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Chair's Annual Report

The PTL Governance
Advisory Arrangement ('GAA')

March 2018

Curtis Banks Workplace Personal Pension Plans



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1

Introduction and Executive Summary



This report on the workplace personal pension plans provided by Curtis Banks has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA'). It is our third annual report.

This report sets out our assessment of the value for money delivered to policyholders (see **Sections 2 and 3**). It also explains the background and credentials of the GAA (see **Appendix 3**). The GAA works under Terms of Reference, agreed with Curtis Banks, dated 25 November 2015. These are publicly available (see **Appendix 3**).

The workplace personal pension plans provided by Curtis Banks are Group Self Invested Personal Pension Plans (SIPPs). More details about the numbers of policyholders and their funds are shown in **Appendix 1**.

The GAA believes that deciding what represents 'value for money' is subjective and that value for money will mean different things to different people. We think value for money can be judged by looking at the balance of the costs paid by policyholders to the Group SIPP provider against the benefits and services provided from their policy, together with appropriate comparisons from other similar providers

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP Providers. The GAA requirements are relevant because Group SIPPS are classified as workplace pensions, although the same requirements do not apply to individual SIPPs. The GAA has highlighted this issue to the FCA. The assessment encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Curtis Banks. However, it does not include the elements provided by the Independent Financial Advisers (IFAs), or employers (including investment matters and charges) not controlled by Curtis Banks.

We have also considered the extent to which Curtis Banks has checked that policyholders are either sophisticated or qualified investors, as defined by the FCA, or have been advised by a qualified and authorised Independent Financial Advisor.

To the extent that policyholders are neither sophisticated/qualified investors nor advised, we have considered the investment fund processes as for other workplace pension providers. Curtis Banks has put a process in place to review default funds for schemes where there are policyholders who are neither sophisticated/qualified investors nor advised, and offers an individual annual review service for non-advised policyholders, which is available to Group SIPP members for an additional fee. The scheme review process is being extended to all funds of schemes without advisers, except where it is known that all members are sophisticated/qualified investors.

The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Curtis Banks provide reasonable to good value for money (except in a small number of cases where charges exceed 0.3% of the fund). Curtis Banks has taken steps to check the advised or sophisticated/qualified investor status of policyholders. This process is complete, with unadvised non-responders now assumed to not be sophisticated or qualified investors. In addition, where there is no adviser, Curtis Banks is providing a review of investments.

Again this year we have noted a small number of cases where the charges may exceed 0.3%, in 2 cases in excess of 1.5%. In these schemes, the policyholder is at risk of poor value and we have raised these cases with Curtis Banks. Curtis Banks has explained the reasons why these schemes have small funds, which are unlikely to be added to. Curtis Banks has written to the individual policyholders to draw their attention to the charges and to recommend that they take financial advice and consider whether a SIPP remains an appropriate vehicle for them. We understand there has been little or no response from the affected policyholders.

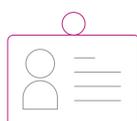
See [Section 3](#) and [Appendix 2](#) for more details of the value for money assessment.

A colour-coded summary of our value for money assessment is shown below:

Good ←      → Poor	Self Invested Personal Pension Plan
Investment: 'Advised' or 'sophisticated' policyholders	
Communications and support	
Risk management: operational and financial	
Other factors: administration, options at retirement, etc.	
Overall benefit	
Level of charges (excluding investment)	
Overall value for money assessment	

During the year we have raised concerns with Curtis Banks regarding the level of charges for a very small number of policyholders who are at risk of poor value for money. We have also discussed in detail their processes for ensuring that policyholders have continued access to advice, and the role of Curtis Banks in reviewing investments where there is no adviser involved.

Arrangements have been put in place to ensure that the views of the policyholders can be directly represented to the GAA (see [Section 4.3](#)).



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

Client Relationship Department

Curtis Banks
3 Temple Quay
Bristol, BS1 6DZ



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Value for money assessment framework for SIPP_s



The GAA has developed a framework for assessing value for money. In broad terms, the benefits offered to members by the workplace pension provider are assessed in three different areas. These areas are Investment, Member Communications and Support and Additional Factors.

For group SIPP providers the vast bulk of policyholders are either advised by a suitably qualified and authorised Independent Financial Advisor or are 'sophisticated investors' as defined by the FCA (see below). Therefore, for these providers, such as Curtis Banks, the investment aspects of the framework become an assessment of the process by which the provider ascertains that members are advised or are 'sophisticated investors'. It becomes a wider assessment if there are policyholders who are neither.

The assessment of the benefits as a whole is then balanced against the provider charges borne by members to reach an overall conclusion on value for money.

Investment aspects:

The FCA has prescribed five 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 SIPP environment for individual SIPPS, and are relevant to the GAA due to the classification of Group SIPPS as workplace pensions. In isolation, the SIPP regulations do not require that providers consider these aspects. The GAA has highlighted this issue to the FCA. 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 a SIPP, the policyholder directs the investment strategy, and is usually guided by their Independent Financial Adviser who will suggest strategies and put arrangements in place in conjunction with fund managers or investment platforms to implement those strategies. The SIPP provider has no active role in this. Its role is limited to the administration, except that it is expected by the FCA to act as a ‘gatekeeper’, for instance by carrying out due diligence on policyholders’ advisers and on non-standard investments, monitoring adviser activity in terms of excessive charging and monitoring for unsuitable clients for the SIPP environment (such as those with low fund sizes or who appear to be unsophisticated investors).

The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled for a SIPP by the member or in some cases potentially by the employers. In many cases SIPP policyholders choose this type of pension because they are ‘certified high net worth’ or ‘sophisticated’ investors as defined in FSA Handbook COBS 4.12.6/7/8 R.

<https://www.handbook.fca.org.uk/handbook/COBS/4/12.html#DES582>

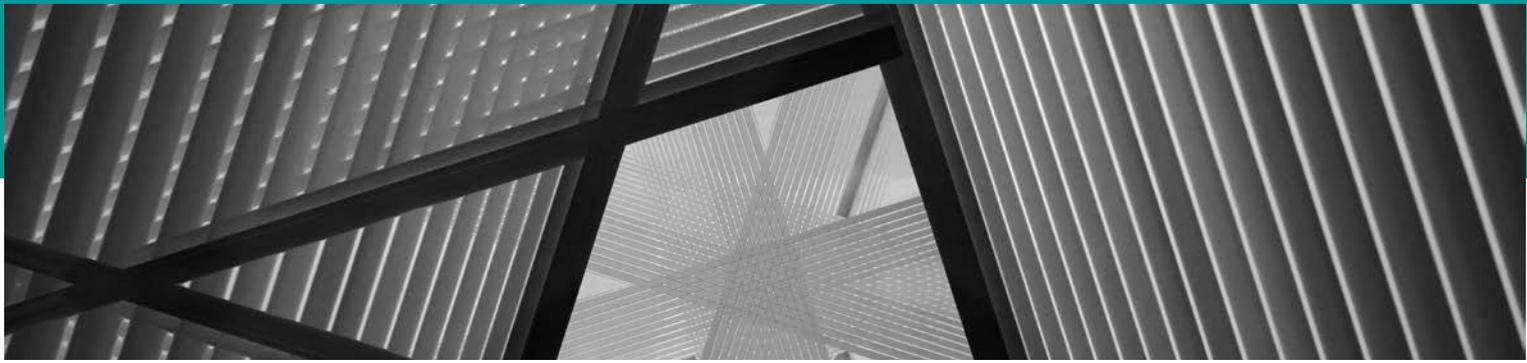
In these cases the provider is safe to assume that the policyholder is able to design the strategy and evaluate whether they are obtaining value for money over time from their investments.

For unsophisticated or non-advised policyholders the provider should undertake some form of review of the characteristics and performance of the investment strategies, and we are able to assess this process. However, by their nature, SIPPs can invest in ‘non-standard’ assets such as the unquoted shares or business premises of the employer. In such cases, it is likely that the member themselves will be much better placed to obtain information on, and understand the characteristics and net performance of, such strategies, rather than the provider.

The provider is, however, unable in practice to take action to make any necessary changes, because as described, it has no role in setting or managing investment strategies. The provider is able to raise concerns but cannot require action to be taken.

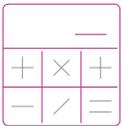
Group SIPPs generally do not have default funds in operation because each policyholder is choosing their own investments. Some group SIPPs have the same investment for each person, but each person has chosen the investment. Curtis Banks has identified the schemes where there is a genuine default fund (rather than a fund that has been independently chosen by a majority of the policyholder).

Accordingly, the GAA has not assessed the provider in relation to the first two areas in the table above unless any default funds are present. Our assessment has therefore started with a review of the process and outcome of the work done by Curtis Banks to establish which policyholders are receiving ongoing advice from an independent financial adviser, or can evidence that they are ‘certified high net worth’ or ‘sophisticated investors’. As this work has identified a number of cases where this does not apply, we have also looked at the investment review process undertaken by Curtis Banks. This review applies to both default funds and other funds.



3

Value for money assessment



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

Key highlights of our assessment

- The GAA has evaluated Curtis Banks using the value for money assessment framework for Group SIPPs.
- Communications are generally reasonable and in some cases good, where these have been reviewed recently. The annual benefit statement pack has been reviewed and updated this year.
- Policyholders can have access to an online portal to see asset values and transactions.
- Administration is of a good standard.
- The range of compliance checks is extensive.
- Charges are generally levied in monetary amounts, with a wide range depending on the complexity of the underlying investments, the degree of automation of the interface between the policyholder and the provider and investment platform and any discounts applied to reflect the economies of scale of grouping policies for people working at the same employer.
- The GAA focused on ensuring that the majority of members were advised or did not need advice because they understood the proposition.
- We have also been able to evaluate the support provided by Curtis Banks to non-advised policyholders and found this to be good, subject to the constraint that Curtis Banks has no power to make any changes to the investment strategy or choice of funds used to implement it.

Overall assessment of value for money

Fees are expressed in monetary terms and a range of different fees applies, depending on factors specific to each scheme. This approach means that individuals with smaller funds pay a higher percentage charge, but Curtis Banks believes this is fair because the work involved on their part does not depend on the size of the fund. Hence value for money varies according to fund size if considered in percentage terms.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP Providers. This encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Curtis Banks. However, it does not include the elements provided by the Independent Financial Advisers, or employers (including investment matters and charges) not controlled by Curtis Banks.

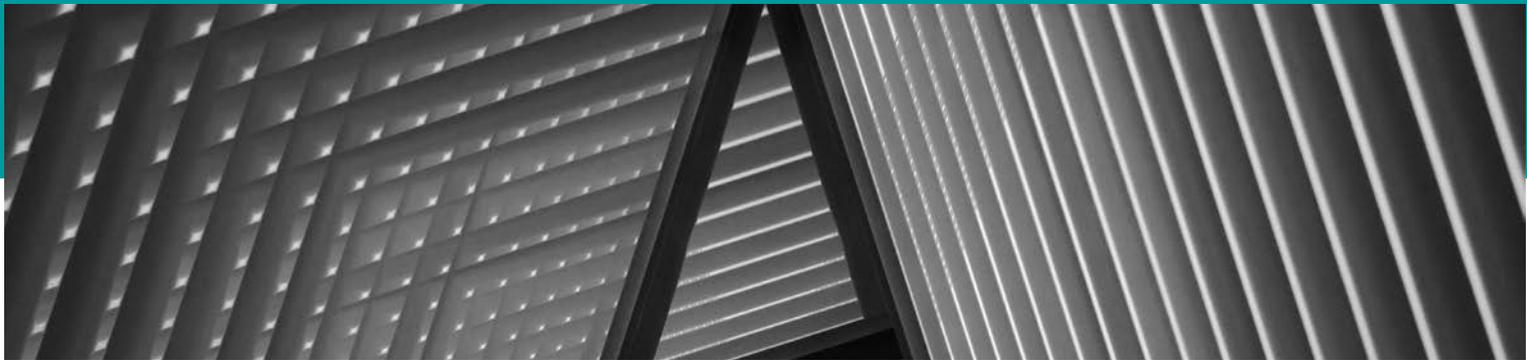
We have considered the extent to which the Provider has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been and continue to be advised by a qualified and authorised Independent Financial Advisor. This process is now complete for all employers, and in cases where there has been no response from a member of an unadvised scheme, it is assumed that they are not a sophisticated or qualified investor.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment review process provided by Curtis Banks. There are some such policyholders for Curtis Banks.

The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Curtis Banks provide reasonable to good value for money.

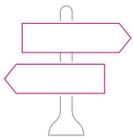
Curtis Banks has taken steps to check the advised or sophisticated/qualified investor status of policyholders. This process is complete and has identified a number of schemes where there is no Independent Financial Adviser and the policyholders cannot be deemed to be sophisticated investors.

We have identified a small number of cases where the charges may exceed 0.3%, in 2 cases in excess of 1.5%. In these schemes, the policyholder is at risk of poor value and we have raised these cases with Curtis Banks, who has written to all such members to suggest that they take advice and consider using an alternative pension saving vehicle. We understand that very few policyholders appear to have taken any action as a result.



4

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.

4.1 GAA actions this year

We prepared and issued a request for data on all the relevant workplace pension policies on 15 May 2017.

On 3 August 2017, members of the GAA met with Curtis Banks staff from the administration and finance and compliance teams. We discussed the nature of the portfolio and the extent to which policyholders may not be advised. The administration team leader described the nature of the support provided to the policyholders and the service standards aspired to, monitored and achieved. We also discussed risk management, including cyber security and data protection. We considered the extent to which Curtis Banks is able to review investment performance on behalf of policyholders who do not have a financial adviser.

Curtis Banks has provided all the information requested by the GAA.

The GAA held 5 meetings during 2017/18 to review and discuss the information we had received and to develop and improve the way that we assess value for money and report on this.

4.2 Concerns and Challenges raised with the Provider by the GAA and their response

The GAA has engaged and challenged Curtis Banks extensively during the year covered by this report and in previous years.

In the first year engagement focused on the extent to which the provider was responsible for the entire proposition. It became clear that as a SIPP provider Curtis Banks regarded itself as a facilitator rather than a provider. It expected the policyholders were able to make their own investment decisions and assess their own value for money in the choices that members have made.

In the second year, the GAA challenged the provider to provide complete evidence that policyholders were taking independent advice or were competent to make these decisions by being 'sophisticated investors' as defined by the FCA.

The GAA challenged Curtis Banks to find a solution for other policyholders either by reviewing investment performance as a Provider or by insisting on independent financial advice for policyholders. Curtis Banks chose the former approach and has commenced such investment reviews.

The GAA also raised specific issues on charges for a small number of policyholders, where these exceeded 0.3% per annum, which in our opinion puts the policyholder at risk of poor value for money. Curtis Banks has explained the reasons why these schemes have small funds, which are unlikely to be added to. Curtis Banks has written to the individual policyholders to draw their attention to the charges and to recommend that they take financial advice and consider whether a SIPP remains an appropriate vehicle for them.

In this third year, no new issues were raised.

4.3 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:

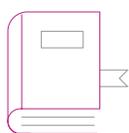
The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been communicated via the Curtis Banks website and has been highlighted on annual benefit statements.

Curtis Banks 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 Curtis Banks determines that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.



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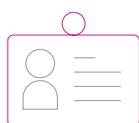
Next Steps



This GAA report is for the year to 5 April 2018. The process of annual reports under the FCA requirements is ongoing and further annual reports will be required.

In the next year the GAA will:

- Assess the investment review process in more detail.
- Assess the administration team in Bristol, following the handover of work on certain schemes from the Market Harborough office.
- Look at the mechanism for policyholders and advisers to receive transaction costs information for underlying investment funds.



If you are a policyholder this report is for your information only and you do not have to take any action. If you do have any questions, require any further information or wish to make any representation to the GAA you should contact Curtis Banks at the address shown on page 5.

Colin Richardson

Chair: PTL Governance Advisory Arrangement

Appendix

1

Summary of workplace personal pensions data at September/October 2017

This is the GAA's third annual report in respect of the workplace personal pension schemes provided by Curtis Banks, which are all Self Invested Personal Pensions ('SIPPs').

	CB Montpelier	Dundee	Rathbones	Friends Life	Pointon York	Bridge-water	Suffolk Life
Number of employers: non-qualifying for auto-enrolment	13	2	2	1	14	1	18
Number of employers: qualifying for auto-enrolment	0	0	0	0	4	0	0
Total number of policy holders	439	14	119	32	1,288	18	140
Total value of assets (market value)	£70.0m	£9.6m	£103.2m	£1.1m	£41.2m	£7.0m	£27.5m

1. The largest group of SIPPS (18 schemes) which operate on a group basis for 5 members or more were sold as Corporate SIPPs by Pointon York, before Curtis Banks acquired the business of Pointon York.
2. A book of SIPPs was acquired from Legal & General under the Suffolk Life brand during 2016. These had not previously been viewed as workplace pension schemes but Curtis Banks believe that 18 schemes do fall within the definition and therefore there have been included in our scope.
3. A small number of Group SIPPs (4 schemes) have been sold under different brands to employers and are effectively viewed by Curtis Banks and by the employer as workplace pension schemes. This includes the Rathbones SIPP product, which is now run by Curtis Banks, the Friends Life Scheme and 2 of the CB Montpelier schemes).
4. There are a further 15 schemes with 5 members or more which were not sold via the employer. Typically in these cases a small group of employees have purchased the same SIPP individually, but as contributions are paid across by the employer in bulk, they fall within the FCA's definition of a workplace pension scheme.
5. There is a further larger group of schemes with 2 to 4 employees, sold on the same basis as the fourth category.

Appendix

2

Value for money assessment

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

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

A key area for Group SIPPS is whether policyholders are either advised by a suitable qualified and authorised Independent Financial Adviser on appropriate investment funds for their requirements, or are deemed 'sophisticated investors' as defined by the FCA (described in [section 2](#) of this report). Therefore, a central part of the GAA's assessment has been the Provider's process to know this for all policyholders. Curtis Banks also undertakes a review of investments for non-advised investors, and we have assessed this process.

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

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

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

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

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

Description of arrangements	GAA assessment and opinion
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Investment – Confirmation that policyholders are ‘advised’ or ‘sophisticated’

Curtis Banks has provided a list of schemes showing the name of the employer, the number of policyholders, average fund size and typical investment strategy or the name of the discretionary fund manager or platform used.

Curtis Banks has explained their role in accepting schemes and outlined the processes that they follow to assess the suitability of the adviser, fund manager and policyholders.

Curtis Banks has provided evidence that many policyholders are advised or have confirmed in writing that they are ‘certified high net worth investors’ or ‘sophisticated investors’ or ‘qualified investors’.

Curtis Banks has now completed its checks to identify which policyholders fall into one of these groups.

Curtis Banks has attempted to check policyholder status in detail which is welcomed.

In the majority of cases, policyholders are advised by an IFA associated with the scheme.

In a small number of cases, policyholders are neither advised nor sophisticated/qualified investors, and these will be covered by Curtis Banks’ investment review processes and support.

Where a non-advised policyholder has not returned the form, it is assumed that they are not sophisticated/qualified investors.

Investment – Whether the default investment strategies are designed and executed in the interests of policyholders

Four schemes have a default investment strategy and in three cases there is an appointed IFA who is responsible for the selection and review of the default. We have not assessed this, as an authorised IFA is separately regulated for this work.

The remaining scheme is a closed scheme with 234 members, whose sponsoring employer is in administration and no longer has an associated financial adviser. Some of these non-advised policyholders (with funds under £20,000) received a mailing from Curtis Banks in March 2017 which, amongst other things, encouraged them to seek financial advice and to consider transferring to another pension product.

We have not assessed Curtis Banks in this area, as it is not their responsibility. There does, however, remain the gap that it has not been confirmed yet that every policyholder is either ‘advised’ or ‘sophisticated’ even though considerable attempts have been made to complete this process.

Investment – Range of funds

As you would expect, as these are Self-Invested Personal Pension Plans, a very wide range of investments is available.

Investment – Review process and support for non-advised policyholders

Curtis Banks has an extra service to support policyholders with newsletters and information on investment issues and this extends to Group SIPP members. In addition, it is compulsory for policyholders who are neither advised nor sophisticated investors to receive a light touch annual review of their investment performance, with reminders on the impact of charges and the importance of reviewing their investments in line with their attitude to risk, which may change as they approach retirement. There is an additional fee for this service.

In addition, for schemes where there is no adviser and it cannot be confirmed that all the members are sophisticated investors, Curtis Banks will review the characteristics and net investment performance of each fund and communicate their observations to the employer.

We welcome the introduction of the new individual annual review service, which we believe represents reasonable value for money based on the small additional fee.

We will continue to work closely with Curtis Banks to monitor the effectiveness of the fund review process and evolve it as appropriate.

Communications and Support – Overall quality of written communications, including education on pension saving

Sample policyholder communications have been provided including an annual benefit statement, pre-retirement wake up letter or pack, and retirement option packs.

In our opinion, written policyholder communications are generally of a reasonable to good standard for the typical SIPP member, who will generally have the support of an IFA.

The annual benefit statement pack has changed since last year and in our opinion is good.

Communications and Support – Other support, including telephone and online

Curtis Banks explained that telephone support is available direct to policyholders but in general most contact is made via the financial adviser or the employer, by telephone or email.

Policyholders can obtain fund values over the telephone or online if they belong to an eSIPP. Online access has been extended during the year.

In our opinion, the dedicated portfolio manager should provide policyholders with a good level of support, although we have been unable to obtain specific evidence of this.

Communications and Support – Regular reminder to policyholders to review investment choice

There is a regular reminder to review investment strategy in the annual benefit statement pack.

This is satisfactory, bearing in mind the nature of the product and that most policyholders will have an adviser.

Communications and Support – When choosing retirement options

The options available are set out to policyholders, with links to websites providing guidance and information, but no additional support is available. There is no annuity broking service.

The level of support is reasonable, bearing in mind that most policyholders will have access to independent financial advice.

Communications and Support – Proactive engagement with policyholders to seek their feedback

An explanation of the role of the GAA is included in the annual benefit statement pack, with an invitation to provide feedback.

In general, most contact is made via the IFA.

We are satisfied that the level of proactive engagement is appropriate for this product.

Risk Management – Financial strength and stability

Curtis Banks is a leading provider of SIPP products with significant assets under administration. It is listed on AIM.

As Curtis Banks is providing an administration wrapper and platform, its financial strength is not a primary security concern to policyholders. – albeit it still has some relevance. No concerns are apparent at present.

Risk Management – Security of IT systems and Data Protection

We discussed the security of IT systems and physical security measures at the site visit. Secure messaging is now used rather than email when communicating with policyholders, employers and advisers regarding financial transactions.

Changes have been made to improve the robustness of systems during 2017.

We believe that IT security and plans for GDPR compliance are adequate, based on the description of the frameworks given to us.

Note that we have not taken any independent advice from cyber security or data protection experts to support this opinion.

Risk Management – Independent assurance of Firm controls

There is no independent assurance of internal controls. An internal audit of the Corporate SIPP business processes has been carried out and the results shared with the GAA.

The results of the internal audit were good overall. The only major issue identified was a delay in issuing annual benefits statement packs, due to the change in systems.

We recommend that Curtis Banks considers obtaining external audit or assurance of its internal controls and processes.

Risk Management – Product Development process to assist policyholder outcomes

The business has grown by acquisition and, although it is not intended to write new Group SIPP business, further workplace pension schemes may be acquired in future. On acquisition, product features and charges are reviewed and brought into line with Curtis Banks standards. IT systems have been reviewed and upgraded during 2017.

The Corporate SIPP product is under review.

We look forward to discussing the results of the review with Curtis Banks.

Risk Management – Protecting the policyholder against fraud and scams

Staff are trained annually to recognise possible scams and fraudulent activity.

We believe this approach is appropriate and adequate.

Administration service and core financial transactions

Curtis Banks carry out the administration, working to high standards which are published on their website. Their aim is to complete most standard tasks within 5 working days.

If the agreed Service Standards are met, core financial transactions will be processed promptly and accurately.

There has been one complaint, relating to the explanation of fees for a specific instruction, which was not upheld.

More comprehensive service standards data was available this year and we are satisfied that members receive a good service and that core financial transactions are processed promptly and accurately.

Member complaints have been dealt with.

Other governance or support arrangements

There are no additional (financial or other) benefits to policyholders by virtue of their membership of a Curtis Banks Group SIPP.

Retirement options

At retirement, policyholders can take one or more UFPLS from their fund or select flexible drawdown, without transferring to a different product or provider. Alternatively, policyholders can arrange an annuity purchase on the open market, as Curtis Banks does not offer annuities.

Policyholders can access the full range of options at retirement, with an external transfer only required if an annuity is purchased.

Charges and direct and indirect costs borne by policyholders

The GAA has ignored set up fees in this review as no new Group SIPPs are being put in place.

Practice will vary as to whether these fees are borne by the policyholders or met by the employer. Different charges can apply to different schemes but information about the full range has been provided.

Curtis Banks' fees are generally expressed in monetary terms rather than as a percentage of the fund except in a few cases where a percentage fee is charged on an annual basis, sometimes capped to a monetary amount.

Curtis Banks has no control over fund management charges, which are payable in addition to Curtis Banks' fees, and in any event do not benefit from them.

For most policyholders the charges from Curtis Banks will be small in percentage terms.

Policyholders will bear investment charges and, where applicable, advisory charges in addition to Curtis Banks' charges, but these are not under Curtis Banks' control.

Transaction costs

The FCA published a prescribed method for calculating transaction costs for disclosure to Independent Governance Committees (and the GAA) in September 2017 to be effective from 3 January 2018. This is relevant to policyholders because their funds are subject to deductions for known direct costs (such as the annual management charge and explicit known charges levied by Curtis Banks) but also indirect and transaction costs which are incurred by the investment funds and paid out of the funds in the course of investment management.

Providers are under a duty to provide information on these costs from 3 January onwards. This is complex for Group SIPP Providers because many different investment managers and funds may be used. Also, the time elapsed since 3 January 2018 is very short for the production of meaningful figures.

Notwithstanding this, in terms of costs and charges the GAA has looked at charges levied by Curtis Banks and not the charges levied by the investment managers. The selection of investment funds and their ongoing review of suitability is the responsibility of the policyholders' IFA and they have the responsibility for this, including transaction cost information.

The issue to resolve with GSIPP providers is that only the GAA can request transactions data from asset managers, through the provider, but the members or their advisors need the data as they have discretion over their investments. Even if it is provided to the GAA it will be difficult to interpret as the policyholder has made the fund selection decision.

In this light, the IFAs need a mechanism to receive such information and investment managers have a duty to provide the information under the FCA Rules. The IFAs and Curtis Banks need to find a way to receive this information in the future, in order for the IFAs to fulfil this responsibility.

Overall assessment of value for money

Where fees are expressed in monetary terms and are quite high in nominal terms, value for money will be improved as the member's fund size increases. Where fees are expressed as a percentage of the fund value for money is better for members with small funds.

The GAA has assessed the aspects of value for money which are practical to apply to Group SIPP Providers. This encompasses the charges, communications, administration, processes, reviews, admissibility and other aspects controlled by Curtis Banks. However, it does not include the elements provided by the Independent Financial Advisers, or employers (including investment matters and charges) not controlled by Curtis Banks.

We have considered the extent to which the Provider has checked that policyholders are either sophisticated investors, as defined by the FCA, or have been and continue to be advised by a qualified and authorised Independent Financial Advisor. This process is still underway but for the cases that have been completed, we are satisfied that the process is thorough and effective.

To the extent that policyholders are neither sophisticated investors nor advised, we have considered the investment review process provided by Curtis Banks.

The GAA's opinion is that, in the context of protecting members of workplace pension schemes, the aspects of the SIPPs provided or controlled by Curtis Banks provide reasonable to good value for money (except in a small number of cases where charges exceed 0.3% of the fund). Curtis Banks has taken steps to check the advised or sophisticated investor status of policyholders. This process is complete. In addition, where there is no adviser, Curtis Banks is providing a review of investments.

We have identified a small number of cases where the charges may exceed 0.3%, in 2 cases in excess of 1.5%. In these schemes, the policyholder is at risk of poor value and we have raised these cases with Curtis Banks. Curtis Banks has explained the reasons why these schemes have small funds, which are unlikely to be added to. Curtis Banks has written to the individual policyholders to draw their attention to the charges and to recommend that they take financial advice and consider whether a SIPP remains an appropriate vehicle for them.

Appendix

3

Background and credentials of the PTL Governance Advisory Arrangement

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

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

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

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

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

Dean Wetton is also a member of the GAA. Dean is independent of PTL. Information on his experience and qualifications can be found at www.deanwettonadvisory.com.

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

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

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

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

Terms of reference

The terms of reference can be found in your online service:

www.curtisbanks.co.uk/group-sipp.html



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 or 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').

Bid/offer spread

The amount by which the ask, or purchase, price exceeds the bid, or sell, price.

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 lifestyling processes
- Settlement of benefits – whether arising from transfer out, death or retirement

Custodian

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

Decumulation

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

Default investment strategy

The investment funds into which contributions are invested for policyholders who do not select other specific investment funds from the full range of funds available.

Flexible drawdown or Flexi Access Drawdown

An option for an individual to receive payments from their pension fund as they choose.

Lifestyling

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.

Ongoing Charges Figure (OCF)

The annual percentage reduction in return as a result of operational expenses.

Passively managed

Investment funds which invest to track a particular index of assets by investing as closely as possible in the same proportion or weighting as the index components.

Transaction costs

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

UFPLS or Uncrystallised Funds Pension Lump Sum

A method of drawing cash from a pension pot without buying an annuity or using drawdown.

ptl



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