



Hargreaves Lansdown

**Independent
Governance
Committee**

Report

2023

YOUR WORKPLACE PENSION DASHBOARD FOR 2023

A committee of independent professionals (the “IGC”) have assessed whether your workplace pension plan gives you value for money. The key factors the IGC considered are summarised below, together with the IGC’s rating of each factor and where more work is needed.

KEY









Meets or exceeds the IGC’s expectations.



The IGC has identified areas for improvement which are being addressed / are in relation to emerging risks or regulation.



The IGC has identified areas for improvement which have not yet been addressed.

	VALUE FOR MONEY COMPONENT	RATING	CALLS TO ACTION
Investment strategy and performance	Are investment strategies appropriate and reviewed?		<ul style="list-style-type: none"> Review how much you have in pension savings and make sure you (a) have enough to pay for the standard of living you want in retirement and/or (b) are paying in enough to fill any gap. You can speak to a financial adviser to help you do this. Before you take your pension, we strongly recommend you understand the options and check your chosen option is right for your circumstances. Take advice or guidance if you're unsure. The government provides a free and impartial service to help you understand your retirement options. Pension Wise is available online (www.moneyhelper.org.uk), by calling 0800 138 3944 or face-to-face. <p>It's important to check your pension investments are right for your circumstances and goals. You can get help by speaking to a financial adviser.</p> <p>If you're holding a lot of cash in your pension, think carefully about whether this is right for you and ask for guidance or advice if you're not sure. You can get help by speaking to a financial adviser.</p> <p>If you're getting close to retirement you should check the lifestyle approach set up by HL is right for you.</p>
	Are investments performing well?		
Communications, engagement and support	Are communications to members clear, appropriately targeted and accessible?		
Administration and service	For example, are financial transactions processed promptly and accurately?		
Other features	We considered other features that we thought relevant to value for money.		
Costs and charges	Are the charges reasonable for the product?		







The IGC is satisfied that most members are receiving value for money from their workplace pension. The IGC has found a number of areas of strength in the Hargreaves Lansdown proposition, however, we have also found several areas for improvement. More detail can be found in our full report.

Saving to provide for retirement is one of the most important financial decisions you'll make. Good planning, the amount you contribute and the product and fund choices you make will all make a big difference to your retirement income. It's important to bear in mind when deciding how best to prepare financially for retirement that saving in a pension scheme offers valuable tax benefits to most of us that can considerably boost our retirement income.

YOUR INVESTMENT PATHWAYS DASHBOARD FOR 2023

A committee of independent professionals (the “IGC”) have assessed whether the Hargreaves Lansdown **Investment Pathways** give you value for money. The key factors the IGC considered are summarised below, together with the IGC’s rating of each factor and where more work is needed.



	VALUE FOR MONEY COMPONENT	RATING	CALLS TO ACTION
Investment strategy and performance	Are investment strategies appropriate and reviewed?		Review the investment pathway you are in to make sure it is right for your circumstances. You can speak to a financial adviser to help you do this.
	Are investments performing well?		
Communications, engagement and support	Are communications to members clear, appropriately targeted and accessible?		
Administration and service	For example, are financial transactions processed promptly and accurately?		
Other features	We considered other features that we thought relevant to value for money.		
Costs and charges	Are the charges reasonable for the product?		

The IGC is satisfied that most clients are receiving value for money from the **Investment Pathways**. The IGC has found a number of areas of strength in the Hargreaves Lansdown proposition, however, we have also found several areas for improvement. More detail can be found in our full report.

Making choices at retirement is one of the most important financial decisions you'll make. These determine your future, and some decisions cannot be changed once they have been implemented. **Investment Pathways** have been created as a default option for people who have or want to choose **drawdown** without firstly obtaining financial advice.

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Introduction

Hello and welcome to our 2023 report. We'll tell you whether we think your pension scheme and Investment Pathways give you value for money and our opinion on Hargreaves Lansdown's investment policies.



My name is Richard and I chair the committee (the Independent Governance Committee, or "IGC") that's written this report. Our main job is to assess whether you get value for money (VFM) from your pension scheme. You can find how we did this and much more information on the background and role of the committee by reading the rest of this report. It's enough to say for now, though, that we're here to act only in your interests and that we're independent of Hargreaves Lansdown (who from now on I'll call "HL").

The report includes some important "calls to action". These are things you need to do to make the most of your pension scheme.

We've written the report for you, but we recommend you talk about it with a financial adviser.

Sometimes we've had to use industry jargon. Where we've done this, we've put the words in bold and given a definition in the jargon buster which you can find at the very back of the report.

We'd love to hear your views or comments on this report or your pension scheme. You can email us on IGC@hl.co.uk

Or write to us at;

FAO: IGC
Freepost
HARGREAVES LANSDOWN

Thank you for reading this report.

A handwritten signature in black ink, appearing to be 'Richard Butcher', with a long horizontal flourish extending to the right.

Richard Butcher
Independent Chair

Our conclusion on value for money

Our overall conclusion is that your scheme and the Investment Pathways give most members value for money.

While the costs you pay aren't the lowest available on the market, our assessment is that they are, in our view, reasonable particularly when all the benefits provided to you are considered.

VALUE IS MORE THAN JUST COST

Value for money has been defined by the National Audit Office as "The optimum combination of whole-life costs and quality". This is the definition we've worked to.

Because, however, there is a lack of perfect information about what's available and at what price and because some parts of the proposition are qualitative, what's "optimum" can only be theoretical.

Nevertheless, a value for money assessment must take account of the quality of the proposition as well as its cost and consider how that compares to what's available for equivalent schemes from other providers in the marketplace.



Workplace pensions: what we considered when doing our value for money assessment

In this section I'll tell you how we went about assessing value for money, the factors we considered and why we arrived at the conclusion.

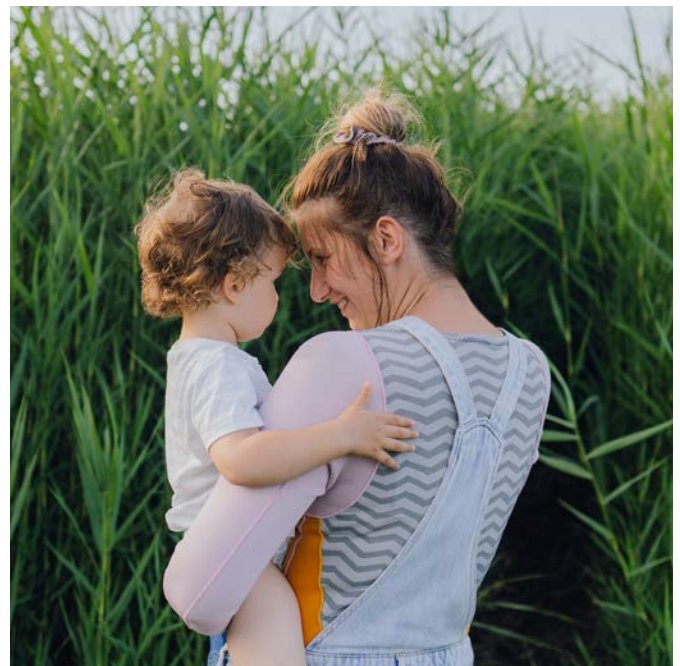
We've created a framework to analyse the value for money ("VFM") you get.

The framework helps us to make sure we consider the factors that contribute to VFM in a robust and consistent way. You can find more information on this framework, along with a full list of the factors we considered in Appendix 3.

Ultimately, the real value from your pension will be measured by you, based on what you receive when you need or want to start taking money out of it. Two of the most significant factors that'll influence that, however, are out of our control. They are what you and your employer pay into the scheme and the decisions you make just before you take the money – and that's why there are two calls to action here:

CALLS TO ACTION

- Review how much you have in pension savings and make sure you (a) have enough to pay for the standard of living you want in retirement and/or (b) are paying in enough to fill any gap. You can speak to a financial adviser to help you do this.
- Before you take your pension, we strongly recommend you understand the options and check your chosen option is right for your circumstances. Take advice or guidance if you're unsure. The government provides a free and impartial service to help you understand your retirement options. Pension Wise is available online (www.moneyhelper.org.uk), by calling **0800 138 3944** or face-to-face.



INVESTMENT STRATEGIES AND PERFORMANCE

You'll be invested in either a "Default fund", one or more of the many other funds or exchange traded investments on offer or possibly holding your pension money as cash. Like many others, you may have selected funds from the "ABC fund range". In our VFM assessment, we looked at both the **Default funds** and the ABC range.

You can find out which fund you are invested in by logging in to your on-line account, or by calling or writing to HL.

THE DEFAULT FUNDS

The **Default funds** are:

- **BlackRock Consensus 85** which aims to mirror the investment strategy of the average pension fund, specifically, the average fund in the 'ABI Mixed Investment 40-85% Shares Pension' sector, by investing in a diverse range of company shares, bonds and cash.
- **Schroder Managed Balanced** which invests in a balance of shares, bonds, and cash. The fund is actively managed, trying to beat the markets it invests in. The fund can invest up to 85% in shares but has typically held less than this.
- **HL Growth Fund** which invests across different assets such as shares and bonds with the flexibility to invest into property, commodities, and cash. Shares make-up 70-85% of the fund, mostly in collective investments which track global markets. **ESG** is integrated into the process and at least 70% of the fund will be invested in indices with **ESG** requirements.

The HL Growth Fund became the **Default fund** in December 2021 and some members switched into it. Since April 2022, your contributions may have been paid into this fund unless you have made an alternative investment choice. HL has control over the fund's strategy, asset allocation and day-to-day management, as well as deciding who the fund manager is, giving HL the ability to adapt the design of the fund from time to time. This is a positive development, as it allows HL to change the fund to reflect the changing needs of you and the other members.

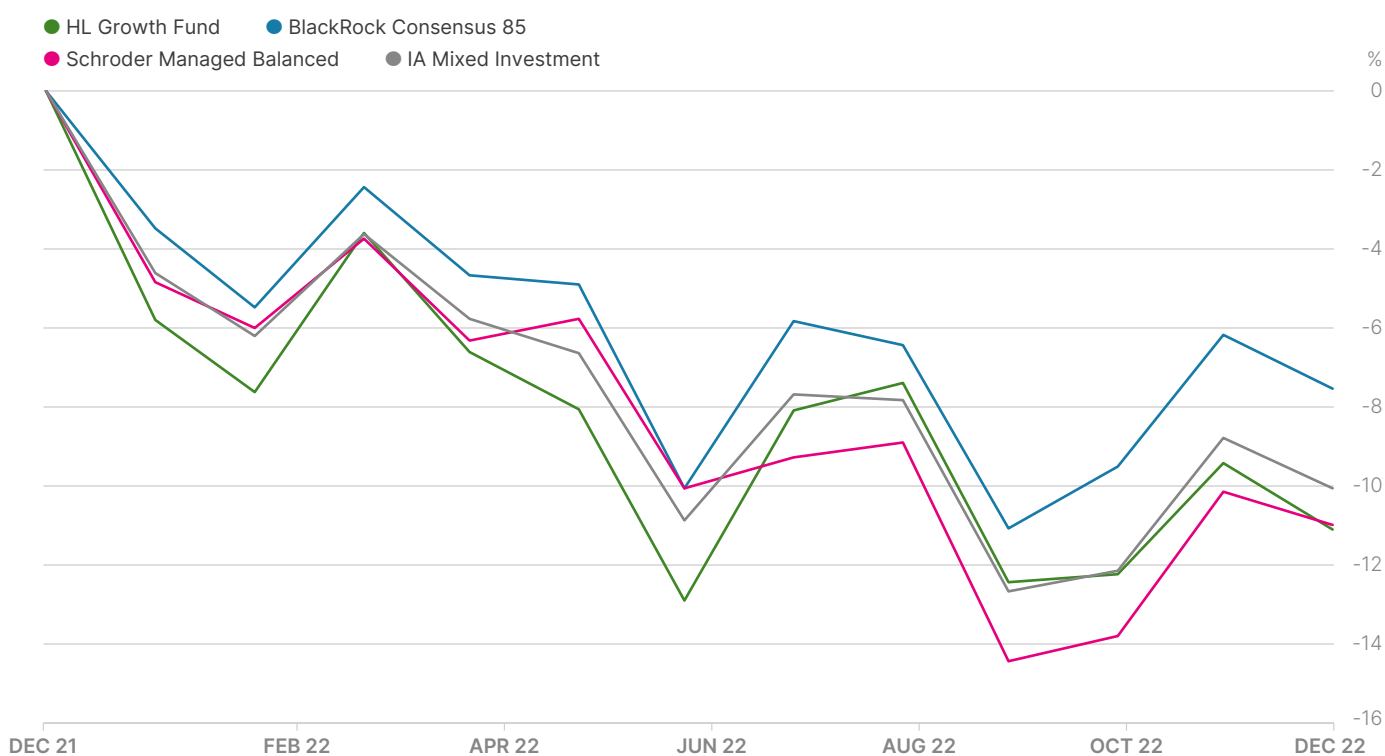
HL has not moved any pension savings you built up before April 2022. This means, whether you are currently paying contributions or not, you may still have money invested in one of the previous **Default funds**. Both the BlackRock and Schroder funds are previous **Default funds**.

CALL TO ACTION

It's important to check your pension investments are right for your circumstances and goals. You can get help by speaking to a financial adviser.

The **Default funds** aim to achieve a balanced investment outcome across shares, bonds and cash to lower the overall fund risk in relation to returns.

DEFAULT FUND PERFORMANCE – 1 YEAR



Source: Lipper IM 31/12/2022

Past performance is not a guide to future returns

Cash has also historically been used as a **Default** for a minority of you. It's important you review whether holding cash is appropriate to your long-term investment needs. Holding cash may be suitable if you intend to access the money from your pension in the short term but is highly unlikely to be suited if this is not the case.



CALL TO ACTION

If you're holding a lot of cash in your pension, think carefully about whether this is right for you and ask for guidance or advice if you're not sure. You can get help by speaking to a financial adviser.

Fund performance

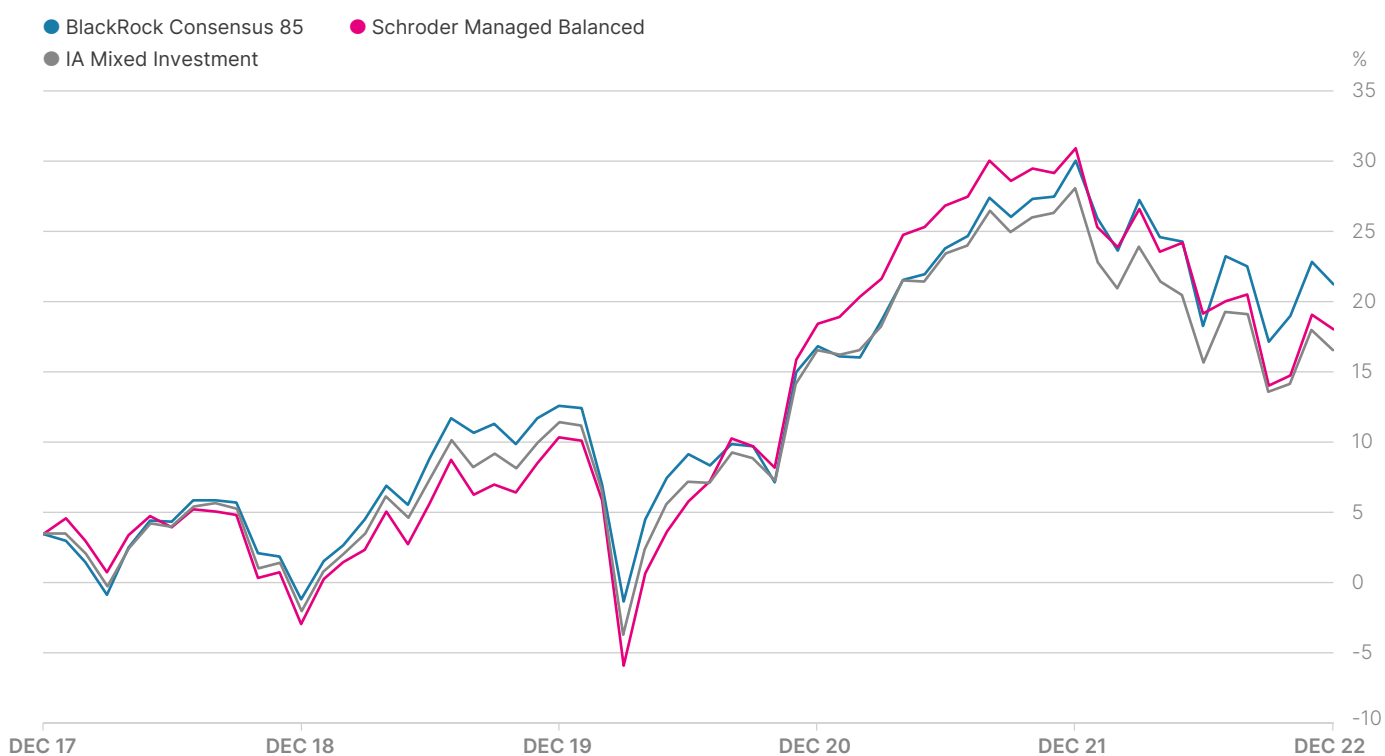
When reviewing fund performance, we looked at a number of measures; the funds against their benchmarks, how they have performed against their peers, and output from a study conducted by a firm called Redington (covered in another part of this report). Redington were commissioned by a group of IGCs to conduct a comparative data study. They focused on the key areas IGCs use when assessing VFM, including member engagement, investments, access, service, and charges. We have used the study as part of our own VFM assessment to assist with drawing comparisons between the HL workplace pension scheme and others available in the market.

Default fund performance

The graphs below show the performance of both the BlackRock and Schroder's **Default funds** over one and five years. We have included the one-year graph this year to show the HL Growth fund since its launch in December 2021. Both older **Default funds** performed well over the last five years compared to their benchmark (the IA Mixed Investment Sector 40-85%). All three funds produced negative one year performance, but this was to be expected in the prevailing market conditions and was largely in line with the benchmark. The BlackRock fund performed slightly better than the other two over this one year period.

Turning to how the funds performed compared to the **Default funds** of other workplace pension schemes, we used performance data to 31 December 2022 produced by the independent company Lipper for a selection of providers we believe represents a good peer group for comparison. As you can see from the graphs below, all **Default funds** performed broadly in line with their peers.

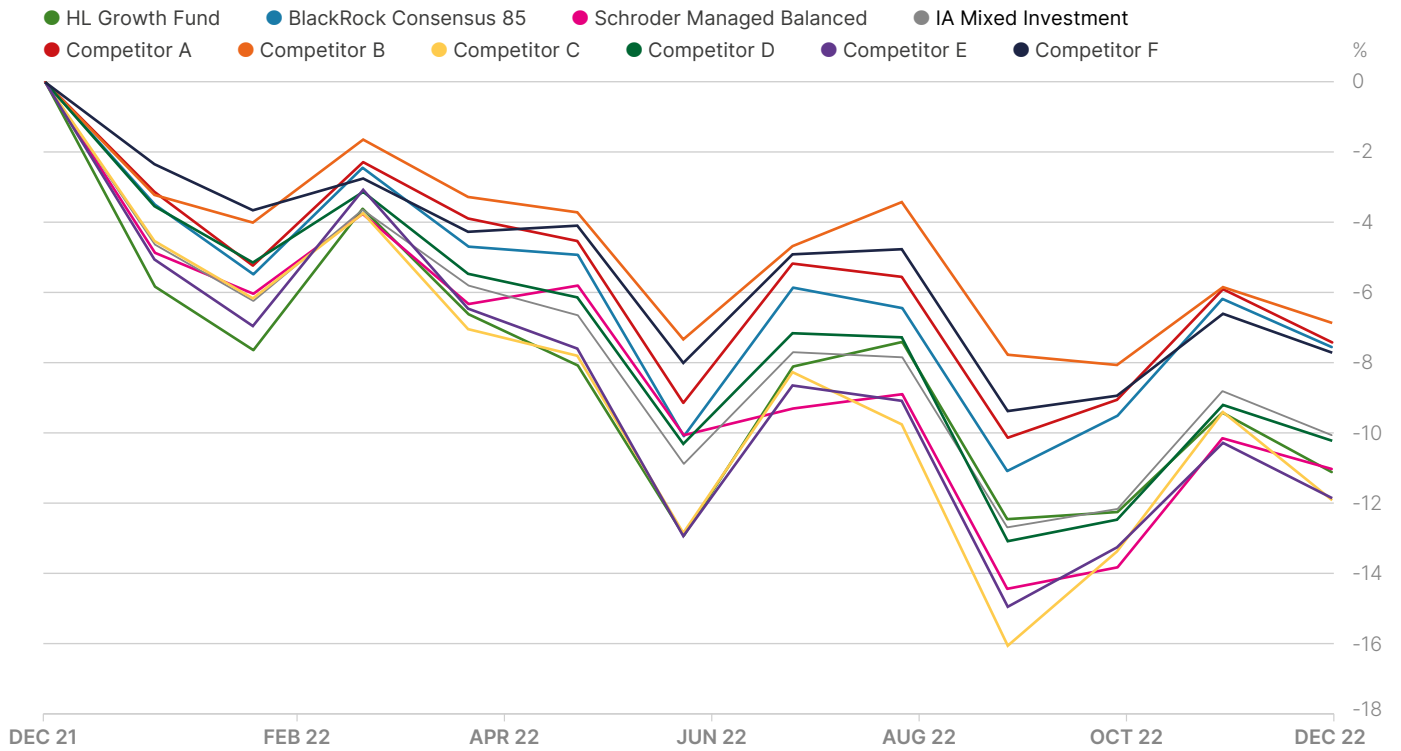
DEFAULT FUND PERFORMANCE – 5 YEARS



Source: Lipper IM 31/12/2022

Past performance is not a guide to future returns

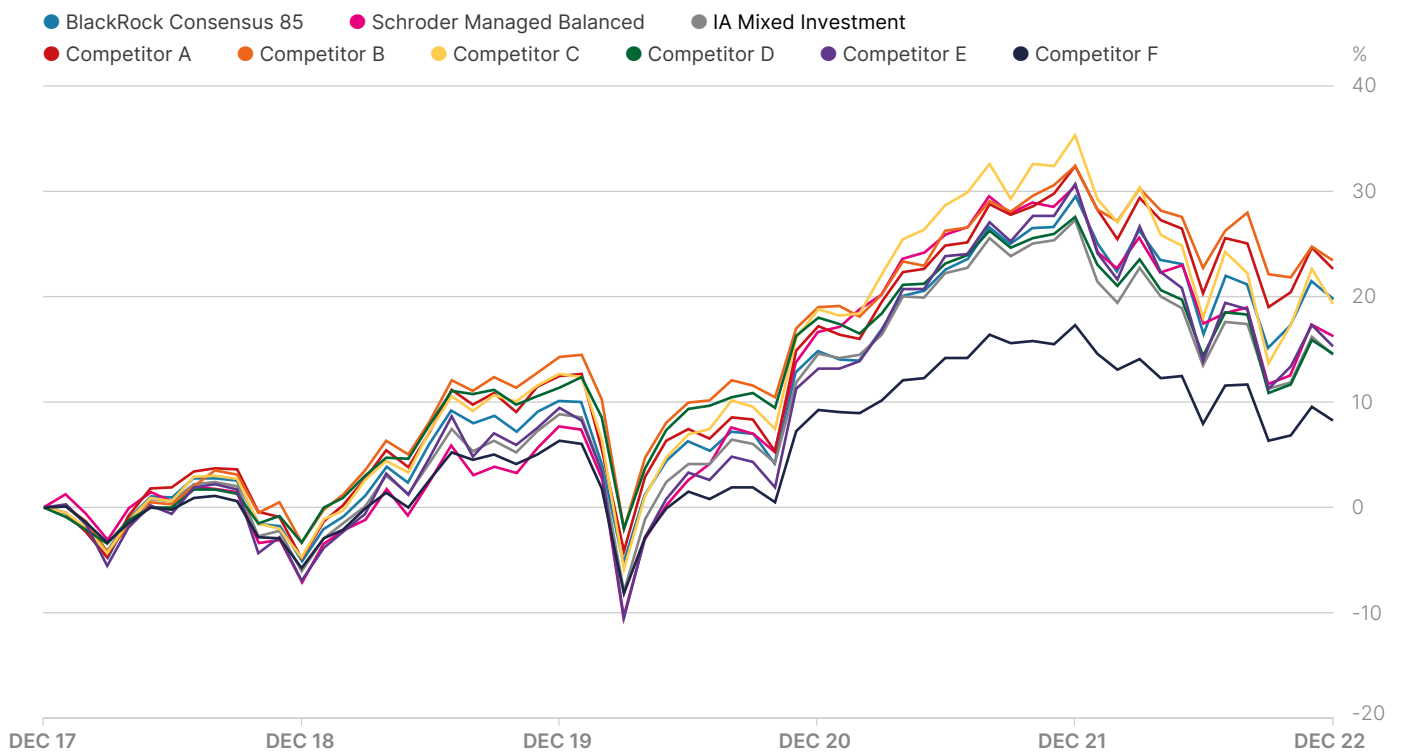
DEFAULT FUNDS vs COMPETITORS – 1 YEAR



Source: Lipper IM 31/12/2022

Past performance is not a guide to future returns

DEFAULT FUNDS vs COMPETITORS – 5 YEARS



Source: Lipper IM 31/12/2022

Past performance is not a guide to future returns

Default funds vs Competitors

In addition, we assessed the output of the Redington study which reviewed the **Default funds** and investible strategies across the nine participating firms. Within this study HL funds performed relatively well, with the following being noted:

- In Redington's forward-looking analysis of expected return versus volatility (how widely an investment's return will deviate from the average), HL's default (using the HL Growth fund in the comparison) had the second highest expected return and volatility score in the years when a member is saving for retirement; and the second highest expected return and highest volatility score in the years immediately approaching retirement. This is in line with our expectations for this default fund based on the asset allocation (the balance between assets within the fund including equities and bonds).
- In Redington's review of past performance, their conclusions were broadly similar to ours in that HL default funds have performed around the middle of the pack compared to the other participants in the study.

Alongside fund performance, we have also assessed the funds' focus on ESG, stewardship and other considerations, and how HL governs the funds to ensure they remain appropriate for members.

ESG, stewardship and other considerations

ESG considerations are factors related to the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk). Stewardship relates to the way a pension provider or fund manager engages with the companies in which they're investing to encourage positive change, such as on matters involving corporate strategy and culture, their efforts on reducing climate change and workplace policies and practice. Examples of **ESG** criteria, alongside other considerations, are covered in another part of this report. The two previous **Default funds** (BlackRock and Schroder) do not have a specific focus on **ESG**, however, **ESG** is fully integrated into the HL Growth fund investment process and at least 70% of the fund will be invested in assets subject to **ESG** measurement.

This **ESG** integration within the HL Growth fund is a positive development, however, we believe HL could be doing more across the board on **ESG**, stewardship and other considerations, including more explicit targets for what HL is aiming to achieve with these considerations. We will continue to discuss this with HL.

Fund governance

"Fund governance" is the process used by HL to oversee the various funds used by you and other members, to ensure they remain appropriate. The process includes considering fund strategy, performance and other factors. It also describes the way HL makes decisions about these funds and any resultant changes they make.

We are satisfied that there is evidence of regular reviews of the **Default** and ABC funds, however we are less satisfied with the time taken to act on the issues they identify. We will continue to push HL on this point throughout 2023.





INVESTMENT STRATEGIES: ABC FUNDS

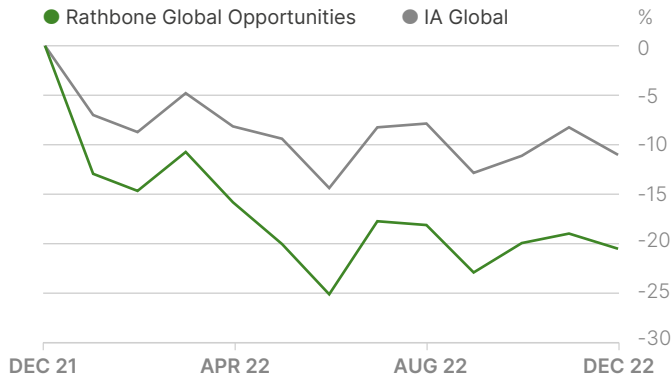
The HL ABC funds are designed with reference to the level of investment risk each can take: “A” stands for adventurous; “B” stands for balanced and “C” for conservative. In broad terms, the idea of the funds is that A is higher risk, C is lower risk and B is in the middle of the two.

- The **A** fund is the **Rathbone Global Opportunities fund**. This invests almost completely in company shares, including those of smaller companies (which can produce higher returns but with a matching level of higher risk). Presently, the fund mainly invests in developed markets, such as the US, the UK and Europe.
- The **B** fund was the **Baillie Gifford Managed fund**. This invested between 40% and 85% of its value into company shares. In May 2023 HL replaced the Baillie Gifford fund with the BNY Mellon Multi-Asset Balanced fund. We will comment on this fund in next year's report.
- The **C** fund is the **Troy Trojan fund**. The manager invests in four main areas: shares (focusing on larger companies although the manager has the flexibility to invest in smaller companies), bonds, gold, and cash. The portfolio is concentrated because the manager holds large positions in each of his investments, so each one has the potential to contribute significantly (positively or negatively) to the fund's performance. The manager can also invest in “derivatives” (a type of financial contract whose value is dependent on an underlying asset or assets), but both of these factors increase the risk of the fund.

The risk level typically indicates the chance that an investment's actual return will differ from its expected return. This includes the possibility of losing some or all your original investment. Typically, the greater the investment risk taken, the greater the potential gains but also the greater the potential losses. By 'gains' and 'losses', we mean the amount you see your pension investment increase or fall in value.

ABC FUND PERFORMANCE – 1 YEAR

FUND A

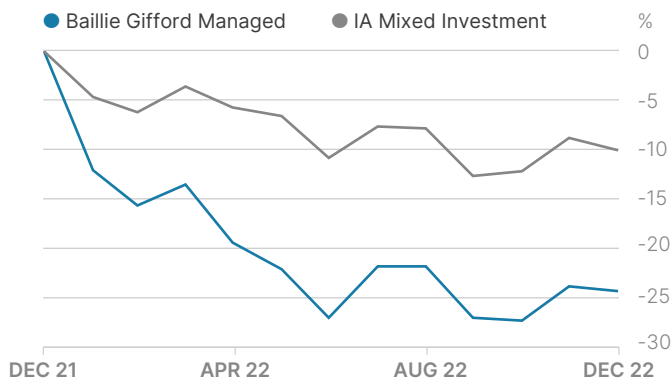


ABC FUND PERFORMANCE – 5 YEARS

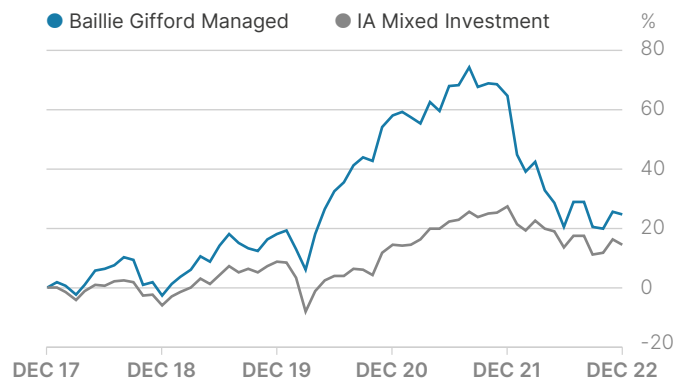
FUND A



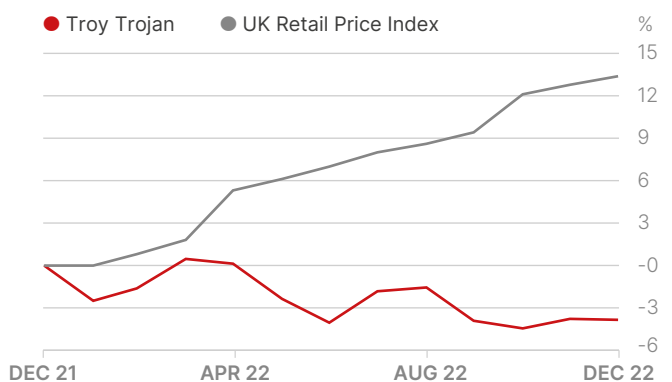
FUND B



FUND B



FUND C



FUND C



The graphs above cover the past one and five years to 31 December 2022. In the shorter term, none of the funds have performed well against their respective benchmarks. We would expect members invested in these funds to be invested for the longer-term and so short-term dips in performance (as long as they do not persist) should not cause too much concern. However, we do have concerns over the longer-term performance of the C fund and the volatility of both the B and C funds which we comment on below.

In the longer-term, the A and B funds have performed in line with their objectives, delivering returns after charges above their benchmarks. The charges are in line with our expectations for funds of each type. Do note that charges for these funds are higher than the **Default funds** (see Appendix 4 for information on Charges).

The C fund has underperformed its benchmark and therefore its objective, which is to achieve growth in capital (net of fees), ahead of inflation, as measured by the UK Retail Prices Index, over the longer term (over 5 to 7 years). This is disappointing, given HL replaced the former C fund (the BNY Mellon Real Return fund), with the Troy Trojan fund, only recently, in December 2021.

Performance aside, both the B and C funds have been more volatile, experiencing greater ups and downs in value, than we would expect of the levels of risk purported to be taken by these funds and by which their labels of 'Balanced' and 'Conservative' would suggest. We are challenging HL to ensure the funds within the ABC fund range remain appropriate.

We have been challenging HL since 2019 on whether the names of the ABC funds and associated risk descriptions are appropriate. HL reviewed the names in 2022 and concluded they remain appropriate on the basis they align with the HL brand and they are simple to understand. While we agree the names are 'simple', this was part of the thrust of our initial challenge in that members may not fully understand the extent of the risks involved in each of the funds by the nature of their simplistic names. However, we appreciate that HL conducted a thorough review which has resulted in some internal decisions being made with the aim of changing how the risks of each fund are assessed, what criteria will determine whether a fund is selected for election to A, B or C, and how they are reviewed in order to either be retained or replaced.

We are told that these changes, along with others, will be delivered in 2023. We will monitor HL's progress on this throughout the coming year.

INVESTMENT STRATEGIES: OTHER ACCUMULATION OPTIONS

For members wishing to choose their own funds either as a replacement for the **Default fund** or to work alongside it or the ABC funds, there is a broad range of choice, with specific focus given to the Wealth Shortlist. We are satisfied that there is more than sufficient choice for members seeking to move away from the **Default fund**, but note that the number of **ESG** fund options within the Wealth Shortlist could be increased for those seeking these options with the benefit of HL's research and analysis (which the broader range of funds do not benefit from).

INVESTMENT STRATEGIES: LIFESTYLING

As you approach retirement the scheme may automatically switch your investments in a phased way over a period to align them with how you'll take your benefits in retirement. This is a process called **lifestyling**.

HL's approach to **lifestyling** has changed as part of its **Default fund** strategy review. If you have the **Lifestyling** option switched on, your pension will gradually be moved into **BlackRock MyMap4** fund during the ten years approaching your selected retirement age.

BlackRock's MyMap 4 Fund aims to grow your money, whilst being mindful of risk. HL expects the fund to be consistently lower risk compared to the HL Growth Fund. The purpose is to try and limit the risk of your investment falling in value compared to when investing in the **Default fund**, although there are no guarantees. BlackRock invests less of the fund in the stock market compared to the approach taken by the **Default funds**. Typically, around half of the fund is invested in company shares, with the remainder invested in lower risk assets such as bonds issued by companies and governments. BlackRock will change the exposure to higher risk investments depending on stock market conditions, adding more protection when things are less certain, and increasing exposure to shares when conditions allow.

The previous HL **lifestyling** strategy moved your investments into cash five years before your selected retirement age. If you have less than 5 years to retirement currently and have already moved into the previous **lifestyling** strategy of cash, this will continue unless you actively choose to move into BlackRock MyMap4.

You do also have the flexibility to increase or reduce the ten-year timescale and switch into other funds instead of cash or BlackRock MyMap4.

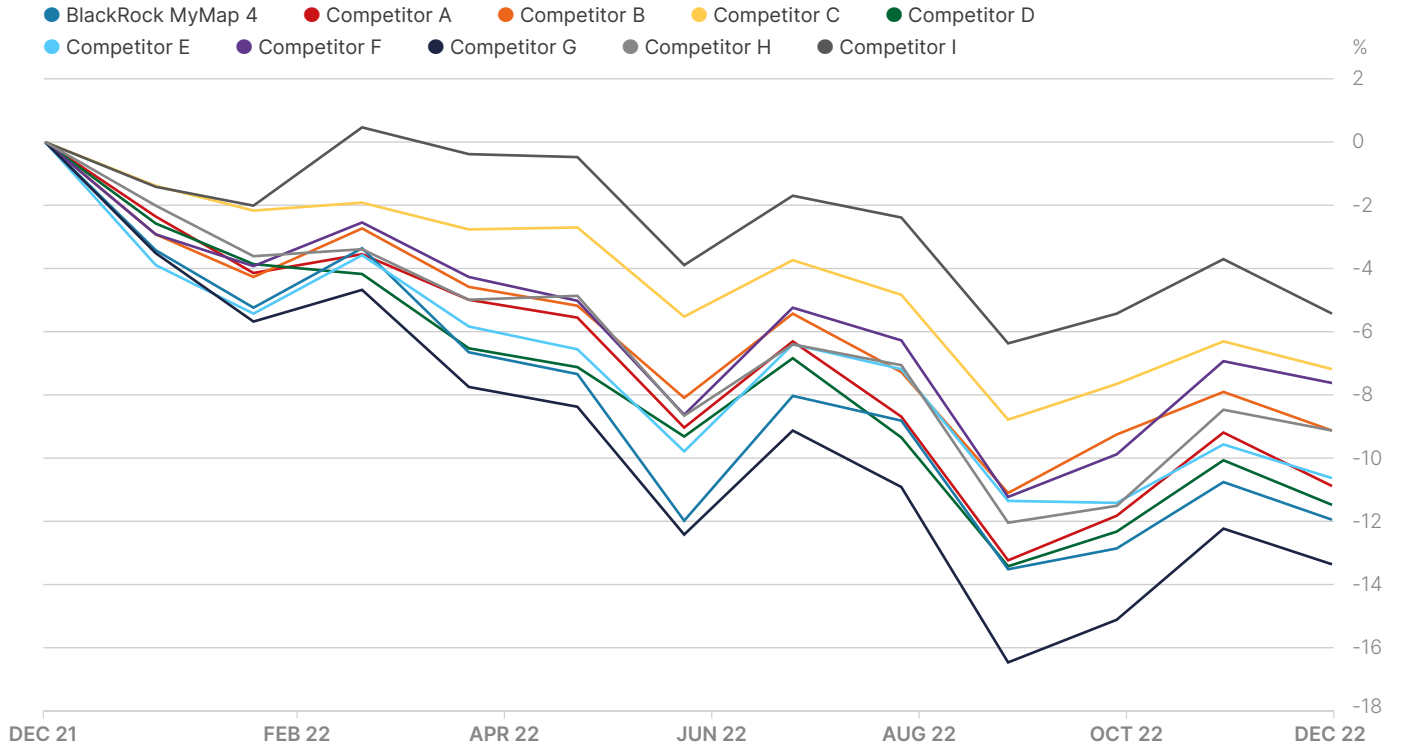
CALL TO ACTION

If you're getting close to retirement you should check the **lifestyling** approach set up by HL is right for you.

We welcome the improvements and enhancements to the **lifestyling** options.

LIFESTYLING FUND PERFORMANCE

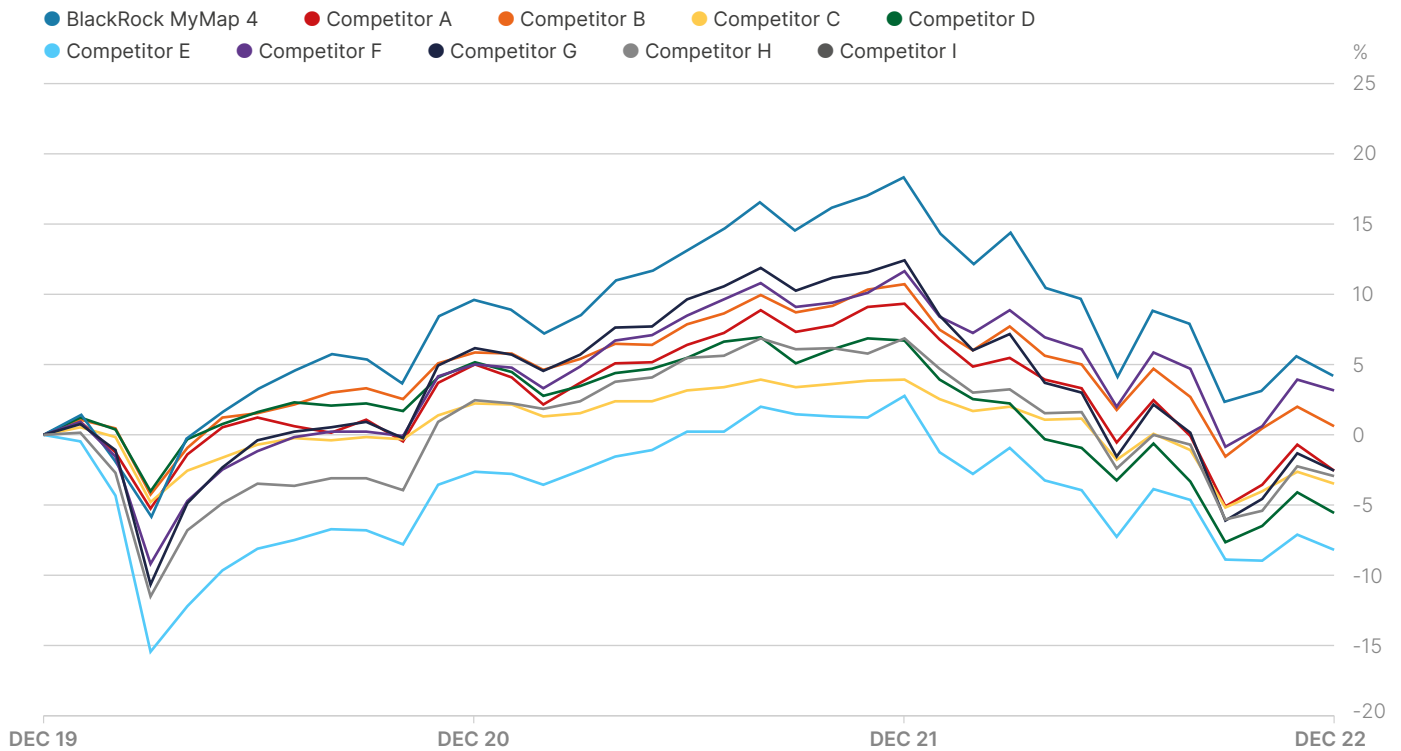
LIFESTYLING FUND vs COMPETITORS – 1 YEAR



Source: Lipper IM 31/12/2022

Past performance is not a guide to future returns

LIFESTYLING FUND vs COMPETITORS – 3 YEARS



Source: Lipper IM 31/12/2022

Past performance is not a guide to future returns

We examined the performance of the **lifestyling** fund over the past year and the longest period available (three years), and against a selection of providers we believe represent a good peer group for comparison (as we did with the **Default funds**). Unlike the other funds, BlackRock MyMap 4 does not have a formal benchmark, however, when compared to its peers, it has performed particularly well over a three-year period. However, the period of performance in the year to 31 December 2022 saw it decline to a much greater degree than most of its peers. Short-term performance is usually an unhelpful measure when reviewing pension investments, due to the long-term nature of pension saving. However, **lifestyling** has, by its very nature, a shorter-term horizon – normally up to 10 years. We are therefore mindful of this dip in performance relative to its peers and will be monitoring this next year to identify if this is a temporary dip or something more persistent.

We meet regularly with the investment team and we're satisfied the characteristics and net performance of the funds are regularly reviewed by HL to ensure alignment with your interests and that they take action to make any necessary changes.

We're happy the review process is effective although actions that follow the reviews are still not carried out quickly enough. We've continued to challenge HL about this.

CONCLUSION

In summary, we believe the **Default funds** and **lifestyling** options are designed and executed in the interest of the members.

However, we will be monitoring the following in 2023:

- The **Default funds**, including **lifestyling** – while performance is broadly in line with peers, the HL Growth fund and MyMap 4 are towards the bottom of their respective lists, and we will be monitoring this next year to identify if this is a temporary dip or something more persistent.
- ABC funds – both the B and C funds have been more volatile, experiencing greater ups and downs in value, than we would expect of the levels of risk purported to be taken by these funds and by which their labels of 'Balanced' and 'Conservative' would suggest. This is something we are challenging HL on to ensure the funds within the ABC fund range remain appropriate and the names are not misleading.
- **ESG** – the integration of **ESG** within the new **Default fund** is a positive development, however, we believe HL could be doing more across the board on **ESG**, stewardship and other considerations, including more explicit targets for what HL is aiming to achieve with these considerations.
- Governance – while we're comfortable HL has review processes in place, we will continue to challenge HL on the time taken to complete follow-up actions.



COMMUNICATIONS, ENGAGEMENT AND SUPPORT

During your life you'll have some very important decisions to make about retirement saving and HL has an equally important role to play in helping you to make those decisions and, more generally, in raising your awareness on pension matters.

The decisions you'll need to make include:

- whether to join or remain in the pension scheme offered by your employer
- how much money to pay into your scheme
- where to invest your savings
- what to do as you get close to retirement and
- what to do when you choose to take your retirement benefits

Our focus has been on whether HL's approach is based on promoting better retirement outcomes for you.

HL tells us its solution is designed to deliver significantly higher member engagement than what's on offer elsewhere in the pension industry and we wanted to test that.

As part of our VFM assessment we looked specifically at the process HL follows to prepare the communications sent to you. We also considered several aspects of communications, engagement and support:

- HL's Workplace Financial Education programme
- the [key communications you'll receive](#) at various times from HL
- the support given to vulnerable customers

Communications process

We reviewed HL's three-stage process for producing member communications which HL calls "discovery", "control" and "measurement".

In the first stage – discovery – HL says its guiding principle is that, for you to achieve a good outcome in retirement, it's necessary for you to engage in the retirement planning process. We agree wholeheartedly with this as a principle and have been pleased to see that HL has invested significantly in initiatives to support you to engage in your retirement planning. HL measures your engagement by considering several factors.

One of these factors is whether you have logged in to your on-line account in the last year. HL's latest statistics show 73% of you have done, up from 71% in 2021.

Another factor is the level of your contributions. We're particularly pleased to see that, in 2022, more than half of members paid contributions above the required minimum. This is very encouraging – the contribution you pay is the single most important decision you make about retirement saving after deciding to join the scheme – although there has been a slight decrease in the number of people paying contributions above the required minimum compared to 2021. HL believes this is likely due to the wider "cost of living crisis" affecting people during 2022.

We've asked HL to continue to monitor the impact of the crisis on people's behaviour to see if any themes emerge where HL could give members additional support.

In the second stage – control – HL seeks to follow a process which ensures that all their communications content is relevant, concise and compliant. Our review of this process showed it to be both robust and thorough.

In the third stage – measurement – HL carries out tracking, for example of response rates, to monitor communications for their effectiveness. HL often tests different versions to learn from the findings as to what works best.

We also reviewed the multiple channels and communication tools used by HL to communicate with you. These may be emails, postal mailings, web pages, the HL mobile app, videos, factsheets, articles, through contacting the helpdesk and onsite meetings (where HL specialists may attend sessions at your place of work).

Finally, we looked at the communication between HL and your employer. Your employer has an important role to play in supporting you, and research shows they are often the most trusted source of pension information, so the material provided to them by HL is an important part of the whole process.

It's important that HL regularly seeks your views about its service, and one of the ways HL does this is through carrying out surveys. We were particularly pleased to see a 320% increase in the number of people responding to the HL survey in 2022. HL receives generally positive feedback from members, but there is room for improvement. 77% of members said their overall experience of their HL workplace pension was good or excellent. These are really encouraging results, and we encourage you to take part in surveys run by HL as this is a real way to influence the service HL provides you.

In summary our assessment was that, in the main, the communications to you are fit for purpose and properly consider your likely characteristics, needs and objectives.

Workplace Financial Education programme

HL has developed a wide range of tools to help educate and engage you. At the heart of this is HL's "financial wellbeing" programme where a team of specialists deliver live group presentations, webinars and one-to-one meetings.

During 2022, 12,500 members attended a Financial Wellbeing webinar and, 4,700 attended an individual one-to-one meeting. The number of people attending a webinar is down slightly compared to 2021 (15,000) which HL attribute to people preferring face to face events now these are possible again following the lockdown restrictions during 2021. HL's survey results following these sessions indicate people value them, with the content being rated 4.6/5 (compared to 4.49/5 in 2021). HL attributes this to the success of the return to face-to-face events.



We believe that initiatives such as this go a long way to explaining why HL is achieving the levels of engagement noted earlier and so significantly contributes to the value you get from your scheme.

Key communications

We've focused here on those communications which relate directly to the important decisions you need to take, but HL does issue a broad range of communications on other aspects of your pension. We've assessed whether the communications to you are fit for purpose and properly consider your likely characteristics, needs and objectives. We've focused on the clarity of the communication including its visual appearance.

HL made several changes in 2022 to improve the accessibility of communications – these include a change in font used in all communications (to improve readability) and the use of strong contrast colour palettes (to make it easier for visually impaired users). HL has also sought external expertise to support these changes and we look forward to hearing how HL continues to monitor and improve the accessibility of their communications.

Default fund

The way that HL describes the **Default funds**, and in particular their aims, objectives and the risks, is extremely important in helping you to choose where your money is invested.

As highlighted in our 2021 report, we had reservations about how HL communicated **the aims and objectives** of the **Default funds**, as we believed these could be improved to provide more clarity to members about what the funds they are invested in are aiming to achieve. These remain as follows:

- **BlackRock Consensus 85** – To provide a return on investment by investing at least 70% of total assets in other investment funds (including funds managed by the BlackRock Group).
- **Schroder Managed Balanced** – To provide capital growth and income by investing in a diversified range of assets and markets worldwide.
- **HL Growth Fund** – The objective of the fund is to deliver long term growth over rolling 10-year periods.

We continue to challenge HL on the statement of **aims and objectives** as we feel there is still room for improvement in providing clarity to members. As the BlackRock and Schroder funds are not owned or managed by HL, it is reasonable to accept that these cannot be changed. However, the HL Growth fund is within the control of HL and one point of feedback we have given HL on this fund is that there is a strong strategy around **ESG** and yet that is not drawn out within the **aims and objectives** statement.

HL told us that the way the **aims and objectives** of the fund are described is agreed with their regulator, the **FCA**, and they are unable to deviate from these agreed descriptions. We have flagged this with HL and asked that they incorporate this feedback into any relevant discussions they are having with the **FCA**.

Lifestyling

Another important aspect is **lifestyling**.

We're satisfied with the way that lifestyling is communicated to you, both in the welcome pack you receive when you join the scheme and when you are approaching retirement.

Periodic communication

HL sends you communications periodically. You'll, for example, receive an annual illustration setting out how your savings are performing, what their estimated value is at your retirement and monthly newsletters and investment reports.

HL also sends communications to you to highlight the importance of specific aspects of your pension – such as getting online, logging in to keep track of your savings and transferring previous pension policies.

As you approach retirement, there are some important decisions you need to make. We therefore specifically assessed the support provided to you at this time by HL: a Fifties Retirement Planning guide together with a series of letters; a turning 50 letter; reminders; a six-months to retirement letter; and a two-months to retirement letter.

Finally, we looked at the communications sent to you around the time you make decisions on how you'll access your savings.

Overall, we considered the periodic communications sent to you by HL to be comprehensive and fit for purpose. However, we think HL could do more to identify a wider range of situations where you might need to engage with your pension (for example, a change in job, or family circumstances), and to think through what communications would be helpful in those situations.

Website

HL's website has become an increasingly important medium for communicating with and supporting you. In the 2022 survey, 67% of people said their experience using the HL website was 'excellent' or 'good'. As well as the main website, HL also delivers scheme microsites which contain bespoke content for your specific employer's pension arrangement.

Our VFM assessment focused on the functionality provided on the website, including the range of online tools and calculators available to assist you with your decision making and we concluded the quality of the website and the online functionality was good.

HL has also told us they provide a mobile phone app. We will look at this and report further in next year's report.

Vulnerable customers

A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly if HL does not act with appropriate levels of care. The characteristics of vulnerability can include poor health (such as mental impairment), a significant life event (such as a bereavement or taking on new caring responsibilities), a low ability to cope with financial or emotional shocks and low or poor literacy or numeracy skills.

It's important that vulnerable customers are protected and treated fairly.

The evidence we saw confirmed that this was the case.

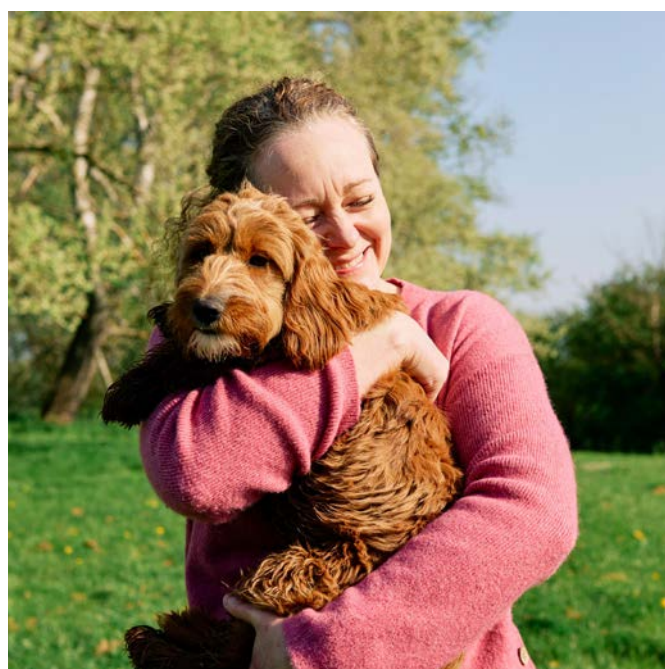
Comparative data study

One of the areas assessed in the comparison with other product providers was that of engagement. The principal focus was a review of core communication material.

The Redington study found that HL's communications were supported by holding up to date contact details and online registrations for more of their clients than anyone else in the study. HL also had the best results for encouraging clients to take action on their account and the evidence pointed to HL's communications having a positive impact on engagement. The study did find that HL could do more to improve how easy their communications are to read, and we'll continue to monitor this.

CONCLUSION

Our overall assessment of the communications, engagement and support provided by HL is that they're fit for purpose and properly consider your likely characteristics, needs and objectives. We continue to be impressed by HL's investment in the important area of engagement, and the evidence points to the delivery of some very real benefits. However, we remain concerned about the clarity of the descriptions of the aims and objectives of the Default funds.



ADMINISTRATION AND SERVICE

Your pension savings are one of your most important and largest assets. When you need to interact with your scheme, it's critical you can do so smoothly, efficiently and securely. Whether you choose to use the website, mobile app or to speak to someone, whether you're adding money, changing your address or taking your benefits.

We all know poor administration and service when we experience it. Our **terms of reference** require us to assess whether HL processes core financial transactions promptly and accurately. To help us make this assessment we consider a wide range of factors, including:

- the accuracy of their service,
- whether they complete activities in an appropriate timeframe (which we assess by comparing their performance against agreed and acceptable service levels ("SLA's")),
- whether administration is automated or requires intervention by a person – which increases the risk of human error and
- whether HL independently assesses the controls they have in place to ensure their administration is working correctly.

We also assessed more generally the quality of the service they provide to you. To help us make this assessment we considered, amongst other factors:

- how well HL protects you against fraud and scams,
- how happy people say they are with HL's service,
- whether your data is kept secure,
- the support given to members being auto enrolled into a pension scheme and
- the level of complaints HL receives about their service.

CONCLUSION

Our assessment is that HL provides good administration and service, but there are clear areas of strength and areas where improvement is required.

HL was able to evidence that where they hold or receive money that is to be transferred, invested, or paid out, they process these transactions, on the whole, promptly and effectively. Surges in demand, nevertheless, can cause periodic drops in service levels. This was seen in the latter half of 2022 when, following the October UK fiscal statement, there was a sudden and significant increase in people wanting to buy **annuities**. In response to this they increased resources within the **annuity** team to return service to normal levels.

The "end to end" transaction experience you have can, however, appear different. This is because some processes rely on other parties outside of HL's control (for example, another insurance company or provider). The processing times of these other parties can extend the time it takes for transactions to be processed.

HL sets and monitors targets (service levels – SLAs) for its core transaction processes which overall they met in 2022. We have, nevertheless, challenged them to assess whether the SLAs they work to are fit for purposes in the context of your (the members) reasonable expectations and other providers.

In August 2022, the HL **drawdown** payment process failed. This affected 91 members who, as a consequence, received delayed income payments. Having discovered the problem, HL acted swiftly to ensure payments were made and has undertaken a thorough root cause analysis. They concluded the failure was caused largely by human error. HL will be automating this process in the future as part of their Digital Transformation investment programme. We have been comforted by HL's positive and prompt remediation action, however, we are concerned many of their administration processes are manual (using checklists and secondary checks to mitigate risk) rather than automated as this exposes them to the risk of other manual processing errors. We are encouraging HL to progress with further automation, at pace.

HL's approach to protecting you from fraud and scams is particularly noteworthy. HL has a strong set of internal measures to protect you including a dedicated fraud strategy. HL participates in several industry initiatives such as the Investment Association's Brand Cloning Working Group and Financial Crime Committee.

HL performs checks on pension transfers, with a pre-approved list of providers which have been assessed as presenting a very low risk of fraud in line with DWP pension transfer regulation. Transfers to pension providers not on this list are subject to a much higher level of scrutiny.

HL provides an Online Security Centre for members (and non-members) which provides information on existing threats, red flags and actions that you should take to protect yourself from fraud. HL is improving the Centre further by connecting its internal expertise from its Fraud, Infosec and Cyber security teams to help provide clear and effective information for you.

HL receives generally positive feedback from members, but there is room for improvement. 77% of members said their overall experience of their HL workplace pension was good or excellent.

Between December 2022 and April 2023 an IT problem meant that some members did not receive pre-retirement communications. HL is currently undertaking a review and root cause analysis. We will be monitoring the remediation process and will update you on progress in our next report.

HL has experienced a very low number of data protection incidents which have had minimal impact on members. Alongside this, HL is increasing the resources dedicated to monitoring their data protection controls and outsourcing more client contact and mailing activities to specialist providers to improve efficiency and reduce risk.

We reviewed how HL carries out the administration of your savings. Most of the commonly used bulk processes are carried out in a fully automated way by Straight Through Processing (STP). This removes the need for manual processes that can lead to an increase in process errors, as seen in the income payment drawdown incident. Additionally, higher process automation increases effectiveness and efficiency. HL is making a significant investment into the business, promising to improve the level of automation in administrative processes. We will continue to monitor this to ensure progress is made.

HL has an internal audit function to monitor the effectiveness of controls within the business. This team focus on the areas which HL believes represent the greatest risk to the business and you, their members. The work of the internal audit team has been reviewed by an external independent provider and found to be effective. Additionally, there is direct external independent checking of some controls, including cyber security and keeping your assets safe.

CHOICES AT RETIREMENT

When you come to access your savings, you will likely have a wide range of needs. HL offers all the main retirement options which are available, both with and without financial advice.

If you're looking for some or all of your income to be guaranteed, then you may want to consider an **annuity**. HL offers an **annuity** service where they shop around all the providers in the market on your behalf. An important part of the service involves encouraging you to provide health and lifestyle information to see if you qualify for a higher rate of income. The active support that HL provides in this regard meant that in 2022 more than 96% of applications received a higher rate of income. This is a very welcome result.

If you wish to consider a higher risk but more flexible retirement option, then HL also provides **drawdown**. We are satisfied that HL communications in general appropriately reflect the risks **drawdown** creates.

To help protect people moving into **drawdown** without the benefit of financial advice, the regulator introduced **Investment Pathways** in 2021. **Investment Pathways** are a very important development and are covered in a separate part of this report.

If you wish you can also access your pension as a single or series of lump sums (known as an "Uncrystallised Funds Pension Lump Sum" or **UFPLS**) and guidance is available from HL. In addition, Pension Wise (the government's free pension guidance service) is available to you when you are considering your retirement options. An appointment can be booked with Pension Wise or HL can book an appointment for you.

CONCLUSION

We have assessed HL's retirement offerings and view the available choices for members as a positive feature.

OTHER FEATURES

There are some features of what HL provides that don't fit neatly into the other categories listed above but are essential to the smooth running of your savings.

Governance

As well as being sustainable, secure businesses, pension providers like HL can safeguard against things going wrong in the first place by ensuring they have robust governance and risk frameworks in place as well as the right people managing and overseeing their operations.

Our assessment was HL does have robust governance and risk frameworks in place as well as the right people managing and overseeing their operations. We continue to discuss with HL the merits or otherwise of achieving wider external accreditation.

Other Benefits

HL is a large business offering a wide range of services. By being a workplace pension member, you can also benefit from a variety of other features and benefits.

Our assessment was HL provides other benefits that may be of use to you.

Sustainability and ongoing investment into developing the proposition

The sustainability of HL as a business is crucial as you are trusting them to look after your savings for years to come. HL's financial stability also impacts on its ability to invest in improvements to the service you get and to ensure your savings keep pace with whatever changes occur in the future.

Our assessment was HL is a sustainable and stable business.

In last year's report we set out that, following our challenge, HL had developed a strategy for enhancing their proposition involving a £175m 5-year investment plan. Our assessment was that, providing they see the strategy through, we should see the VFM you get improve further. While this plan is proceeding across the wider HL business, we have challenged HL to set out a firm timeline for investment in the propositions we assess. We will report further on this next year.

Reputation

Reputation is important when considering VFM as it impacts on your likelihood to contribute to your pension; you're more likely to feel comfortable contributing to a firm with a good reputation.

This being the case, we considered whether there are any negative or positive aspects of HL's reputation that members should be aware of.

HL has a robust approach to managing its reputation. It regularly reviews and considers a number of measures that impact its reputation, including:

- investor confidence
- how likely members are to recommend HL (known as the Net Promoter Score)
- performance of client service teams
- how satisfied members are with HL's service
- how satisfied employees are working at HL
- traditional press
- social media, and
- review websites such as Trustpilot and Google

During 2022 there were dips in some of the metrics used to assess HL's reputation. There could be several reasons for this including the performance of the overall investment markets and press comments made by one of the founders of the business.

Overall, our assessment was that HL has a good reputation and has an effective internal process to manage its reputation.

Cyber Security and Robustness of IT Systems

HL needs to provide secure IT infrastructure to keep your savings and the administration processes they use safe from cyber-attacks.

We were provided with a variety of evidence to show the robustness of HL's approach to cyber security, such as adhering to external standards and external reviews of HL's approach. This external assessment has been reviewed at the most senior level of HL's management, showing the seriousness with which they take cyber security.

We're confident HL manages cyber security well, but this is a complex area and HL is unable, for legislative reasons, to be as transparent with us as they are on some areas, reducing the scrutiny we are able to provide. We are considering whether to ask an independent external expert to help us to review HL's approach to cyber security to gain additional assurance next year.

We were only provided with limited evidence on HL's approach to ensuring the robustness of their IT systems. This makes it difficult to assess the appropriateness of this approach. The limited number of incidents give us comfort that this is not a significant risk to you, but we are again considering whether to ask an independent external expert to review HL's approach on behalf of the IGC next year.

HL also needs to provide robust IT systems so that your savings can be managed in an efficient and timely way.

CONCLUSION

We are satisfied that these other features contribute positively to our VFM assessment. However, in 2023 we will be following up with HL on their 5 year proposition investment plan, and we will make a decision on whether to seek support from an independent external expert regarding our assessment of HL's approach to cyber security and IT resilience.

COSTS AND CHARGES

Every investment, including an investment within a pension, has a cost.

There are many kinds of cost and charge, but they'll have one thing in common: the money is coming out of your savings.

What you're paying for is the management of your savings and the underlying investments. These charges can include platform fees, investment management fees and other expenses.

Why are costs and charges important?

Costs and charges can add up, compounding along with your investment returns. This means you aren't just losing the amount of money you have paid, but also any growth that money might have had if it had stayed in your savings into the future.

The UK Government has set a cap on charges for all **Default funds** within workplace pension schemes of 0.75% of the value of an individual's pension savings each year. HL's **Default funds** are subject to this charge cap. It's important to note that **transaction costs** aren't included within the calculation of the charge cap.

We've analysed the costs and charges applicable to the **Default fund** and ABC funds.

The costs and charges for all the funds and investments offered through HL, including for the **Default fund** and ABC funds are available on their website here: <https://www.hl.co.uk/funds>

You can find information on the costs and charges in Appendix 4.

Although it's important that you understand what you are paying in costs and charges, it's equally important to know the returns achieved by each of the funds after costs and charges have been taken out. Ultimately, this "net return" is one of the key determinants of VFM.

CONCLUSION

Our assessment was that the costs and charges were reasonable. We have rated this as green as the investment charges on the default funds - and in particular the HL Growth fund - are very competitive. However, we note the platform charges remain relatively high compared to other workplace schemes in the market.

COMPARISONS WITH OTHER PENSION SCHEMES

During 2021 the **FCA** changed their rules requiring us to compare what you have with other similar arrangements.

Before doing this comparison, we considered whether it would also be appropriate to compare your pension with one you could buy for yourself. We decided against this as the comparison wouldn't be entirely valid (the individual and workplace markets are quite different, not least in relation to the charges that apply), would require a disproportionate amount of work and, probably, produce little useful data.

Across the market there are around 30 providers of schemes like this one, and about a dozen of them are large enough to have an IGC.

A number of these providers, including HL, participated in a research study, carried out by a firm called Redington, which analysed data across their schemes. We thought this was a robust, useful, reasonable and proportionate way to satisfy the new rules. In particular, taking part in this study meant all of the providers had to disclose qualitative data that would not have otherwise been available to us.

Our aim was to assess whether what you and your employer were getting from HL was VFM compared to what could have been obtained elsewhere.

To ensure we could do this, where relevant we looked at data from the survey for other pension schemes similar in size to yours, by reference to the number of members and the total asset size (referred to as "comparable cohorts"). We did this because scheme size is the key determinant of the price you pay.

The study gathered data on how they, the pension providers, engage with their members, investment performance, how you can access your savings when you want to, their administration service and their charges, i.e. various components that contribute to VFM. To be clear the study did not capture or use any member data.

The output of the study was a report which allowed us to compare your scheme and how it performed against similar sized schemes provided by those who took part in the study and we used that data to inform our conclusions.



Who are Redington?

Redington are the firm we, along with a number of other IGCs, commissioned to carry out the comparative data study. They are independent of all of the IGCs and pension providers who took part in the survey. Their particular expertise is in investment consultancy but, over the last number of years, they have gained significant knowledge of workplace pension providers through supporting IGCs with this sort of analysis.

Investment Pathways: what we considered when doing our value for money assessment

In this section I'll tell you how we went about assessing value for money, the factors we considered and why we arrived at the conclusion.

Investment Pathways are four investment strategies (see below) that can be used for those starting to drawdown their benefits. Investment Pathways were launched by HL at the beginning of 2021.

We've created a framework to analyse the value for money ("VFM") you get.

The framework helps us to make sure we consider the factors that contribute to **VFM** in a robust and consistent way. You can find more information on this framework, along with a full list of the factors we considered in Appendix 3.

Ultimately, the real value from your pension will be measured by you, based on what you receive when you need or want to start taking money out of it. One of the most significant factors that'll influence that, however, is investment performance and particularly so as you get close to retirement – and that's why there is a call to action here:



CALL TO ACTION

Review the investment pathway you are in to make sure it is right for your circumstances. You can speak to a financial adviser to help you do this.

WHAT ARE INVESTMENT PATHWAYS?

HL's **Investment Pathways** ("pathways") are a set of four funds, intended to help you make investment decisions close to when you draw, or when you are drawing, your pension, without necessarily the need to speak to a financial adviser.

Pathway 1: for people who have no plans to touch their money within the next five years.

Pathway 2: for people who plan to take a **guaranteed income** within the next five years.

Pathway 3: for people who plan to start taking a long-term income within the next five years.

Pathway 4: for people who plan to take out all of their money within the next five years.

INVESTMENT STRATEGIES

We thought the pathways have been designed and managed in your interests. We also thought the investment funds selected by HL had clear statements of **aims and objectives**.

In order to select each investment fund HL had to make assumptions about the characteristics of the people likely to choose each of the four pathways. These assumptions included, for example, the attitude to risk of the people that would choose them. On this basis HL set out what the **aims and objectives** of each would need to be and then selected the four investment funds they considered most appropriate.

Following the launch of HL's pathways, they have continued to speak with a sample of clients who have used them in order to confirm they have understood the nature of the pathway they had selected and the risks related to the associated investment fund. While the number of people using **Investment Pathways** remains quite low, we consider it important that HL continues to check that the assumptions they made about the characteristics of the people likely to choose each of the four pathways remain valid.

We reviewed the performance of the pathways taking into account the following:

- gross (before charges) and net (after charges) performance, including risk-adjusted performance,
- consistency with underlying investment objectives and
- performance relative to benchmarks (where available).

CONCLUSION

Having assessed the data we found the pathways performed as expected.

It is worth noting, in particular, the performance of the fund which HL selected as being appropriate for Pathway 2 (people who plan to take a **guaranteed income** within the next five years). This is the Fidelity Pre-Retirement Bond Fund. Market conditions caused the value of this fund to fall significantly during 2022, but as its objective is to track the cost of buying a **guaranteed income** (which also fell significantly) the fund performed as expected – in other words, the smaller fund could buy the same level of income as before the fall.

Additionally, we are satisfied that HL regularly reviews the characteristics and net performance of the investment strategies of each pathway. Within HL's review and governance processes is the ability for them to make changes to any of the strategies if required, however the outcome of the reviews they have carried out to date have not necessitated any changes.

COMMUNICATIONS, ENGAGEMENT AND SUPPORT

As noted above, pathways are intended to help you make investment decisions close to when you draw, or when you are drawing, your pension, without necessarily the need to speak to a financial adviser. We therefore recognise quite how important HL's communications are in supporting you in your decision-making.

CONCLUSION

We reviewed the communications to assess whether they were fit for purpose and properly considered the characteristics, needs and objectives of those investing in pathways. Broadly, we found they met these requirements.

We reached this conclusion based on HL providing the following:

- relevant communications targeted at specific points in the retirement journey,
- useful tools and support on the HL website, including:
 - a **drawdown** calculator which helps people determine how much they can afford to take as income from their pension,
 - signposting throughout the retirement pages, including a comparison of the main options for accessing a pension, outlining the pros and cons of each,
 - detailed information on the pathways covering how they work, the risks associated with each, and links to the technical documents and charges.
- the process of consumer testing that HL has carried out.

We are content that HL has appropriately incorporated the needs of vulnerable customers.

We have however identified a few areas where we think improvement is required. One was ensuring that **Investment Pathways** are presented on the website with equal prominence to other options, and we are pleased to report that HL has made some changes in this regard. The other areas are being considered by HL as part of their work on Consumer Duty (covered in a separate part of this report) and we will continue to monitor these developments very closely.

We have identified areas where the communication of investment risk to clients could, we believe, be more meaningfully described, and HL has said they will consider these.

Specifically, and as noted above, the Fidelity Pre-Retirement Bond Fund has fallen significantly in value but has maintained **annuity** purchasing power. We think this is an important message to communicate to clients to ensure they fully understand the consequences are not as negative as their fund valuations might indicate.

The findings from a member survey carried out by HL showed good satisfaction scores (although the number of respondents was low).

ADMINISTRATION AND SERVICE

Our assessment is that HL provides good administration and service, but there are clear areas of strength and areas where improvement is required. This is covered in more detail in the section on 'Administration and service' in another part of this report.

HL sets and monitors targets (service levels – SLAs) for its core transaction processes which overall they met. We have, nevertheless, challenged them to assess whether the SLAs they work to are fit for purposes in the context of your (clients) reasonable expectations and other providers.

In August 2022, the HL **drawdown** payment process failed. This affected 52 clients predominantly in Pathway 4 (people who plan to take out all of their money within the next five years) who, as a consequence, received delayed income payments. Having discovered the problem, HL acted swiftly to ensure payments were made and has undertaken a thorough root cause analysis. They concluded the failure was caused largely by human error. As part of their ongoing Digital Transformation HL has recently automated multiple elements of the drawdown payments process. We have been comforted by HL's positive and prompt remediation action, however, we are concerned many of their administration processes are manual (using checklists and secondary checks to mitigate risk) rather than automated as this exposes them to the risk of other manual processing errors. We are encouraging HL to progress with further automation, at pace.

The number of people in **Investment Pathways** remains very low though we have noted that the number of complaints equates to 2% of those in **Investment Pathways**. We will continue to monitor this number.

COSTS AND CHARGES

HL uses what can be considered to be low-cost funds for pathways. For Pathway 4 HL has selected cash as being appropriate – while there is no explicit charge HL does take a margin which is, in effect, a charge. We are discussing the margin taken with HL and will comment more in next year's report.

CONCLUSION

Our assessment was that the pathway costs and charges were reasonable.

However, we recognise that of importance to you in getting a good outcome is not only the level of the costs and charges but also how appropriate the fund selected is in meeting your objectives. This is an area that we intend to press HL further on over the next year.

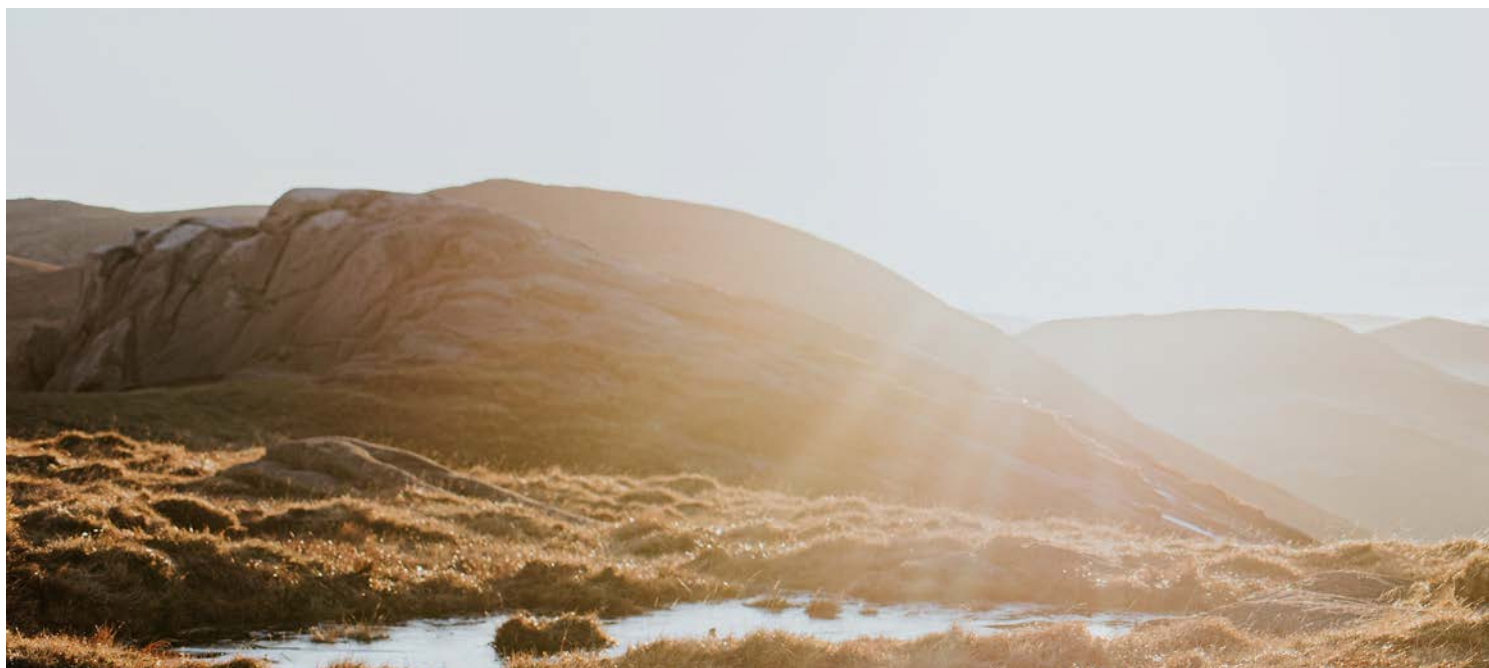
Details of HL's fees can be found in appendix 4, along with the charges and **transaction costs** for the pathways.

COMPARISONS WITH OTHER PROVIDERS OF INVESTMENT PATHWAYS

The rules set out by the regulator require us to compare HL's pathways with similar arrangements offered by other providers of Investment Pathways. We have undertaken a number of activities in order to fulfil this requirement – we have:

- conducted some of our own research into the market,
- reviewed market surveys produced by HL at our request and
- participated in a research study, carried out by Redington, which analysed data across seven providers of **Investment Pathways**.

While we believe this has all been helpful in drawing some high-level comparisons we are mindful that more work needs to be done in this area to make the analyses more meaningful and directly comparable.



As noted above, in order to select each investment fund, HL has had to make assumptions about the characteristics of the people likely to choose each of the four pathways. Other providers of **Investment Pathways** have had to make similar assumptions. The evidence indicates that, different providers have used different assumptions. This is not surprising given pathways are a recent development and, so, little real data is available on which assumptions can be based.

This being so any comparison of investment strategies and performance cannot be based solely on the investment fund selected by each pathway provider. Account also needs to be taken of the assumptions they have made and this is not easily accessible or, indeed, necessarily publicly available. This has made it almost impossible to compare pathways on a like-for-like basis.

For similar reasons any comparisons of costs and charges across providers of **Investment Pathways** has to be treated with caution.

We very much recognise the importance of communications in supporting clients in their decision-making process. We were not however able to compare customer communications with those of other providers as these are not generally publicly available. We were however able to directly compare the information available on other providers' websites, and our findings in this respect are as follows:

- there is a large variance in how information is being displayed and what tools are being made available to potential pathway investors to help them with their decision-making,
- there is a big difference between the ease of locating the pathway pages in the first instance with some having pathways as a link from their website home page and others having buried it deeper in their retirement pages,
- the ability to obtain the relevant information on the pathways once they had been located on the website

proved surprisingly challenging in some cases with no obvious links to the investment strategy, risk, or charges information from the headline descriptions of each of the pathways and

- the area of greatest divergence is in how the risks related to each pathway are communicated in order to support clients in making informed decisions – there is evidence of over-reliance on standardised risk descriptions (for example those found in the key investor information document) and statements such as “The market may fall as well as rise which means you could lose some or all of your investment” which appear to go little way in helping clients make a proper informed decision.

Overall, based on the high-level comparisons we have been able to make, there is nothing to suggest that HL is significantly out of step compared to other providers of **Investment Pathways**.

CONCLUSIONS

Our overall conclusion is that HL's Investment Pathways provide you with VFM. However, as noted above, there are a number of areas that we continue to pursue.

LIMITATIONS OF OUR ASSESSMENT

While we have assessed the VFM provided by the pathways we have not, unless you are invested in an HL workplace pension, assessed the VFM of your pension policy (that is the pension you were invested in immediately prior to choosing an investment pathway).

If you are in a workplace pension you should read the earlier part of this report which sets out our assessment of its VFM. If you are not in a workplace pension you can speak to a financial adviser to help you do this.



What we considered when doing the investment policies assessment

In this section we'll tell you how we went about assessing the quality and adequacy of HL's investment policies on Environmental Social and Governance (or "ESG") matters, Non-financial matters and Stewardship.



We were given additional responsibilities in 2020, which included a duty to consider and report on the adequacy and quality of HL's policies on Environmental, Social and Governance (or "ESG") financial considerations, non-financial matters, stewardship and other financial considerations, as well as how these policies have been implemented. If HL didn't have these policies, we would need to examine the reasons for that.

Let's start by first looking at what these terms mean.

ESG

ESG financial considerations are factors related to the way companies operate. This is important because your savings are invested in funds which invest in companies and those companies need to operate in a sustainable way if they are to give you a good return over time. Examples of **ESG** criteria include:

- Environmental factors: a company's impact on climate change, it's carbon emissions and it's conservation efforts
- Social factors: a company's attitudes to human rights, equal employment opportunities and community development
- Governance factors: a company's anti-corruption policies, the diversity of its board members and approach to executive remuneration.

NON-FINANCIAL CONSIDERATIONS

Non-financial matters are factors which might influence investment decisions that are motivated by ethical concerns, such as improving quality of life or showing disapproval of certain industries. Although the financial case for making an investment is a vital part of the decision-making process, non-financial factors can also be important to some people.

STEWARDSHIP

Stewardship relates to the way a pension provider or fund manager engages with the companies in which they're investing to encourage positive change, such as on matters involving corporate strategy and culture, their efforts on reducing climate change and workplace policies and practice.

OTHER FINANCIAL CONSIDERATIONS

When saving into a pension it's likely you'll be invested for a long time and so will be exposed to longer-term financial risks. References to other financial considerations may include risks in relation to interest rates, liquidity (how easy it is to buy and sell the asset), concentration (avoiding having too many eggs in one basket), currency exchange rates, politics and counterparties (the other parties invested with or through and whether they can deliver what is expected of them).

CONCLUSIONS

During 2022 HL implemented two policies:

- An **ESG** Investment Policy and
- A Stewardship and Engagement Policy

We have assessed each policy for its adequacy and quality in line with the FCA's requirements. These requirements include us forming a view as to whether:

- the policy sufficiently characterises the relevant risks or opportunities;
- the policy seeks to appropriately mitigate those risks and take advantage of those opportunities;
- the firm's processes have been designed to properly take into account those risks or opportunities;
- the policy is appropriate in the context of the expected duration of the investment;
- the policy is appropriate in the context of the main characteristics of the actual or expected relevant policyholders or pathway investors;
- in relation to **ESG** financial considerations, non-financial matters and other financial considerations, the policy is clear how these are taken into account in the firm's investment strategy or investment decision making;
- the policy is sufficiently robust to achieve good consumer outcomes; and
- the extent to which the policies have been implemented.

We spent a lot of time this year reviewing the policies, of which there have been multiple iterations. We believe the fact that HL has been reviewing and updating the policies throughout 2022 is a positive indicator of their desire to improve in these areas, in line with an ever-increasing number of regulations, a swiftly evolving competitive landscape, and an increased demand from investors.

We considered conducting a comparison exercise to understand how HL's policies compare with their peers. This was not available as part of the Redington study and is not an FCA requirement, but we felt this could be helpful in providing some context.

We made a decision not to do this in 2022 due to the difficulties of attempting to compare policies which are very different, rapidly evolving, constantly being adapted for increased regulation and the time commitment it would involve. We instead utilised the expertise we have within the IGC to provide a broader view. We will however consider this again during 2023.

Our conclusion of HL's 2022 ESG Investment and Stewardship and Engagement policies is that they are adequate but could be improved upon in the following areas:

1. In relation to ESG financial considerations, non-financial matters and other financial considerations, the policy should clarify how these are taken into account in HL's investment strategy or investment decision making.
2. The policy should distinguish between investors with a long-term investment horizon and those with a much shorter horizon.
3. The policy should provide details of how it relates to specific client groups, such as workplace members or investment pathway investors.
4. While we understand that it is very much HL's intent to achieve good consumer outcomes, the policy should demonstrate how that is achieved.

HL has responded positively to our challenges and demonstrated willingness to take on board our feedback in how they can meet our tests for quality and adequacy. We understand they are already reviewing the policies and we will monitor future iterations during 2023.

HL does not have a policy on 'other financial considerations'. They have told us this is because they are satisfied such detail is covered within each individual fund prospectus.

Understanding your views

We are continually assessing value on your behalf. In doing this we rely a lot on our own knowledge and experience. But we also plug into the research capability that HL possesses so that we can better understand what's important to you. HL's research team have provided us with what they know about your perception of VFM for your workplace pension.

What we have understood from HL's research is that the three most important factors to you are: performance, communication, and security. Aspects around the product's features and the tools available are generally less important. These high-level findings are consistent with industry-wide research published several years ago on customers' perception of VFM.

To those of you who are less engaged with your workplace pension, HL's research shows that the group presentations and one-to-one meetings which they provide are highly valued. Some of you have noted though that such seminars are not frequent enough. And, for those of you who are more engaged, the self-service journeys which are provided appear to be particularly valued.

Security emerges as a particularly important attribute to you. In response to a question in HL's research covering what is most important to you, "security" was the most mentioned word. Associated with security is peace of mind, and HL's research indicates that HL represents a strong brand and one that you place trust in.

HL's research indicates that some of you have found charges to be higher than you expected and that the clarity and presentation of charges could be improved. We will be challenging HL in 2023 on how this feedback may be addressed.

One aspect that we are particularly interested in is the access you have to a very wide range of investment funds. Given that the provision of such a wide range may have an indirect implicit cost associated with it, we are particularly interested in the extent to which you value this amount of choice. We have been pressing HL to do some more research in this area so that we can better understand what you think.

Despite this research we'd still love to hear directly from you on what you think. You can let us know your views by emailing us on IGC@hl.co.uk.

Or by writing to us at;

FAO: IGC
Freepost
HARGREAVES LANSDOWN

Please note we cannot deal with complaints or general enquires. These should be raised with HL.

The new “consumer duty”

The **FCA** has introduced “Consumer Duty”, which took effect from 31 July 2023. It introduced a new requirement that all financial services firms (and any firms who distribute financial products) “act to deliver good outcomes for retail customers”. In recognition of the barriers many consumers face to pursuing their financial objectives, the **FCA** wants to see firms deliver a higher standard of customer care and protection, and to go further to equip consumers to make effective decisions in their interests. More information on the Consumer Duty can be found on the **FCA’s** website

<https://www.fca.org.uk/publications/policy-statements/ps22-9-new-consumer-duty>

We have seen the programme that HL has established to comply with their obligations under Consumer Duty. They have established seven separate “frameworks” including an overarching one on Client Outcomes. As your IGC we have been monitoring these developments very closely and inputting our own thoughts. We will continue to do so, given the importance of not only meeting the requirements but also ensuring that HL continue to remain compliant and make any necessary changes.

HL and us

You’ll have seen from earlier in this report that we’re independent of HL. That said, we could not have carried out our VFM assessment without their support. As well as acting as our secretary, HL has constructively and openly answered the questions we’ve asked and responded to the challenges we raised.

Limitation of our VFM assessment

Our conclusions are based on performing analysis on features, benefits, service and costs and charges of the workplace pension administered by and investment strategies designed and managed by HL. It hasn’t been possible to look on a member-by-member basis. As a result, you may have a different experience of value for money compared to other members.



APPENDICES



Appendix 1

Who the committee is and why we're here.

We're an Independent Governance Committee (or "IGC").

WHAT IS AN IGC?

An IGC is a committee whose purpose is to represent the interests of members of workplace pension schemes, including members who are still in the scheme and those who have left, and of pathway investors.

Your IGC is made up of five individuals, four of whom (including the chair) are independent of HL. The fifth is an employee of HL but he still has a duty to represent your interests.

Each of us has extensive knowledge, insight and experience within the pensions and finance industry; and of working with and for members, acting in their best interests and championing good member outcomes.

WHAT DOES THE IGC DO?

Our primary objective is to assess the 'value for money' (VFM) members of workplace pension schemes and pathway investors get from their pension scheme.

We're committed to assessing VFM in a member-focused way, and with an emphasis on ensuring you have the best possible chance of achieving good outcomes at retirement.

As a minimum, we have a duty to:

- act solely in the interests of workplace pension members and pathway investors;
- operate independently from HL, in accordance with our **terms of reference**;
- assure ourselves that core financial transactions are processed promptly and accurately;
- assess and, where necessary, challenge HL on whether its workplace pensions and **Investment Pathways** provide VFM for members;
- report on HL's policies on environmental, social and governance (**ESG**) issues, member concerns and stewardship.

This report documents our VFM assessment for 2022.

You can find a copy of our IGC **Terms of Reference** and reports for previous years online at: www.hl.co.uk/igc

WHO SITS ON THE IGC?

You can find information on the current members of the IGC in Appendix 2.

Appendix 2

Who is on the committee?

The current members of the committee are shown below.



RICHARD BUTCHER
Zedra Governance Ltd
Independent chair

Richard is a Client Director for Zedra Governance Ltd (ZGL) a market leading and award winning professional independent pension trustee company. Richard has been involved in pension scheme governance since 1985. He is a Fellow of the Pensions Management Institute (PMI). Richard is the immediate past Chair of the Pension and Lifetime Savings Association (PLSA), the industry association for pension schemes. He has sat on various working groups and committees for the industry, the regulators, the Bank of England and others in relation to, amongst other things, the disclosure of investment costs and charges, Productive Finance, policy development and **ESG** investment matters. He has also sat on the Council of the PMI, the PLSA DC Council (which he chaired for two years), the Pension Regulators DC Practitioners Panel and the Department of Work and Pensions Trustee Panel. He is a regular contributor to the trade press and has won several awards and accolades.

Richard is qualified to be a member of an IGC by merit of his significant experience in and knowledge of the pensions industry, his expertise in assessing the value for money of arrangements such as this (gathered from his role on similar boards) and his knowledge of ESG and underlying investment costs and charges. He is qualified to chair the IGC by merit of his significant experience of and positive track record in chairing similar arrangements as well as other boards and committees.



HELEN CAREY
Independent member

Helen is Compliance & Operations Director at AV Trinity. She has over 20 years' experience working in a variety of roles in the pensions industry, including workplace pensions. This includes supporting employers when making important decisions for their members and directly advising scheme members pre and post retirement. Helen is passionate about good member outcomes and financial education, having played an active role in improving financial understanding in schools and in the workplace. Helen is a Chartered Financial Planner and Fellow of the Personal Finance Society.

Helen is qualified to be a member of an IGC by merit of her extensive knowledge and experience of pensions and investments, her in-depth technical understanding of how these products work, ESG risks and opportunities and the regulations applying to workplace pensions, and her hands-on experience of advising consumers on their retirement planning and in-retirement needs.



RITA BAJAJ
Independent member

Rita is an independent Non-Executive Board Director for several financial services companies and has over 25 years' broad financial services experience. She has held senior investment positions at Global and UK asset managers and is a former Financial Conduct Authority regulator. Currently, Rita serves on the Boards of Fidelity International Life Insurance Ltd, Benefact Group PLC, Wesleyan Assurance, Columbia Threadneedle OEIC Boards and London Pension Fund Authority (LPFA). Rita is passionate about improving retirement outcomes and value for money for members, including sustainable investing and **ESG** considerations.

Rita is qualified to be a member of an IGC by merit of her significant direct Global Equity markets investment & **ESG** expertise and knowledge of the asset management/custody industry, her risk & controls management experience both as a former **FCA** regulator supervising asset management firms and as a controls executive.



IAN COSTAIN

Bloomfield Financial
Consultancy
Independent member

Ian is a qualified actuary with more than 30 years’ experience in the pensions industry. In the early part of his career he worked for various insurers and the UK’s largest network of financial advisers. His roles covered product development, pricing, marketing, and distribution. From 2003 to 2009 Ian was Head of Policy & Public Affairs for AXA UK. At an industry level he was a founding member of the Association of British Insurers’ Consumer Engagement Committee. Ian has been an independent consultant since 2009 with a strong focus on the regulation of pensions. He has spent a year at The Pensions Regulator leading their strategic thinking on the regulation of the pensions market, and over a year at the Financial Conduct Authority as a special adviser on pension policy.

Ian is qualified to be a member of an IGC by merit of his wide-ranging experience in the pensions industry extending from consumer protection – he has worked specifically on pensions for several regulators – to the technical design and pricing of pension products themselves.



MARK WALTER

HL employed member

Mark joined Hargreaves Lansdown in 2010. He is responsible for managing HL’s relationships with the fund management companies available through the HL platform. He has extensive experience of HL’s operational, commercial, and client-facing functions, enabling him to bring a rounded view to assessing value for money within workplace pensions and Investment Pathways, as well as how ESG is integrated into investing. Mark is passionate about expanding access to financial services. Mark holds the Diploma in Regulated Financial Planning.

Mark is qualified to be a member of an IGC by merit of his experience of the investment and platform industry – bringing a deep understanding of the operation of an investment platform and the performance of investments offered to individual investors in the UK.

NOTES

Our **terms of reference** state that all members of the IGC must act solely in the interests of workplace scheme members and pathway investors. This applies to HL members, who are free to participate in the IGC without it conflicting with the other terms of their employment.

The members of the IGC were appointed after a robust recruitment process. For the HL employed member this included advertising the role to all HL staff. For the external members, HL advertised the position on their website and other channels. For all positions, multiple rounds of interviews took place which were conducted by panels independent of each other. Richard Butcher, the independent chair, was involved in the interview and selection process for all the new members appointed in 2020 (Mark, Rita and Ian). The recruitment process was also overseen by HL’s human resources and talent acquisition team.

Our respective histories mean that together, we’ve sufficient expertise and experience to act in your interest.

In addition, we’re sufficiently independent to act in your interest. This is because four of us are independent of HL and the one who is an employee is contractually able to be and has demonstrated his independence during our meetings.

There were no changes to the IGC during the year.

Appendix 3

Our value for money framework.

We've created a framework to analyse the value for money ("VFM") you get.

The framework helps us to make sure we consider the factors that contribute to VFM in a robust and consistent way. The framework was developed over several stages. The key stages were as follows:

- We agreed our approach to the assessment
- We developed a "scorecard"
- We agreed the features to be scored in the scorecard
- We individually scored the features based on information given to us by HL
- We compared and, in some cases, amended our individual scores during a moderation meeting
- We aggregated our scores to arrive at group conclusions
- We agreed our result

A full list of the features we considered is below.

WORKPLACE PENSIONS

Benefits: Investments and performance:

- Whether default investment strategies are designed and executed in the interests of relevant policyholders
- Including the approach to de-risking (i.e. whether the approach to de-risking is designed and executed in the interests of relevant policyholders)
- Adaptability of default arrangements (not limited to AE) to changing circumstances
- Gross risk adjusted investment performance (especially default funds)/risk metrics/diversification – consistency with objectives and portfolio volatility
- Net investment performance
- Appropriate range of choice of accumulation funds
- Whether the characteristics and net performance of investment strategies are regularly reviewed and that action is taken to make any necessary changes
- Do HL consider ESG when selecting, retaining or operating a fund?
- Do HL consider other financial considerations when selecting, retaining or operating a fund?
- Do HL consider stewardship when selecting, retaining or operating a fund?
- Do HL consider non-financial matters when selecting, retaining or operating a fund?
- On-going fund governance
- Interventions and actions relating to poor performing funds

Benefits: Communications, engagement and support

- Default strategies: clear statements of aims and objectives
- Overall member communications fit for purpose/quality (including education) clarity, visual appearance etc
- Range of comms tools
- Tactical approach i.e. comms at points of susceptibility.
- Real time access and functionality
- On line functionality (update, contribute, transact)
- On line tools (tax planner, modeller etc)
- Additional member support on pension saving (e.g. on-line support, telephone helpline etc.)
- Support through workplace
- Support at retirement – communications
- Vulnerable customers - robust approach
- Alternative form (e.g. brail)/language communications
- Member education tools
- Website quality

Benefits: Administration and service

- Whether core financial transactions are processed promptly and accurately
- Relative quality and appropriateness of SLAs
- Performance against SLAs
- Level of automation (STP)
- Scam protections
- Customer satisfaction measures(e.g. NPS)
- Choices at retirements – the range of decumulation choice available
- GDPR
- Auto-enrolment and re-enrolment support
- Levels of complaints

Benefits: Additional factors

- Additional governance structures for the benefit of members (e.g. Governance/supervision committees with external/independent members/Operation risk controls/Internal audit function)
- Additional (financial or other) benefits available to members by virtue of being a workplace pension policyholder (such as discounts on other products from the insurer)
- Sustainability of product/provider
- HL's willingness and ability to invest in the proposition
- HL reputation
- IT robustness including management of cyber risk
- Quality of HL risk and control framework (including Independent assurance of controls)

Costs and charges

- Platform charges
- Investment costs
- Transaction costs
- Exit charges
- Other costs (non-elective)
- Other costs (elective)
- Total cost (aggregate cost)

INVESTMENT PATHWAYS

Benefits: Investments and performance:

- Whether pathway investments are designed and executed in the interests of relevant policyholders
- Gross risk adjusted investment performance/risk metrics/ diversification – consistency with objectives and portfolio volatility
- Net investment performance
- Whether the characteristics and net performance of investment strategies are regularly reviewed and that action is taken to make any necessary changes
- Do HL consider ESG when selecting, retaining or operating a fund?
- Do HL consider other financial considerations when selecting, retaining or operating a fund?
- Do HL consider stewardship when selecting, retaining or operating a fund?
- Do HL consider non-financial matters when selecting, retaining or operating a fund?
- On-going fund governance
- Interventions and actions relating to poor performing funds

Benefits: Communications, engagement and support

- Pathway investments: clear statements of aims and objectives
- Overall member communications fit for purpose/quality (including education) clarity, visual appearance etc and properly take into account the characteristics, needs and objectives of Pathway Investors
- Range of comms tools
- Tactical approach i.e. comms at points of susceptibility.
- Real time access and functionality
- On line functionality (update, contribute, transact)
- On line tools (tax planner, modeller etc)
- Additional member support on pension saving (e.g. on-line support, telephone helpline etc.)
- Support at retirement – communications
- Vulnerable customers - robust approach
- Alternative form (e.g. brail)/language communications
- Website quality

Benefits: Administration and service

- Whether core financial transactions are processed promptly and accurately
- Level of automation (STP)
- Customer satisfaction measures(e.g. NPS)
- GDPR
- Levels of complaints

Benefits: Additional factors

- HL's willingness and ability to invest in the proposition
- IT robustness including management of cyber risk
- Quality of HL risk and control framework (including Independent assurance of controls)

Costs and charges

- Platform charges
- Investment costs
- Administration charges
- Transaction costs
- Other costs (non-elective)
- Other costs (elective)
- Total cost (aggregate cost)

Appendix 4

Costs and charges information.

DEFAULT AND ABC FUND CHARGES

The following charges applied to the investments and cash used as a default and the ABC funds as at 31 December 2022.

	ANNUAL CHARGE	TRANSACTION CHARGE	TOTAL
HL Growth Fund	0.10%	0.07%	0.17%
BlackRock Consensus 85	0.08%	0.07%	0.15%
Schroder Managed Balanced (SMB)	0.33%	0.33%	0.66%
BlackRock MyMap 4	0.17%	0.10%	0.27%
Cash	Tiered interest applies. See rates here. No charges for holding cash (but HL retains some interest)		
Rathbone Global Opportunities	0.52%	0.09%	0.61%
Ballie Gifford Managed	0.25%	0.15%	0.40%
Troy Trojan	0.61%	0.00%	0.61%

Further information about these funds and the others available in the scheme can be found here – www.hl.co.uk/funds.

HL ANNUAL PLATFORM FEE

HL applies an annual charge to the value of funds you hold in your pension as follows:

VALUE OF FUNDS	CHARGE
On the first £250,000	0.45%*
On the value between £250,000 -£1m	0.25%
On the value between £1m - £2m	0.1%
On the value over £2m	No charge

No platform fee is applied to cash. Full details of charges are in the tariff of charges on the last page of [HL's Terms and Conditions](#).

* Some schemes are on a lower charge for this tier. This table shows the number of schemes at each fee level:

PLATFORM FEE ON FIRST TIER OF FUND HOLDINGS	DEFAULT INVESTMENT OPTION	NUMBER OF SCHEMES	PERCENTAGE OF TOTAL
0.45%	HL Growth	524	76.5%
0.42%	HL Growth	1	0.15%
0.4%	HL Growth	31	4.53%
0.35%	HL Growth	32	4.67%
0.3%	HL Growth	9	1.31%
0.25%	HL Growth	72	10.51%
0.2%	HL Growth	1	0.15%
0.15%	HL Growth	1	0.15%
0.45%	Cash	6	0.88%
0.4%	Cash	0	0%
0.35%	Cash	5	0.73%
0.3%	Cash	1	0.15%
0.25%	Cash	1	0.15%
0.15%	Cash	1	0.15%

FIND YOUR ILLUSTRATION

How much your pension is worth will depend on a number of factors. The most important one is usually how much you and your employer pay in. How your investments perform, and the impact of charges make a significant difference too. All investments have their own charges. The level of charges will vary in different investments and this will affect your pension value.

Hargreaves Lansdown are required to publish illustrations to help you understand how charges can affect what your pension might be worth in future. They're not a prediction of what might happen – instead they're illustrations based on assumptions that the Financial Conduct Authority requires HL to use.

HL will email you with confirmation of which platform fee applies to your scheme and send you a link to the illustration that applies to your scheme too. Links to all of the illustrations can be found below:

PLATFORM FEE ON FIRST TIER OF FUND HOLDINGS	DEFAULT INVESTMENT OPTION	LINK TO ILLUSTRATION
0.45%	HL Growth Fund	Download Illustration (PDF)
0.42% (on SMB, 0.45% on all other funds)	HL Growth Fund	Download Illustration (PDF)
0.42% (on all default funds)	HL Growth Fund	Download Illustration (PDF)
0.40%	HL Growth Fund	Download Illustration (PDF)
0.35%	HL Growth Fund	Download Illustration (PDF)
0.30%	HL Growth Fund	Download Illustration (PDF)
0.25%	HL Growth Fund	Download Illustration (PDF)
0.20%	HL Growth Fund	Download Illustration (PDF)
0.15%	HL Growth Fund	Download Illustration (PDF)

INVESTMENT PATHWAYS

	FUND	ANNUAL CHARGE*	TRANSACTION CHARGE*	TOTAL
Pathway 1	BlackRock MyMap 4	0.14%	0.04%	0.18%
Pathway 2	Fidelity Pre-Retirement Bond Fund	0.15%	0%	0.15%
Pathway 3	Baillie Gifford Multi Asset Income	0.30%	0.27%	0.57%
Pathway 4	Cash	Tiered interest applies. See rates here. No charges for holding cash (but HL retains some interest)		

*Source: Broadridge, 31 December 2022.

JARGON BUSTER

Glossary of certain terms used in this report

Aims and Objectives (Investment)

An investment fund's aims and objectives should set out what the fund intends to achieve and how it intends to achieve it; for example, to grow at x% a year measured over a x year cycle, by taking no more than x risk. The aims and objectives allow you to choose a fund that matches your own aims and objectives.

Annuity

See **Guaranteed income** below.

Bold

When a thicker typeface is used to give the word or words more prominence.

Default fund

How your savings are invested if you or your financial adviser (if you had or have one) didn't make an alternative investment choice.

De-risking or lifestyling

De-risking or **lifestyling** is a process where, as you get older and so closer to the time you will take money out of the scheme, it automatically switches your investments in a phased way over a period to align them with how you'll take your money. This process generally reduces the risk balance of your investments helping shelter them from stock market falls.

ESG (Environment, Social, Governance)

ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).

FCA

The Financial Conduct Authority, a regulatory body for financial services companies.

Guaranteed income

This describes using all or part of your savings to buy an insurance policy (an "**annuity**") that'll continue to pay a guaranteed regular and perhaps increasing amount of pension for the rest of your life. This is available to you after you reach age 55 (57 from 2028).

Investment Pathways

Investment Pathways ('pathways') are a set of investment options to help you make investment decisions if you decide to access your pension using a method known as drawdown. They're there to help you if you're unsure how to invest, but you don't have to use them.

Lifestyling

See De-risking or lifestyling.

Terms of reference

The IGC's terms of reference set out what we will do. Our terms of reference can be found here www.hl.co.uk/IGC

Transaction Costs

Transaction costs are part of the total costs of managing investment funds and are reflected in the return you receive from your fund. They are incurred when investment managers buy, sell, borrow or lend investments. Transaction Costs include such items as tax, stamp duty and dealing commission and custodial fees.

UFPLS

Uncrystallised Funds Pension Lump Sum. By taking a UFPLS, you can withdraw your whole pension or keep some invested. Up to 25% of each withdrawal will be tax free and the rest taxable.

Value for Money

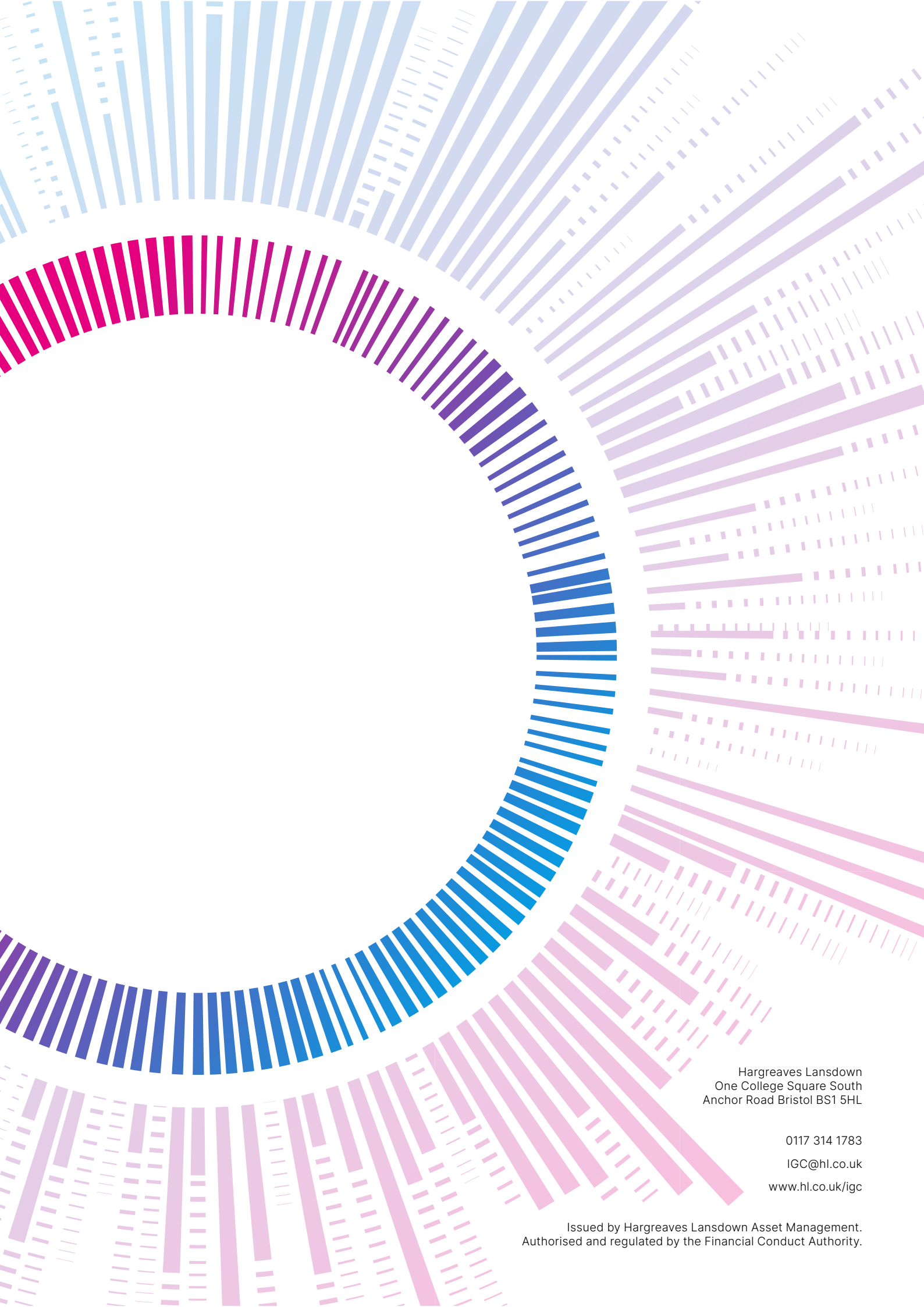
The balance of cost versus benefits.

Value for money has been defined (by the National Audit Office) as "The optimum combination of whole-life costs and quality".

Because, however, there is a lack of perfect information about what's available and at what price and because some parts of the proposition are qualitative, what's "optimum" can only be theoretical.

Nevertheless, a value for money assessment must take account of the quality of the pension proposition as well as its cost and consider how that compares to what's available for equivalent schemes from other providers in the marketplace.





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