



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

Novia – Workplace Personal Pension Plans

- | Year ended 31 December 2021
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2022



Executive summary

This report on the workplace personal pension plans provided by Novia, has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders.

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 seventh annual report.

As Chair of the GAA, 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 delivered to policyholders over the period 1 January 2021 to 31 December 2021. 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 compared to the other criteria, since Novia has no role in setting or managing investment strategies. Further details are set out on page 6.

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

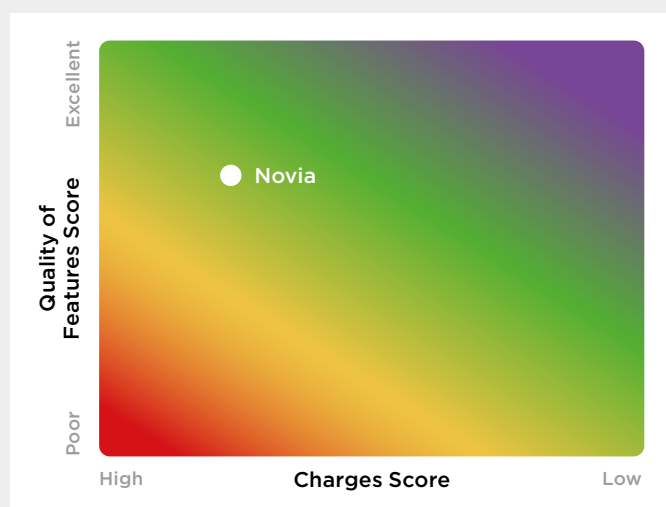
	Weighting toward VfM assessment*	Novia Workplace Personal Pension Plans
1. Product strategy design and investment objectives	7%	●
2. Investment performance and risk	7%	●
3. Communication	20%	●
4. Firm governance	7%	●
5. Financial security	7%	●
6. Administration and operations	17%	●
7. Engagement and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

* May not add to 100% due to rounding

Quality and investment features	Cost and charge levels
<ul style="list-style-type: none"> ● Excellent ● Good ● Satisfactory ● Poor 	<ul style="list-style-type: none"> ● Low ● Moderately Low ● Moderately High ● High

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 Investment and Quality Features combined representing two-thirds of the overall score and the Cost and Charge Level representing one-third of the overall score. It is visually represented by the heatmap below.

VALUE FOR MONEY SCORING



The overall conclusion is that Novia Workplace Personal Pension Plans provide good value for money. This is based on the average charge across all policies of 0.40% per annum.

The lowest charge borne by policyholders is 0.05% per annum (relates to just one policyholder), which represents excellent value for money. However, value for money moves towards poor on our scale where policyholders are paying charges in excess of 0.5% per annum, which is the case for around a fifth of policyholders. The driver behind the highest fees seen is often the presence of a minimum annual charge of £75 per policyholder. This minimum charge leads to significantly higher fees (when assessed as a percentage of the fund) for those policyholders with relatively small funds invested, and this represents one of two key challenges that the GAA has raised with the Firm.

The second key area of challenge that the GAA has raised with Novia relates to this year's new requirements to disclose, and make available on a publicly accessible website, the costs and charges, including [transaction costs](#), for all fund options, as well as providing an illustration of the compounding impact over time of the costs and charges, for a representative range of funds. The GAA understands that while Novia provides each policyholder with a detailed cost and charges report relating to their own funds, they are not likely to meet the specific FCA new disclosure requirements by the 30 September 2022 deadline. The GAA has had discussions with Novia on this, and intend to raise a formal concern with Novia if the disclosures are not available, or remain in a non-compliant form, by the deadline.

Aside from the above two areas, one other area of challenge identified by the GAA was:

| In certain areas, the GAA has relied upon the description of processes provided by Novia. In order to strengthen the GAA's assessment, the GAA would like to be provided with tangible evidence to support the processes described (e.g. internal controls reports, cyber security and data security processes and testing).

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

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

The FCA has introduced new requirements this year. One of these new changes require us to undertake 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. I can confirm that we have not considered it necessary to make this notification this year. Our view on each Feature 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.

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

Clare James

Chair of the ZEDRA Governance Advisory Arrangement

September 2022



If you are a policyholder or pathway investor 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

Alternatively, you can contact the GAA directly at zgl.gaacontact@zedra.com



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Overview of the value assessment

The GAA has assessed the Value for Money delivered by Novia (referred to as the ‘Firm’ throughout the rest of this report) 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.

Regulatory changes

The Framework used for this year’s assessment has been updated to reflect changes to the Code of Business Sourcebook ([COBS](#)) in effect from the 2021 assessment year. This includes a requirement for an explicit assessment of [net investment performance](#), and the assessment of any charges the policyholders might need to pay in operating their policy which are in addition to any [annual management charges](#) and [transaction costs](#). Our framework already included assessment of communications and processing of [core financial transactions](#). These changes have been reflected in the assessments reported on in sections 2. Investment Performance and Risk, 3. Communication, 6. Administration and Operations and 8 Cost and Charge Levels.

In carrying out these assessments we have taken into account that the Firm’s Group SIPP offering is provided only to advised clients or offered to sophisticated investors. As a result, we have not placed any weighting on the investment performance outcomes or the costs directly payable to the underlying investment manager (including transaction costs), nor to the IFA who provides advice. As the policyholder is either advised or sophisticated either the IFA or the policyholder themselves are directly responsible for

making the choice of investment and monitoring how it performs. We recognise that this is a variation from the COBS requirement but feel it is appropriate given the scope of what is within the control of the Firm.

In addition, the regulatory changes introduced a requirement to undertake comparisons of the Firm’s product offering against a suitable comparator group of providers products across net investment performance, communications, processing of core financial transactions, and costs & charges. We have included comments on these comparisons in each relevant section of the report. For the reasons already set out, we have not undertaken a comparison of the net investment performance. Details of how the comparator group was selected and a consolidated view of the comparison outcomes are included in Appendix B.

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.
- | 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, 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 Features 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 features considered has 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 Features and in the assessment of 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 in order 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 then went on to 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 platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs that 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 GAAs views of the relative importance to the policyholders of each Feature. The weightings are tilted towards the Features and sub-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

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 pensions. 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. 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. The GAA accept that, for the Firm, there are very low levels of non-advised policyholders (less than 1%), and all policyholders must receive advice from an FCA authorised IFA at the outset of a new policy, or to implement any changes to their policy.

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 they have 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 setting out the GAA’s views on the adequacy and quality of the Firm’s policies on [ESG](#) financial considerations, non-financial considerations, and stewardship. We have taken into consideration the limited role the Firm has in setting investment strategy when forming these views. Whilst this is a largely qualitative assessment the GAA has considered the Firm’s policies in comparison to others the GAA has knowledge of.

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. 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.

Our assessment is therefore 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, Novia 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 Independent Financial Advisors (IFA). There are no default offerings.

All policyholders are required to receive financial advice at the outset of joining the Novia platform. Novia ensures that all IFAs are FCA authorised initially, and on an ongoing basis.

Novia does not perform checks to confirm whether or not the policyholders are receiving advice on an ongoing basis. However, adviser input is required to make changes, either to contributions or to the funds invested in. If the relationship with the policyholder’s adviser ends, then the account is marked as “orphan” and the individual is instructed to find a new adviser. Until they have a new adviser in place, the customer is unable to transact, other than to withdraw their funds.

New investment funds are made available by the adviser’s request, and all decisions on opening or closing funds are driven by demand. A fund which has no investors may well be closed but could be reopened, if requested by an adviser.

The Firm's strengths

Novia requires all customers to receive advice at the point of joining the platform. This advice must be provided by FCA authorised IFA's, who are also required to sign-up to the Firm's Terms of Business, stating that they will ensure ongoing advice is provided to each individual. Novia 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 Novia send to customers in this situation, instructing them to find a new adviser. Novia confirmed that this situation currently applies to under 1% of their policyholders (9 policyholders in total as at 31 December 2021), and that they continue to take active steps to request that these policyholders either appoint a new FCA authorised IFA or transfer to another arrangement. We are reassured to see that the orphan rate has continued to reduce over recent years. Of the 9 policyholders in question, Novia were able to confirm that five of these had become orphans within the previous 12 months, and with two becoming orphans in 2020, and the remaining two becoming orphans in 2019.

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 (KIIDS). 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.

Improvements since last year

Once again it was positive to see a fall in the orphan population since the previous assessment. The GAA will continue to monitor the level of orphan policyholders and would expect this position to be maintained.

The GAA was also reassured that Novia were able to share the details of the orphans, and that none had been in this status for more than three years.

Areas for improvement

The GAA did not identify any specific areas for improvement.



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, we nevertheless 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

Novia has a comprehensive and clear Fund Information Centre available on their website. Crown performance ratings (and in some instances MorningStar 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 historic performance and asset allocations of the funds.

Changes in investments are actioned by adviser requests (not policyholders), and any policyholders without an adviser in place are unable to make changes in their investment selections. Policyholder communications routinely reminds policyholders to review investment performance and their fund choices.

The Firm's strengths

By virtue of the vast majority of policyholders being advised, Novia have 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

Novia provide full statements to customers on a quarterly basis, in addition to some key communications (annual benefit statements, and pre-retirement wake up communications). Outside of these documents, Novia do not typically lead on communications with individual customers unless they are orphans. Instead, most customers, are contacted through their financial advisers. The exception is where the customer is considered to be an orphan.

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 adviser.

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

The Firm's strengths

The GAA has been provided with sample communications for orphan customers, annual benefit statements, and pre-retirement wake up packs. 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 to ward against scams. There is also signposting for support on retirement options, although these are generally made available through advisers.

Online facilities are extensive, pulling together education pieces, fund documentation and modelling tools in one location, albeit that customers will generally access this information through their financial adviser. Customers and advisers can access information about the relevant fund holdings, along with previously issued statements.

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.

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 2021 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 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

Novia relies on internal teams to operate its platform, e.g. for administration services and IT infrastructure. These functions are monitored regularly within the business, although the results of this monitoring are not reported on at the customer level.

The only external providers within Novia’s offering are the external investment managers. Novia have 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.

Novia operate three lines of defence which includes risk and compliance monitoring and an annual internal audit programme. Governance incorporates the Audit & 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

Novia has a flexible Governance Framework in place to monitor internal service providers. This is discussed at monthly Board meetings, and is supplemented by external and internal audit reports considered by the Audit and Risk Committee. The focus in relation to administration services is on results and the business is balanced accordingly to ensure demands are met. Accordingly the GAA understand that there is limited reporting on this monitoring (as discussed on page 10), as there is a greater emphasis placed on results.

Policyholder's advisers will have undergone due diligence prior to being set up on the Novia system as an adviser. Novia obtain an ongoing weekly feed from the FCA to ensure that all advisers listed within their systems remain regulated. The Novia system will not permit a policy to be set up, or changes made to policies, without a regulated adviser in place.

Overall, the Firm has described a strong governance process to the GAA, though provided no evidence to support this as part of this year's review. Taken together, based on the information provided it appears that monitoring was taking place in a satisfactory capacity.

Areas for improvement

GAA challenge

The GAA would like to see evidence of internal controls and reviews of internal processes next year in order to assess this area fully.



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

Novia is a wealth management firm focussed on providing financial advisers with the tools, service and investment range needed to achieve positive investment outcomes for their policyholders. Novia was acquired by AnaCap Financial Partners, a financial services specialist private equity investor, in April 2021, bringing Novia under the auspices of a larger organisation, with the potential for increased budgets and resources to be made available.

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, Novia 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 Novia were following iCAAP capital requirements, and as at 31 December 2021 had increased their adequacy position by 35% from the prior year, as set out in their iCAAP report which was provided to the GAA.

The Firm demonstrated a good awareness of scams, and clearly described a robust process for protecting members from scams, including around potential transfers to other schemes. Additional training was undertaken by staff throughout 2021 to maintain awareness of this topic.

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 during the COVID-19 pandemic.

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

The Firm's approach

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

Transactions requiring manual input or intervention work to a one working day target, with a focus on ensuring that turnaround times do not exceed five working days. The Firm is focussed on ensuring all transactions are completed within this time-frame. There is limited recording of management information of the success in meeting this target, although Novia have described that daily reporting of the Administration team operations is very transparent to senior management within Novia, and escalations and actions do take place where the Administration team is beginning to be stretched.

The Firm's strengths

Novia confirmed that 79% of policyholder emails were answered within same day during 2021, demonstrating the high achievement of the target of responding within one working day. The maximum turnaround for any activity item over 2021 was 8 working days, which although outside of the target of five working days, nonetheless represents an excellent result in the

worse case scenario across the whole year. Call abandonment rates are monitored and reported to FCA quarterly. This was shown as having deteriorated over 2021, with an average of 18% of calls abandoned over the year.

Novia provided commentary around some small slippage in turnaround times during 2021 compared to prior years (not relating to core financial transactions), but still remaining within the five working day targets. As such, the GAA believes that the turnaround times remain strong. The acquisition of Novia in 2021 was believed to have caused some disruption to senior management, leading to a small uptick in staffing turnover. The impact on the Administration Operations team was addressed towards the end of 2021, through recruitment of additional staff, and Novia believe that there is improvement in 2022.

The Firm has confirmed that a Business Continuity Plan was in place throughout the year (although we have not been provided with a copy of this), and this was demonstrated as being effective, during the Covid-19 pandemic, with office

dependency being removed and response times to queries (aside from the minor slippage described above) remaining strong.

The Firm described clear cyber security awareness and protections, but the GAA has not been supplied with tangible evidence of any penetration testing or other reviews of the systems.

The Firm confirmed the number of total complaints received and upheld throughout the year. While the information is not recorded in such a way as to readily determine whether a complaint relates to the Group SIPP policies, from a high level analysis of the information, it is believed that there were two such complaints over 2021 and both were upheld.

Improvements since last year

Novia was able to provide some additional statistics this year, compared to in previous years, as shared in this report. These support Novia's commentary around the relatively short turnaround times which they endeavour to adhere to.

Comparator results

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

This assessment identified that the administration services provided to the Firm's policyholders over 2021 were average, relative to the comparator group.

Areas for improvement

GAA challenge

The GAA would like to see some evidence of the cyber security and data security processes in place.

GAA observation

The abandonment rate of calls is relatively high at 18% and this is something that the GAA will monitor next year and expect to see an improved position.



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

Novia position themselves in the market as focussed on providing financial advisers with the tools, service and investment range needed to serve their clients. While there were no significant new developments during 2021, there were continued, modest, incremental improvements in the online proposition. These included, for

example, more prominent visibility given to expression of wish forms on the website, being able to transact online for non-SIPP products (albeit not of direct relevance for the Group SIPP policyholders), as well as development of multi-factorial authentication as an option to enhance policyholder's security if they choose.

Novia work with an engaged group of advisers. 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

Novia's online offering is substantial and Novia report that new features are well received by the advisers which employ it.

Areas for improvement

GAA observation

Novia 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

Value score: 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;
- | 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.

The required disclosures relating to costs and charges payable by the Firm's policyholders was not provided to the GAA.

The Firm's approach

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

The effective average charge was determined to be 0.40% p.a., which the GAA would consider to be moderately high, however it was noted that there is significant variation between policyholders.

The GAA has not been provided with full information relating to transaction costs. Full transaction costs are available to advisers via the adviser platform, and full breakdowns of all costs and charges, including transactions costs, are sent to policyholders on an annual basis. No information was provided to the GAA in respect of the transaction charges incurred by the customers over 2021, although we were provided with a sample of the communication provided to policyholders for 2020.

Risk of high charges for small funds

There is a £75 minimum charge in place for many policyholders and this can result in extremely high fees for those with smaller funds. For example, around 18% of policyholders have a charge of over 0.5% p.a., with 11% having charges of over 1% p.a., 6% having charges of over 2% p.a., and 5% having charges of over 5% p.a. Charges for these smaller populations would be considered as extremely high and the GAA would like to challenge Novia to restructure the charges for those with very small funds.

At the other end of scale, around 12% of policyholders have charges of 0.25% p.a. or below, which the GAA consider to be moderately low.

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.

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 2021 was above average, relative to the comparator group.

Areas for improvement

GAA challenge

The minimum annual charge of £75 per policyholder is particularly penal for those with small funds. The GAA would like to challenge Novia to consider the ongoing appropriateness of this minimum charge.



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, 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.

These considerations do not apply to Novia, on the basis that the Firm is not responsible for setting investment strategies or making any investment decisions on behalf of its policyholders.



Appendix A: Cost and charge disclosures

The FCA has introduced requirements that the administration charges and transactions costs information, 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.

Novia has not provided the GAA with any such disclosures in respect of the period 1 January 2021 to 31 December 2021, nor made these available on a publicly accessible website.

The GAA understands that Novia are 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.

The GAA acknowledges that Novia 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 new FCA requirements.

The GAA has had discussions with Novia on this, and intend to raise a formal concern with Novia if the disclosures are not available, or remain in non-compliant form, by the deadline.

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



Appendix B: Comparison report

Commencing with the 2021 year assessments the FCA introduced a requirement 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 other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, we must inform the pension provider.

As this is the first year when these disclosures are required the availability of public information relating to the sub-features that need to be compared is limited prior to the publication of this year's reports. 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 in order to improve the meaningfulness of the comparisons undertaken 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 of the Novia Workplace Personal Pension Plans.

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 2021 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 2021 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 management 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 2021 were 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 late 2021.

Members of the GAA had a meeting with representatives of Novia to kick off the Value for Money assessment process for the 2021 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of Novia 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.

Members of the GAA had a meeting with representatives of Novia to discuss the GAA’s provisional scoring of Value for Money of the in-scope Novia 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, Novia has provided the GAA with all the vital information that we requested, with the exception of the cost and charges disclosure information.

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

Over the last year the GAA reviewed and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. Some of these changes were made in response to regulatory amendments relating to the Value for Money assessment criteria and what must be disclosed to workplace pension fund members.

The GAA documents all formal meetings with Novia and maintains a log which captures any concerns raised by the GAA with Novia, whether informally or as formal escalations. In some cases, given COVID 19 considerations, the meetings were virtual. The key dates were:

Item	Date
Issue data request	14/12/21
Kick off meeting	17/12/21
Site visits	10/05/22
GAA panel review meeting	16/05/22
Provisional scoring provided	27/05/22

Concerns raised with the Provider by the GAA and their response

The GAA will be writing to the Governing Body of Novia to formally raise a concern over the new costs and charges disclosures, if the requirements are not met by the 30 September 2022 deadline.

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
- | Novia 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 Novia 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 so that policyholders can make representation to the GAA direct. Novia will include details of this contact e-mail address on 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 Governance Limited is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. We have oversight or responsibility for in excess of £120bn of pension assets. More information on ZEDRA can be found at www.zedra.com/pension-schemes

The members of the GAA are appointed by the Board of ZEDRA Governance Limited. 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 Limited has appointed ZEDRA Governance Ltd to the GAA, including as Chair. All of ZEDRA Governance Limited’s Client Directors act as representatives of ZEDRA Governance Ltd on the GAA and Clare James currently represents ZEDRA Governance Ltd in the capacity of Chair. More information on each of ZEDRA’s Client Directors, their experience and qualifications can be found at www.zedra.com/zedra-team

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

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of 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



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.

Transaction costs

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

With profits

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



Appendix F: Summary of Workplace Personal Pension Plan Data at 31 December 2021

	SIPPs
Number of employers	59
Non-qualifying for auto-enrolment	59
Qualifying for auto-enrolment	0
Total number of policyholders	1,427
Total value of assets (market value)	£71.2m



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