%	5.44%	8.20%
SVS TPI Cautious 3 A Inc	0.99	0	1.40%	10.68%	-3.40%	5.76%	16.38%
SVS TPI Balanced 1 A Inc	0.83	0.11	2.75%	16.28%	-2.56%	11.19%	6.04%
SVS TPI Balanced 1 A Acc	0.83	0.11	2.74%	16.25%	-2.50%	11.20%	6.06%
SVS TPI Balanced 2 A Inc	1.04	0	2.14%	14.00%	-6.11%	8.91%	19.88%
SVS TPI Balanced 2 A Acc	1.04	0	2.15%	14.00%	-6.10%	8.87%	19.77%
SVS TPI Growth 1 A Acc	0.87	0.15	5.13%	21.03%	-3.18%	11.71%	6.56%
SVS TPI Growth 2 A Inc	1.07	0	1.59%	15.80%	-7.40%	10.84%	22.89%
SVS TPI Growth 2 A Acc	1.08	0	1.56%	15.91%	-7.48%	10.92%	27.88%
True Potential Balanced 3 A Inc	1.38	0.01	1.14%	9.51%	-4.68%	3.62%	14.19%
True Potential Balanced 3 A Acc	1.38	0.01	1.08%	9.43%	-4.58%	3.68%	14.12%
SVS TPI Defensive 2 A Inc	0.84	0	1.17%	6.01%	-1.67%	2.57%	8.43%
SVS TPI Defensive 2 A Acc	0.84	0	1.04%	6.16%	-1.09%	2.51%	8.26%
SVS TPI Aggressive 1 A Inc	1.09	0	0.88%	18.08%	-9.03%	12.61%	23.79%
True Potential Cautious 4 A Inc	1.21	0	5.67%	5.65%	-1.53%	0.31%	8.21%
True Potential Cautious 4 A Acc	1.21	0	5.70%	5.64%	-1.51%	0.28%	8.27%
True Potential Cautious 5 Income A Inc	1.1	0	-0.54%	5.53%	0.86%	2.05%	9.28%
True Potential Cautious 5 Income A Acc	1.1	0	-0.60%	5.51%	0.82%	2.04%	9.30%
SVS TPI Balanced 6 A GBP ACC	0.58	0	1.38%	15.68%	-5.25%	11.19%	N/A
SVS TPI Aggressive 6 A GBP ACC	0.61	0	2.04%	21.53%	-6.86%	14.68%	N/A
SVS TPI Cautious 6 A GBP ACC	0.58	0	0.77%	11.59%	-3.48%	8.23%	N/A
SVS TPI Defensive 6 A GBP ACC	0.59	0	1.52%	7.39%	-2.43%	6.38%	N/A
SVS TPI Growth 6 A GBP ACC	0.59	0	1.72%	18.66%	-6.02%	13.04%	N/A
True Potential Monthly Income A Inc	0.72	0.07	-3.85%	19.70%	-4.96%	6.88%	N/A
True Potential Monthly Income A Acc	0.72	0.07	-3.95%	19.67%	-4.90%	6.87%	N/A
SVS TPI RISK MASTER 1 A ACC	0.89	0.03	4.72%	13.13%	-6.47%	4.62%	N/A
SVS TPI RISK MASTER 2 A ACC	0.89	0.02	4.18%	15.33%	-8.37%	5.58%	N/A
SVS TPI RISK MASTER 3 A ACC	0.89	0.02	3.55%	17.32%	-9.77%	7.59%	N/A
SVS TPI Income Builder 1 A INC	0.89	0.05	1.59%	16.64%	-6.43%	N/A	N/A
SVS TPI Income Builder 1 A ACC	0.89	0.05	1.71%	16.50%	-6.42%	N/A	N/A
SVS TPI Balanced 4 A ACC	0.96	0	7.14%	12.62%	-8.74%	N/A	N/A
SVS TPI Aggressive 7 A ACC	0.62	0	5.72%	14.07%	-8.49%	10.76%	N/A
SVS TPI Balanced 7 A ACC	0.66	0	5.39%	9.55%	-5.81%	6.07%	N/A
SVS TPI Cautious 7 A ACC	0.72	0	5.73%	7.17%	-4.96%	3.39%	N/A
SVS TPI Defensive 7 A ACC	0.82	0	5.35%	6.14%	-2.68%	2.56%	N/A
SVS TPI Growth 7 A INC	0.68	0	5.54%	11.65%	-6.73%	9.39%	N/A
SVS TPI Growth 7 A ACC	0.68	0	5.52%	11.69%	-6.72%	9.40%	N/A



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