



ZEDRA

DO MORE. ACHIEVE MORE.

# Chair's annual report

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## Novia — Workplace Personal Pension Plans

- | Year ended 31 December 2022
- | The ZEDRA Governance Advisory Arrangement (GAA)

September  
2023



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## Executive summary

**This report on the workplace personal pension plans provided by Novia Financial plc ('Novia' / 'the Firm'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') for Novia and sets out our assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.**

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D respectively. The GAA works under Terms of Reference, agreed with Novia, the latest version of which is dated 31 March 2022 and are publicly available (see Appendix D).

This is our eighth annual report.

As Chair of the GAA for the Firm, I am pleased to deliver this value assessment of the Novia Workplace Personal Pension Plans. The GAA has conducted a rigorous assessment of the Value for Money ('VfM') delivered to policyholders over the period 1 January 2022 to 31 December 2022. The GAA has developed a Framework to assess Value for Money which balances the quality of services provided to advised and sophisticated policyholders against what they pay for those services. Less weighting is placed on investment strategy and performance than other criteria within a SIPP wrapper, since the Firm has no role in setting or managing investment strategies. Further details are set out on page 7.

## A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

	Weighting toward VfM assessment*	Novia Workplace Personal Pension Plans
1. Product strategy design and investment objectives	7%	●
2. Investment performance and risk	7%	●
3. Communication	20%	●
4. Firm governance	7%	●
5. Financial security	7%	●
6. Administration and operations	17%	●
7. Engagement and innovation	3%	●
8. Cost and charge levels	33%	●
<b>Overall Value for Money assessment</b>	<b>100%</b>	<b>●</b>

\* May not add to 100% due to rounding.

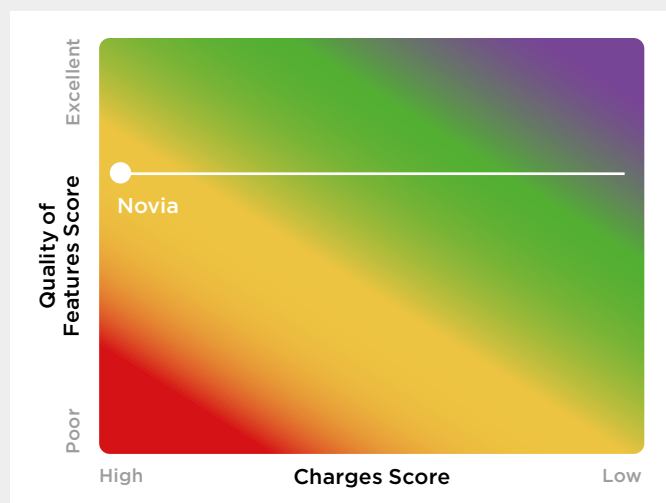
\*\* As Novia generally charge a minimum fee of £75 per annum, this is high for a large number of policyholders when expressed as a percentage of funds. The rating shown reflects an average across policyholders.

<p><b>Quality and investment features (1-7)</b></p> <p>● Excellent ● Good ● Satisfactory ● Poor</p>	<p><b>Cost and charge levels (8)</b></p> <p>● Low ● Moderately Low ● Moderately High ● High</p>
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The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual features and the weightings shown in the above table. The Quality of Service and Investment Features combined (i.e. 1 to 7 in the table above) representing two-thirds of the overall score and the Cost and Charge Level (i.e. 8 in the table above) representing one-third of the overall score.

The overall conclusion is that the Novia Workplace Personal Pension Plans provide good value for money, with around 7% of the policies assessed as providing excellent value for money due to the size of charge relative to their fund size. We have illustrated the range of charges using a line on the heatmap below.

### VALUE FOR MONEY SCORING



## Overall, the GAA has challenged the Firm to:

- | Review and reduce the number of orphaned policyholders with particular consideration given to those who have been orphaned for over a year; and
- | Provide a more detailed breakdown of Service Level Agreements (SLAs) than those provided to the GAA for this year's review.

## In addition, the GAA also made the following observation:

- | The Firm should consider how to develop its proactive engagement with policyholders in order to obtain broader feedback on its product, for example through the use of policyholder surveys.

The GAA has previously challenged the Firm on the impact of the minimum charge of £75 per annum that applies to a large number of policyholders. This minimum charge leads to significantly higher fees (when assessed as a percentage of the fund) for those policyholders with relatively small funds invested. The Firm has not taken action to address the impact of this and the minimum charge is being increased to £100 per annum with effect from 1 January 2023 (although other some charges have been reduced). Therefore, the GAA intends to raise a formal concern with the Firm's governing body in respect of this and will provide an update in next year's report.

In 2022, the GAA challenged the Firm to obtain **transaction costs** on the prescribed methodology to comply with reporting requirements. We understand the Firm has been unable to obtain the transaction costs in the prescribed format and is considering applying to the FCA for a waiver on this requirement. However, at the time of writing the waiver had not been submitted to the FCA nor has a copy been made available to the GAA. This is being raised with the Firm's governing body again and the GAA will consider escalating this if a satisfactory response is not received.

The FCA introduced new requirements last year requiring a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. Our view on each feature that we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix B. Our assessment identifies that the overall cost and charge level paid by the Firm's policyholders over 2022 is significantly above average relative to the comparator group due to the impact of the minimum charge on small funds and will notify the Firm's governing body as part of our formal concern noted above that an alternative scheme may offer better value.

A consultation was launched in early 2023 between the FCA, the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR). This consultation set out a transformative framework of metrics and standards to assess value for money across Defined Contribution (DC) pension schemes including the workplace pensions reviewed by the GAA. The consultation seeks to improve retirement outcomes and encourage greater transparency and standardisation across the entire market offering DC pensions. This should result in a more consistent Value for Money review for policyholders irrespective of where their DC pension originated. This consultation does not affect this year's review but may mean a change in the way that Value for Money is assessed for policyholders in the future, if the consultation prescribes a standard way of measuring Value for Money which differs from the approach used by the GAA.

Where we have used technical pensions terms or jargon, these are explained in the glossary in Appendix E.

Details of the numbers of policyholders and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix F.

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

## Steve Longworth

Chair of the ZEDRA Governance Advisory Arrangement for Novia

September 2023



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

Compliance Department, Novia Financial Plc,  
Cambridge House, Henry St, Bath BA1 1JS

[www.novia-financial.co.uk](http://www.novia-financial.co.uk)

Alternatively, you can contact the GAA directly at [zgl.gaacontact@zedra.com](mailto:zgl.gaacontact@zedra.com)



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# Contents

Executive summary	2
<b>Overview of the value assessment</b>	<b>7</b>
1. Product strategy design and investment objectives	10
2. Investment performance and risk	12
3. Communication	13
4. Firm governance	15
5. Financial security	17
6. Administration and operations	19
7. Engagement and innovation	21
8. Cost and charge levels	22
<b>ESG financial considerations, non-financial matters and stewardship</b>	<b>24</b>
<b>Appendices</b>	
A. Cost and Charge Disclosures	25
B. Comparison report	26
C. GAA activity and regulatory matters	28
D. ZEDRA GAA credentials	30
E. Glossary	31
F. Summary of Workplace Personal Pension Plan Data at 31 December 2022	33



# Overview of the value assessment

**The GAA has assessed the Value for Money delivered by the Firm to its workplace personal pension policyholders by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.**

## Our approach

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

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the quality of investment and other services provided to policyholders.

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

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including full information on all costs and charges, including [transaction costs](#).
- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.

- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA and to undertake comparisons of the Firm's product against a suitable comparator group of providers for certain Quality of Service and Investment Features and Cost and Charges.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against eight different features covering Quality of Service, Investment Performance and Strategy (the 'Quality of Service and Investment Features'), and the Costs and Charges borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

The Quality of Service and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in [COBS 19.5.5](#), in particular services relating to communications with policyholders and processing of [core financial transactions](#). The Quality of Service and Investment Features considered have been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement and innovation, and a wider overview of the administration quality and processes.

Within each of the Quality of Service and Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see to achieve each numerical score. The scores for each sub-feature are then aggregated to the feature level based on the GAAs view of the relative value of the sub-feature to the policyholders.

The GAA will then consider the value represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and any platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the policyholders pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1 to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The scores for each feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAA's views of the relative importance to the policyholders of each feature. The weightings are tilted towards the features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of policyholders, based on the information made available by the Firm.

## Value for money assessment framework for Group SIPPs

This section comments on how we have applied our value for money assessment framework in the case of the Firm's advised group Self-Invested Personal Pension Plans ('SIPPs').

The FCA has prescribed specific features that the GAA must assess, as discussed in the framework described above. However, some of these do not directly apply in the SIPP environment where the policyholder is advised or sophisticated and are only relevant to the GAA due to the classification of Group SIPPs as workplace personal pension plans. In isolation, the SIPP regulations do not require that providers consider these aspects, and we explain this below.

The FCA requires the GAA to assess whether:

- | 'Default investment strategies are designed and managed taking the needs and interests of **relevant policyholders** into account'
- | 'Default investment strategies have clear statements of aims and objectives'
- | 'All investment choices available to relevant policyholders, including default options, are regularly reviewed to ensure alignment with the interests of relevant policy holders'

Under the rules of a SIPP, the policyholder directs the investment strategy, and is usually guided by their FCA authorised IFA. The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled by the FCA authorised IFA, the policyholder or, in some cases, potentially by the employers.

For some Group SIPP providers there are policyholders who choose this type of pension because they are 'certified high net worth' or 'sophisticated' investors as defined in FCA Handbook COBS 4.12.6/7/8 R. In these cases, our interpretation is that the provider can assume that the policyholder is able to design the strategy and evaluate whether they are obtaining value for money over time from their investments.

For unsophisticated and non-advised policyholders, the GAA assesses the provider's process of reviewing the characteristics and performance of the investment strategies.



By their nature, SIPPs can invest in 'non-standard' assets such as the unquoted shares or business premises of the employer. In such cases, it is likely that the policyholder themselves will be much better placed to obtain information on, and understand the characteristics and net performance of, such strategies, rather than the Firm. The Firm is not able to make changes to the investments because, as described, it has no role in setting or managing investment strategies. The Firm can raise concerns but cannot require action to be taken.

Nearly all Group SIPPs, including those offered by the Firm, do not have default funds in operation because each member is choosing their own investments. This removes the first two areas of assessment in the bullet points above.

Accordingly, the GAA has not assessed the Firm in relation to the first two areas highlighted above for such policyholders.

Further, the GAA would only carry out an assessment of the third area where there are unsophisticated or non-advised policyholders. In cases where the policyholder is 'certified high net worth' or 'sophisticated' or advised by an FCA authorised IFA, the GAA has focused on ensuring this is evidenced.

Similarly, the GAA has not assessed the Firm in relation to transaction costs and the charges paid directly to the underlying investment managers over which the Firm has no control or influence, instead focussing on ensuring that such charges are appropriately disclosed to policyholders.

In the sections on the following pages, we have described the Firm's approach to delivering each of the features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

In addition, there is a section to set out the GAA's views on the adequacy and quality of the Firm's policies on **ESG** financial considerations, non-financial considerations, and stewardship to the extent these apply to the Firm. Largely, however, these considerations do not apply to a SIPP provider, on the basis that the Firm is not making any investment decisions on behalf of its policyholders.

An assessment has also been made of the quality of communication and quality of the administration service including the processing of core financial transactions, SIPP provider-controlled costs and charges and the disclosure of cost and charges relative to a suitable comparator group of product providers. We have not included an assessment of net investment return as this does not apply to a SIPP provider. Comments on the outcome of these assessments is included in the sections for the relevant features. We have also considered whether an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and products were determined is set out in Appendix B.



# 1. Product strategy design and investment objectives

**Value score:**  Excellent  Good  Satisfactory  Poor

## What are we looking for?

Given the limited involvement of the Firm in designing investment strategies, we seek confirmation that all SIPP policyholders can be considered as fully advised or sophisticated investors.

If there is a limited range of investment options open to policyholders, our assessment is focussed on how policyholders are supported when exploring their investment options. We expect to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that policyholders are reminded to review their investments regularly.

We look for evidence of a robust decision process on the suitability for adding new investment funds onto the platform.

## The Firm's approach

Operating within the SIPP framework, the Firm does not have a role in designing or managing the investment strategies nor in setting their aims and objectives. Rather, this is deemed to be carried out by the policyholder's IFA. There are no default offerings.

All policyholders have an IFA in place at the point a policy is established on the Novia platform. The IFA has the sole responsibility to ensure the product wrappers and investments within it are suitable relating to the assessment of suitability and appropriateness test.

The Firm carries limited checks on what the IFA is doing and how active they are in terms of ongoing advice. However, changes to investment strategy/funds selected/contribution amounts can only be made by the IFA. If the relationship with the policyholder's IFA ends, then the account is marked as a 'non-advised member' or 'orphan' and the policyholder is instructed to find a new IFA. Until they have a new IFA in place, the policyholder is unable to transact, other than to withdraw their funds.

The IFA agrees that the Firm may rely on them to undertake a suitability and appropriateness test prior to an application and on an ongoing basis, where such assessments are required by the FCA rules.

The Firm ensures that all IFAs are FCA authorised initially, and on an ongoing basis.

New investment funds are made available following an IFA's request after consideration by the Firm that the fund is an allowable investment, and all decisions on opening or closing funds are driven by demand. A fund which has no investors remaining may be closed but could be reopened, if subsequently requested by an IFA.

## The Firm's strengths

The Firm requires all customers to receive advice at the point of joining the platform. This advice must be provided by an FCA authorised IFA, who is required to sign-up to the Firm's Terms of Business, stating that they will ensure ongoing advice is provided to each individual. The Firm checks the FCA authorisations of all advisers on an ongoing basis.

If a customer loses their adviser, their account is marked as 'orphan' and can no longer complete transactions, other than withdrawal of funds. The GAA has been provided with a copy of the letter that the Firm send to customers in this situation and also the follow-up reminder letter, instructing them to find a new IFA.

The Firm has made available a full fund list, on their public facing website, setting out a summary of charges and detailed objectives. Full fund factsheets are available, setting out fund performance and asset allocations, as well as Key Investor Information documents. Within this information, an independent performance rating is supplied based on historical performance. The fund factsheets are updated regularly over the year as performance develops.

When a new fund is requested, the Firm complete appropriate due diligence checks before making performance data available on their website.

## Areas for improvement

### GAA challenge

The orphan rate has increased during this year from a low level of less than 1% of policyholders (9 such policyholders as at 31 December) to around 3% of their policyholders (48 policyholders in total as at 31 December 2022).

Of these 48 orphaned policyholders, 38 of these had become orphans within the previous 12 months, 5 were orphaned from 2021, 3 from 2020 and 2 from 2019.

The GAA will continue to monitor the level of orphan policyholders and expect action to be taken by the Firm to reduce the number of orphaned policyholders with particular consideration given to those who have been orphaned for over a year.

As the number of orphaned policyholders is still a low proportion of total policyholders, the GAA have not considered it necessary for them to be assessed against our full framework but will keep this position under review.



## 2. Investment performance and risk

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

Acknowledging the limited role that the Firm plays in that they make available investment options but do not assess the performance of those funds as this falls within the remit of the IFA we focus on the processes the Firm has to monitor IFAs remain in place on an ongoing basis and look for evidence that the Firm regularly reminds policyholders to review their investment choices with their IFA.

Nevertheless, we expect to see a robust governance framework under which investment performance information is regularly gathered and made easily accessible to policyholders and advisers. The performance results disclosed should be assessed against investment objectives, including against a measurable and stated benchmark and should be net of investment fees.

### The Firm's approach

The Firm has a comprehensive and clear investment list available on their website at [www.noviaonline.co.uk/ToolsService/InvestmentList/fund\\_list.aspx](http://www.noviaonline.co.uk/ToolsService/InvestmentList/fund_list.aspx). Crown performance ratings (and in some instances MorningStar OBSR

ratings) are made available within the fund listings, to help identify well performing funds. Fund factsheets are also readily available for all funds, and are updated on a regular basis, setting out the charges, historic performance and asset allocations of the funds.

Changes in investments can only be actioned by the policyholder's IFA. Policyholders without an IFA in place are unable to make changes in their investment selections.

Policyholder communications routinely remind policyholders to review their fund choices and investment performance.

### The Firm's strengths

By virtue of the vast majority of policyholders being advised by an IFA, the Firm has a limited role to play in this aspect of the product. They ensure that there is up-to-date performance information available through their online offering. Performance monitoring visibility is enhanced through the application of independent ratings on fund listings to help identify funds which are currently performing well.

### Areas for improvement

The GAA did not identify any specific areas for improvement.

## 3. Communication

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account policyholders' characteristics, needs and objectives.

Where the Firm is communicating directly with policyholders, we would expect to see a comprehensive suite of communications including annual benefit statements, pre-retirement wake-up letters and retirement option packs.

Information on administration and investment charges, and [transaction costs](#) should be made available to policyholders on a publicly available website annually, including illustrations of the compounding effect of the administration and investment charges and transaction costs on an annual basis.

Although an advised policyholder would expect to get most of their support from their independent financial adviser, in a high-quality communication service offering we would expect the Firm to offer substantial additional support, with a range of materials such as online calculators to enable personalised calculations with various selectable options although these may be made available via the policyholders IFA rather than to the policyholder directly. We would expect telephone support to be available, with good evidence of telephone scripts, call monitoring and staff training.

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

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

### The firm's approach

The Firm provide quarterly statements to all policyholders, in addition to some other key communications such as welcome packs, retirement illustrations, and retirement wake up packs. Outside of these documents, the Firm does not typically lead on communications with individual policyholders unless they no longer have an IFA and are orphaned.

Where a policyholder is orphaned, the Firm write to them confirming that as it provides an advised platform, the Firm will remove any model portfolios set up on their account. The Firm also confirm that the policyholder's funds will continue to be invested in their current investment selection as they are unable to action any requests to change investment options without an IFA, except for requests to sell investments to cash. The letter then sets out the options available to the orphaned policyholder. The Firm will then issue follow-up reminder letters for those orphaned policyholders.

There is a substantial online offering, which can provide granular information on current holdings and the performance of investments to be accessed by policyholders, along with a suite of tools available to support advisers. Investment switches are initiated online by a policyholder's IFA.

There is some support available with retirement options, although this is made available through the IFAs. Telephone support is also available to policyholders.

It is not possible to purchase annuities through the Firm. The SIPP can be used for flexible drawdown, or an uncrystallised funds pension lump sum can be taken otherwise policyholders will need to transfer elsewhere for other retirement options.

## The Firm's strengths

The GAA were provided with the full suite of communications including examples of the letters to orphaned policyholders.

Communications are clear and free of jargon, whilst also not being over simplified. There is clear signposting to confirm when investment advice is required and toward against pension scams. There is also signposting for support on retirement options, although these are generally made available through IFAs.

Online facilities are extensive, as demonstrated by the Firm to the GAA, pulling together education pieces, fund documentation and modelling tools in one location, albeit that customers will generally access this information through their IFA. Policyholders and their IFAs can access information about the relevant fund holdings, along with previously issued statements.

The Firm provides IFAs with regular communications, including a monthly newsletter which highlights relevant service and industry information. An example of the IFA newsletter was provided to the GAA.

The Firm also supports IFAs via their online portal 'Adviser Zone' which includes guides that walk them through new reports and functionality.

As commented on in Appendix A of this report, we understand that the Firm continues to not meet the disclosure requirements relating to costs and charges. While this is of concern to the GAA and has been raised as a formal concern to the Firm, this falls outside of our direct assessment of value for money for policyholders.

## Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2022 were average relative to the comparator group.

## Areas for improvement

The GAA did not identify any specific areas for improvement.



## 4. Firm governance

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

We would expect to see a comprehensive governance structure in place where, for example, Terms of Reference are provided for key committees, reviewed on a regular basis, with clearly defined scope. We would expect to see evidence of the key committees operating during the year with minutes or meeting packs demonstrating that the key scope elements of the committee remit have been adequately covered.

There should be a transparent and documented process for appointing and monitoring service providers, including a clear process for monitoring whether all policyholders either continue to have an independent financial adviser in place or remain classified as a ‘sophisticated investor’ with evidence of regular reviews being completed and appropriate steps being taken, as required.

### The Firm’s approach

The Firm relies on in-house administration services and IT infrastructure teams to operate its platform. These functions are monitored regularly within the business, although the results of this monitoring are not reported on at the customer level.

The Firm utilises a Third-Party Management Policy which sets the standards required to appoint and manage third-party service providers. The Firm maintains a compiled list of third-party service providers for record keeping.

The only external providers within the Firm’s offering are the external investment managers. The Firm has in place a framework for appointing and monitoring external investment managers that is compliant with the due diligence they are required to undertake by the FCA before offering a new investment fund.

The Firm operate three lines of defence which includes risk and compliance monitoring and an annual internal audit programme. Governance incorporates the Audit and Risk Committee, which is chaired and is attended by independent Non-Executive Directors and the business undertakes quarterly Risk and Control Self-Assessments, which are overseen and challenged by the Risk Management team.

## The Firm's strengths

The Firm has a flexible Governance structure in place looking after the interests of policyholders which consist of their Commercial Committee, Client and Conduct Committee Steering Group (C&CSG), the SIPP Trustee Committee and the Firm's Board.

The Commercial Committee was appointed by the Executive Committee with the objective of ensuring consistency of pricing, appropriate cost consideration and prioritisation of all strategic partnerships and propositional changes. Its purpose is to act as a focal point for all commercial and pricing related activities.

The C&CSG was appointed with the objective of providing oversight and advice to the Executive Committee and Senior Management Group in relation to the Firm's aim to ensure that all policyholders are treated fairly and that the Firm delivers fair outcomes for its policyholders.

The SIPP Trustee Committee was set up by the Firm's Board to ensure effective oversight of and operation of the SIPP. The Committee is required to report to the Board and will escalate issues, make recommendations, and identify additional areas of focus for the Board.

The Board is the Trustee of the Firm's SIPPs and is responsible for ensuring these are operated in accordance with its Trust Deed and Rules and all legislation and regulations that apply. Terms of reference and agendas of meetings have been provided to the GAA.

## Improvements since last year

The GAA challenged the Firm last year to provide evidence of internal controls and reviews of internal processes and is pleased to have been provided with additional information as part of this year's review.

## Areas for improvement

The GAA did not identify any specific areas for improvement.





## 5. Financial security

**Value score:**

Excellent

Good

Satisfactory

Poor

### What are we looking for?

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

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

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

### The Firm's approach

The Firm is a wealth management firm focused on providing financial advisers with the tools, service and investment range needed to achieve positive investment outcomes for their policyholders.

The Firm is well capitalised and conducts regular stress tests to assess how viable the business is likely to be under various market scenarios.

Customer assets are held in customer segregated accounts, which are covered by FSCS protections.

Systems are protected to a high standard from cyber-attacks and are regularly monitored.

There are strong processes in place to protect customers from scams. In addition, aside from transfers to an alternative pension arrangement, the Firm will only ever pay funds to a client's bank account that is held in their name, and not to any third party. The Firm uses robust and strong verification checks prior to payment.

## **The Firm's strengths**

During the assessment period the Firm provided a copy of their AKG rating report to the GAA. This report rated the Firm's overall financial strength as a B which is classed as by AKG as Strong. This is the third highest rating after A for Superior and B+ for Very Strong. The report also assessed the ratings for service, image and strategy and business performance which all scored 4 out of a maximum of 5 stars.

The Firm demonstrated a good awareness of scams, and clearly described a robust due diligence process making use of checklists and a pension liberation questionnaire for protecting policyholders from scams, including around potential transfers to other schemes.

All staff are required to complete an online financial crime training every year for which they are tested and evaluated after each session. The monitoring of which is overseen via the Firm's employee dashboard to ensure staff completion.

## **Areas for improvement**

The GAA did not identify any specific areas for improvement.

## 6. Administration and operations

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that **core financial transactions** are processed promptly and accurately, such as processing contributions, transfers processing and death benefit payments.

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

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business.

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

### The Firm's approach

The Firm's administration function is operated in-house. Many of the core transactions are automated, for example investing contributions, and so these operations happen on the same day as they are instructed.

All activities, other than the processing of core transactions, are subject to a 5 working day Service Level Agreement (SLA). Since the appointment of a new head of Operations in April 2022, the Firm have put in some statistical requirements so that they can measure and report on SLA data. The SLA data provided to the GAA for the period from May to December 2022 did not contain the level of detail required to carry out a proper assessment.

### The Firm's strengths

The Firm confirmed that for the period from May to December 2022, when the average length of time taken to process an activity was 4.33 days which was within agreed SLA. There was some slippage in relation to meeting SLAs during the third quarter of 2022 due to a significant number of new employees taken on during this period and as a result training was needed in order to reduce slippage. The data shows improvement in quarter 4 of 2022 – with all activities completed within SLA although a full detailed breakdown of SLAs was not available.

IFAs are able to input investment switches through on the adviser zone website, which will then be placed into the next trading window. With direct debits, once the funds are applied this automatically places the trade in line with the policyholder's investment strategy. These are just two examples where the Firm utilises automated straight-through processing for core transactions.

The Firm confirmed that errors are raised on an internal system and monitored by different teams to ensure they are resolved correctly and timely. Where an error was caused by a lack of understanding by a member of the team, training is provided. A root cause analysis is undertaken if this is a wider concern or issue affecting multiple team members.

The Firm provided a copy of their Business Continuity Plan to the GAA, and this was demonstrated as being effective, with administration response times to queries (aside from the minor slippage described above) meeting SLA targets.

The Firm provided a copy of their cyber security statement and confirmed in an email that penetration testing of their systems was undertaken in November 2022 by Fortis Cybersecurity Limited which is a CREST accredited penetration testing company. The executive summary stated that 'Overall, the security posture of the external estate was above industry standard. There were no critical and high rated findings.'

The Firm confirmed there were no complaints received from policyholders for the year and a copy of their complaints policy was provided to the GAA.

### **Improvements since last year**

It was pleasing to see that the abandonment rate of calls improved from 18% in 2021 to 7.27% in 2022.

### **Comparator results**

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2022 were average relative to the comparator group.

## **Areas for improvement**

### **GAA challenge**

The GAA would like to see a more detailed breakdown of SLAs provided by the Firm.

## 7. Engagement and innovation

Value score:

Excellent

Good

Satisfactory

Poor

### What are we looking for?

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

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

### The Firm's approach

The Firm position themselves in the market as focussed on providing IFAs with the tools, service and investment range needed to serve their clients.

The Firm gathers adviser feedback via the Investor in Customers (IIC) survey which runs an independent survey at least twice a year. Feedback is collated, analysed and monitored by IIC and summarised in an analysis briefing after each survey.

No formal policyholder surveys were carried out during the assessment period, but there is a regular feedback loop via the advisers.

### The Firm's strengths

The Firm's online offering, which was demonstrated in a live presentation to the GAA, is substantial with great functionality for IFAs and policyholders.

Feedback from the 2022 IIC surveys informed a host of key changes and improvements, including:

- | Establishing up a new Telephone Account Manager team to ensure more accounts have a named contact.
- | Platform enhancements including minimum trade cycles and allowing drip-feed drawdown.
- | Moving to a cheaper core charging structure.

Further developments such as, enhanced online form submission processes, multi-models, flexible adviser charging, and more self-service journeys are underway.

## Areas for improvement

### GAA observation

The Firm should consider how to develop its proactive engagement with policyholders in order to obtain broader feedback on its product, for example through the use of policyholder surveys.

## 8. Cost and charge levels

**Charges:**

Low



Moderately Low



Moderately High



High

### What are we looking for?

The GAA has considered the overall level of charges borne by policyholders over the year that are within the control of the Firm. This included assessing:

- | The annual account administration charges being borne by policyholders;
- | Any other charges being paid to the Firm by policyholders to manage and administer their workplace pensions;
- | The process for collecting and monitoring overall member charges, including [transaction costs](#);
- | Whether the overall level of charges within the control of the Firm is reasonable, bearing in mind the nature of the services provided by the Firm; and
- | The distribution of charges across policyholders.

Whilst we have considered the average total costs and charges payable by policyholders we have noted where there may be outliers such as high charges for small pots.

Where policyholders are advised or sophisticated investors, we do not include charges which policyholders will incur specifically in relation to the underlying investment funds, nor the charges which a policyholder may incur in relation to obtaining advice since both are outside the control of the Firm.

Required disclosures relating to costs and charges payable by the Firm's policyholders can be found in Appendix A.

### The Firm's approach

The GAA was provided with details of policyholder charges levied by the Firm.

The effective average charge was determined by the Firm to be 0.32% p.a., which although this has reduced since our last report, the GAA would consider to be moderately high. However, this rate is the total charges expressed as a percentage of the total assets under management rather than the average charge per policyholder.

There is a £75 minimum charge in place for many policyholders and although management charges are being reduced, the minimum charge has been increased to £100 effective from 1 January 2023. This charge is not applied where the policyholder has other assets invested through the Firm.

There is significant variation between policyholders and the following table shows the impact of the Firm's charges by proportion but excludes the very smallest pots of less than £300 which have very poor value for money when fixed monetary charges are applied and which would soon be extinguished by the charges. This demonstrates the difference in the overall score applied in this section.

Proportion of policies in each group	
<0.25%	7%
0.25-0.35%	64%
0.35-0.45%	3%
>0.45%	26%

For illustration, we have shown this as a range in our chart in the executive summary.

In addition to the policy charge, there are additional charges made for payments and paper documentation.

## Risk of high charges for small funds

Due to the minimum charge, there is significant variation between policyholders, and this can result in extremely high fees for those with smaller funds.

For example, around 26% of policyholders have a charge of over 0.45% p.a., with 3% having charges of up to 1% p.a., 6% having charges of up to 2% p.a., and 3% having charges of over 5% p.a. Charges for these smaller populations would be considered as extremely high.

At the other end of scale, around 7% of policyholders have charges of 0.25% p.a. or below, which the GAA consider to be low. The lowest charge borne by policyholders is 0.05% per annum (relates to just one policyholder), which represents excellent value for money.

As commented in Appendix A of this report, we understand that Novia will not meet the disclosure requirements relating to costs and charges. While this is of concern to the GAA, this falls outside of our direct assessment of value for money for policyholders. This is being raised with the Firm's governing body again and the GAA will consider escalating this if a satisfactory response is not received.

## Comparator results

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 significantly above average relative to the comparator group.

## Areas for improvement

### GAA challenge

The minimum annual charge of £75 per policyholder, which has increased to £100 from January 2023, is particular penal for those with small funds.

The GAA challenged the Firm last year to consider the ongoing appropriateness of the minimum charge and is disappointed to see that this has subsequently been increased.

The GAA intend to raise a formal concern with the Firm about the impact of this minimum charge.



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# ESG financial considerations, non-financial matters and stewardship

## What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to [ESG](#) financial considerations, non-financial matters, and stewardship. The GAA will consider how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

Largely, however, these considerations do not apply to a SIPP provider, on the basis that the Firm is not making any investment decisions on behalf of its policyholders.

## GAA comment and view

The GAA has not considered these issues as the Firm is a SIPP provider and as such is not responsible for having an investment strategy or making investment decisions.





## Appendix A: Cost and charge disclosures

The FCA requires that administration charges and transactions costs in relation to each **relevant scheme** must be published by 30 September, in respect of the previous calendar year. These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a policyholder is able to select. They should also include an illustration of the compounding effect of the administration and investment charges and **transaction costs**, on a prescribed basis and for a representative range of fund options that a policyholder is able to select.

The Firm has not provided the GAA with any such disclosures in respect of the period 1 January 2022 to 31 December 2022, nor made these available on a publicly accessible website. The Firm did not provide these for the prior year and the GAA raised a formal concern in respect of this.

We understand the Firm has been unable to obtain the transaction costs in the prescribed format and is considering applying to the FCA for a waiver on this requirement. However, at the time of writing the waiver had not been submitted to the FCA nor has a copy been made available to the GAA.

The Firm is therefore unlikely to make available the required disclosures on costs and charges within the required timescale. This includes information on administration charges and transaction costs to be made available on a public website for all funds, as well as illustrations of the compounding effect of the administration charges and transaction costs for a selected range of representative funds. This is being raised with the Firm's governing body again and the GAA will consider escalating this if a satisfactory response is not received.

The GAA acknowledges that the Firm does already provide detailed personalised cost and charge information to policyholders and their advisers in relation to their own funds, however this does not fully comply with the FCA requirements.

The GAA will provide a further update in next year's report.



## Appendix B: Comparison report

The FCA requires that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm's offering against a selected group of other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, the GAA must inform the pension provider.

ZEDRA's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to carry out the required comparisons this year. This is done on an anonymised basis.

### How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products so as to be comparable to those provided by the Firm for this purpose. The selection was based on the following broad criteria:

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.
- | Products where Firms provide similar services, for example in the case of a SIPP whether the provider has responsibility for setting and monitoring the investment strategy.
- | Similar membership cohort, for example staff schemes for staff of the provider.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders.

### Comparison of net investment performance

As all policyholders are either advised or sophisticated investors, we have not included a comparison of [net investment performance](#) as the funds are selected directly by the policyholder and their adviser.

### Comparison of communication provided to policyholders

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2022 were average relative to the comparator group.

## Comparison of administration services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2022 were average relative to the comparator group.

## Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | Annual Administration Charge
- | Other costs and charges
- | Approach to cost data collection and disclosure

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 were significantly above average relative to the comparator group.



## Appendix C: GAA activity and regulatory matters

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

### GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in early 2023.

Members of the GAA had a meeting with representatives of the Firm to kick off the Value for Money assessment process for the 2022 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of the Firm to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, fund range including design of defaults, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. In some cases this meeting was virtual.

Members of the GAA had a meeting with representatives of the Firm to discuss the GAA's provisional scoring of Value for Money of the in-scope workplace pensions and the approach for meeting the cost and charges disclosure requirements in [COBS](#) 19.5.13.

As part of the Value for Money assessment process, the Firm has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

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

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, significant work has taken place reviewing and developing the data request and the approach for Firms to provide information in response to the data request, to make the process more efficient.

The GAA documents all formal meetings with the Firm and maintains a log which captures any concerns raised by the GAA with the Firm, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	06/03/23
Kick off meeting	23/03/23
Site visit	21/04/23
GAA panel review meeting	16/06/23
Discuss provisional scoring	30/06/23

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

During the year the GAA raised a formal concern with the Firm in relation to the publication of costs and charges.

## The arrangements put in place for policyholders' representation

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

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via [www.novia-financial.co.uk](http://www.novia-financial.co.uk)
- | The Firm will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders. Where the Firm determine that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

In addition, the GAA has established a dedicated inbox at [zgl.gaacontact@zedra.com](mailto:zgl.gaacontact@zedra.com) so that policyholders can make representation to the GAA direct. The Firm will include details of this contact e-mail address on [www.novia-financial.co.uk](http://www.novia-financial.co.uk)



## Appendix D: ZEDRA GAA credentials

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

- | Act solely in the interests of the [relevant policyholders](#) of those pension plans, and to
- | Assess the ‘value for money’ delivered by the pension plans to those relevant policyholders.

These requirements were then extended to Firms providing investment pathways in respect of [pathway investors](#) from 1 February 2021.

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

The ZEDRA Governance Advisory Arrangement (‘the GAA’) was established on

6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. More information on the ZEDRA GAA can be found at <https://www.zedra.com/GAA>

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. The

Board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience, and independence to act in the interests of relevant policyholders or pathway investors.

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. The majority of ZEDRA Governance Ltd’s Client Directors act as representatives of ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

The Board of ZEDRA Governance Ltd has appointed either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act in the capacity of Chair of the GAA in respect of each Firm.

More information on each of ZEDRA’s Client Directors, their experience and qualifications can be found at [www.zedra.com/people/](http://www.zedra.com/people/)

Information on Dean’s experience and qualifications can be found at [deanwettonadvisory.com](http://deanwettonadvisory.com)

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

The terms of reference agreed with the Firm can be found at: [www.novia-financial.co.uk/media/1758/novia-terms-of-reference.pdf](http://www.novia-financial.co.uk/media/1758/novia-terms-of-reference.pdf)



## Appendix E: Glossary

### Active management

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

### Annual management charge (AMC)

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

### Annuity

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

### COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

### Core financial transactions

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

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

### Decumulation

The process of converting pension savings to retirement income.

### Environmental, social and governance (ESG)

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

## Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

## Life-styling

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

## Net investment performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

## Pathway investor

A retail client investing in a Firm's pathway investment offering.

## Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

## Relevant policyholder

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

## Relevant scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.

## Transaction costs

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





## Appendix F: Summary of Workplace Personal Pension Plan Data at 31 December 2022

	SIPPs
Number of employers	72
Non-qualifying for auto-enrolment	72
Qualifying for auto-enrolment	0
Total number of policyholders	1,414
<b>Total value of assets (market value)</b>	<b>£63.1m</b>



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