

# Chair's Annual Report

Year ended 31 December 2020

The PTL Governance Advisory  
Arrangement (GAA)

A large, decorative graphic on the right side of the cover features several concentric, overlapping circles. The circles are rendered in various shades of teal, light blue, white, and magenta, creating a sense of depth and movement. The text 'Novia Workplace Personal Pension Plans' is centered within the innermost white circle.

Novia  
Workplace  
Personal  
Pension Plans

July  
2021

## Introduction and Executive Summary

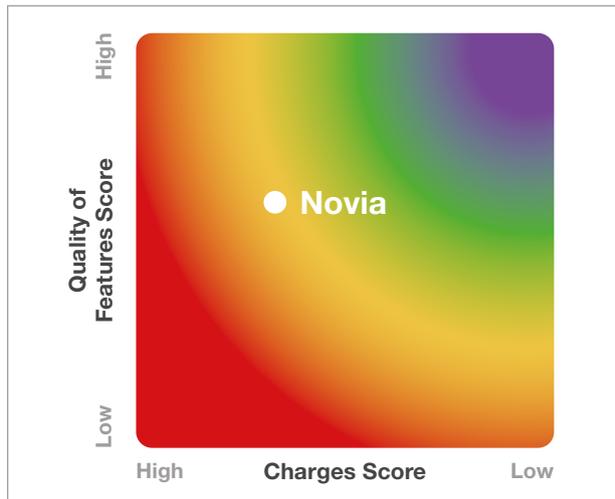
This report on the workplace personal pension plans provided by Novia, has been prepared by the Chair of the PTL Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders. Further background and details of the credentials of the GAA can be found in Appendix 2. The GAA works under Terms of Reference, agreed with Novia, the latest version of which is dated 21 April 2021 and are publicly available (see Appendix 2). This is our sixth annual report.

As Chair of the GAA, I am pleased to deliver this value assessment of the workplace personal pension plans provided by Novia through their Group Self Invested Personal Pension Plans ('SIPPs'). The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2020 to 31 December 2020. The GAA has developed a Framework to assess Value for Money and further details are set out on page 6.

**A colour coded summary of the GAA assessment is shown below:**

	Weighting toward VfM assessment	Self-invested Personal Pension Plans
Strategy Design and Investment Objectives	10%	Excellent
Investment Performance and Risk	10%	Good
Communication	30%	Good
Firm Governance	10%	Satisfactory
Financial Security	10%	Good
Administration and Operations	25%	Good
Engagement and Innovation	5%	Excellent
<b>Overall Quality of Features</b>	100%	Good
Overall Cost and Charge Levels	100%	Satisfactory
<b>Overall Value for Money Assessment</b>		Satisfactory

## Value for Money Scoring



The Overall Value for Money rating is determined on a rating scale based on the product of the Quality of Features score and the Charge Levels score and is visually represented by the heatmap opposite.

**The overall conclusion is that the workplace personal pension plans operated by Novia provide satisfactory value for money. This is based on the average charge across all policies of 0.41% per annum.**

The lowest charge borne by policyholders is 0.05% per annum (relates to just one policyholder), which represents excellent value for money, and around a fifth of policyholders incur charges of 0.25% per annum, which represents good 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 quarter 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 the primary challenge that the GAA has raised with the Firm.

Aside from charges, other areas of challenge identified by the GAA were:

- » In certain areas, the GAA has relied upon the description of processes provided by the Firm. 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).
- » The GAA has been provided with reassuring commentary around how the administration service is maintained and managed, and the Firm reports its telephone and email turnaround times. However, in order to strengthen the GAA's assessment, the GAA would like to see a wider range of management information / statistics on administration service standards by way of tangible evidence.
- » Novia should challenge the relevant investment firms in question to provide [transaction costs](#) on the DC workplace methodology basis, in order to be able to meet the FCA disclosure requirements which will apply next year.

Details of the numbers of policyholders and their funds were supplied to PTL for the assessment and a summary is shown in Appendix 4.

Whilst the FCA has introduced a new requirement this year for the disclosure of costs and charges, this does not apply to Novia for their 2020 report as there are no default funds offered within the policies.

The GAA has not raised any concerns with Novia during the year.

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

Clare James

Chair of the PTL Governance Advisory Arrangement

July 2021



**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

**Alternatively, you can contact the GAA directly at:  
[gaacontact@ptluk.com](mailto:gaacontact@ptluk.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 cost versus 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 benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the benefits and services provided to policyholders. We have attempted to make appropriate comparisons with other relevant pension providers, although there is limited information available in the public domain.

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 areas or quality features, as well as 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 seven different overarching quality features. These quality features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, 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 innovation, culture and service, and a wider overview of the administration quality and processes, not confined to just the processing of [core financial transactions](#).

Within each of the seven quality features are a number of sub-features and these 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.

Each set of score descriptors sets out what the GAA would expect to see to achieve each numerical score. These scores are then combined to produce an overall score for each of the seven quality features, as well as an overall score for the quality features combined. The Framework incorporates relative weightings for this purpose as shown in the table in the Executive Summary.

In making our overall assessment of the Quality of Features the GAA has, where possible, taken into account the likely needs and expectations of this group of policyholders, based on the information made available.

The GAA then went on to consider the Value for Money 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, but the GAA does also consider [transaction costs](#) in isolation and how they are controlled. The Cost and Charge Levels are rated on a scale of Low to High, taking into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The Quality of Features score and the Cost and Charge Level rating are then combined to determine an Overall Value for Money rating.

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

## Value for Money assessment framework for advised policyholders

For Group SIPP providers like the Firm, the vast bulk of policyholders are either advised by an FCA authorised IFA or are 'sophisticated investors' as defined by the FCA (see below). Therefore, for these providers, such as the Firm, the investment aspects of the framework become an assessment of the process by which the provider ascertains that members are advised or are 'sophisticated investors'. It becomes a wider assessment if there are policyholders who are neither.

The provider also has a duty to operate certain filters or screening of investments; for example that the funds are bona fide investment funds.

## Investment aspects

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 for individual SIPPS, 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
- » whether default investment strategies have clear statements of aims and objectives
- » whether 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 who will suggest strategies and put arrangements in place in conjunction with fund managers or investment platforms to implement those strategies. The SIPP provider has no active role in this.

The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled for a SIPP by the 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. However, for the Firm, all policyholders receive advice from an FCA authorised IFA, at least at the outset of a new policy, and at the time of all investment decisions or changes.

In these cases, our interpretation is the provider can assume that the policyholder, in conjunction with their IFA, 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. We note that 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, however, unable in practice to take action to make any necessary changes, because as described, it has no role in setting or managing investment strategies. The Firm is able to 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. Some Group SIPPs have the same investment for each person, but each person has chosen the investment.

**Accordingly, the GAA has not assessed the Firm in relation to the first two areas highlighted on the previous page. Further, the GAA would only carry out an assessment of the third area where there are unsophisticated and 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 2%), 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.**

**In the sections on the following pages we have described each of the Firm's seven quality features, the rating the GAA has awarded, together with any areas for improvement we have identified. There is also a separate section on Costs and Charges and 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.**



Where we have used technical pensions terms or jargon, these are explained in the [Glossary](#) in Appendix 3.

# Strategy Design and Investment Objectives

## Value score: Excellent

Excellent
  Good
  Satisfactory
  Poor



### The Firm's approach

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

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

Novia do not undertake to check that financial advice is being received on an ongoing basis. However, adviser input is required to make changes, either to contributions or to funds invested in. If the relationship with the member'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 policyholder is unable to transact, other than to withdraw their funds.

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

### What are we looking for?

Given the limited involvement of the Firm in designing investment strategies, we have sought confirmation that all policyholders can be considered as fully advised.

Our assessment has also considered how policyholders are supported when exploring their investment options. Funds should 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.

We are also looking for evidence of a robust review process for all investment options entering the platform.

Policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 23.

### The Firm's strengths

Novia require all policyholders to receive advice at the point of joining the platform. This advice must be provided by FCA authorised IFAs who are also required to sign-up to the Firm's Terms of Business, stating that they will ensure that ongoing advice is provided to each individual. Novia checks the FCA authorisations of all advisors on an ongoing a basis.

If a policyholder loses their adviser, their account is marked as 'orphan' and can no longer transact. We have been provided with a copy of the letter that Novia send to policyholders in this situation, instructing them to find a new adviser. Novia confirmed that this situation currently applies to just under 2% of their policyholders, 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 reduced from 5% of the population in 2019.

Novia make available a full fund listing online, 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 before making available on their platform.

## Areas of improvement – GAA observation



It is very positive to see a fall in the orphan population since the previous Value for Money assessment. The GAA will continue to monitor the level of orphan policyholders and would expect this position to be maintained or improved.

## Investment Performance and Risk

**Value score: Good**

Excellent
  **Good**
 Satisfactory
  Poor



### The Firm's approach

Novia has a comprehensive and clear fund information centre available on their website. Crown performance ratings are made available with 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 historical performance and asset allocations of the funds.

Novia do not monitor investment performance themselves, as this is considered to fall within the remit of each policyholder's adviser, and this is standard for the nature of the product they are supplying.

In particular, Novia do not wish to be seen as providing any elements of investment advice, and therefore they would not make changes to policies without an adviser request. This continues to apply to orphan accounts, where Novia would not make changes without instruction, and instead guide orphan policyholders towards securing their own financial advice.

### 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 would nonetheless expect to see a robust framework under which investment performance information is made available, and easily accessed by policyholders and advisers. Performance should be measured against investment objectives, including against a measurable benchmark. We would expect collation of relevant statistics and provision to advisers and policyholders in a straightforward format.

## 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 Crown ratings on fund listings to help identify funds which are currently performing well.

## Areas of improvement



The GAA did not identify any specific areas for improvement.

## Communication

**Value score: Good**



### 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 policyholders unless they are orphans. Instead, most policyholders are contacted through their financial advisers. The exception is where the policyholder is considered to be an orphan.

There is a substantial online offering, which allows information on current holdings and the performance of investments to be shared with policyholders, along with a suite of tools available to support advisers.

There is some support available on possible retirement options, although this is made available through financial advisers.

### What are we looking for?

We would expect communications to be 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.

We would expect the online offering to be substantial, with a range of online support materials such as online calculators to enable personalised calculations with various selectable options. We would also expect telephone support to be available.

Additionally, we would expect the Firm to provide clear signposting to policyholders on where they can obtain guidance and advice on their retirement options.

We are also looking for any evidence of regular, proactive engagement with policyholders to obtain feedback.

## The Firm's strengths

The GAA has been provided with sample communications for orphan policyholders, 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 advisors.

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

Novia request quarterly feedback from financial advisers and circulate this within their teams to help develop offerings and educate advisers/policyholders on their options.

## Areas of improvement – GAA observation



Novia has not undertaken any direct engagement with policyholders to obtain feedback over 2020, and may wish to consider if this would be appropriate. The GAA would like to see evidence of continuing regular review of written communications.

## Firm Governance

### Value score: Satisfactory



#### 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 policyholder 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.

#### What are we looking for?

We would expect to see a comprehensive governance structure in place, with evidence of regular reviews being undertaken and active changes being made as required.

#### 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 there is limited reporting on this monitoring (as discussed on page 18), as there is a greater emphasis placed on results.

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

#### Areas of improvement – GAA challenge



The GAA would like to see evidence of the internal controls, for example the findings from the latest internal controls review and any changes being made as a result of this. Additionally, Novia could consider an external audit to enhance and strengthen processes.



## Financial Security

### Value score: Good



#### 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.

The Firm is well capitalised and conducts regular stress tests to ensure the business can sustain through significant market reductions.

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 policyholders 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.

#### 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 look for evidence of regular internal and external assurance audits on controls and 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 are looking for evidence of a clear process to warn policyholders about fraud and scams and to identify possible scamming activity.

## The Firm's strengths

Novia shared their 2021 ICAAP report showing a steady improvement in capital position over recent years. The Firm believes that the business could withstand a 25% fall in markets, and even in the worst-case scenarios, an orderly wind-down of the business could be precipitated. Standard FSCS protections are available for policyholders in the event of a failure within Novia.

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 demonstrated a keen awareness of scams, and clearly described a robust process for protecting members from scams, including around potential transfers to other schemes (although no evidence was provided demonstrating the processes).

## Areas of improvement



### GAA observation

We note the acquisition of Novia Financial by Anacap Financial Partners which completed on 28 April 2021 (after the period to which this report relates), and will consider the impact of this as part of next year's review (both from a security perspective, as well as an operational perspective).

### GAA challenge

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

# Administration and Operations

**Value score: Good**



## 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 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 no 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.

## What are we looking for?

We are looking for evidence of strong administration processes with appropriate service standards in place and regular reporting evidencing adherence to those service standards. In particular, we are seeking evidence that [core financial transactions](#) are processed promptly.

We are looking for a comprehensive business continuity plan and evidence of its effectiveness in maintaining business continuity during Covid-19.

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

## The Firm's strengths

Novia were able to confirm a high adherence to administration service standards throughout the year by virtue of remaining within their five day target for core transactions throughout 2020. While there was a small impact from the shift to home working at the outset of the Covid-19 pandemic, where the five day target was still being met, but with slightly longer timeframes within those five days than usually expected, the Firm has described clearly how it was able to react appropriately and quickly to bring the timeframes back to more usual levels of one or two day turnaround times.

Novia has business continuity plans in place (though the GAA has not been provided with a copy of this) and business continuity was maintained throughout a year with significant disruptions.

Novia were able to evidence a low level of incidence of complaints and were able to demonstrate the process for resolving those complaints through provision of their detailed complaints handling policy, with appropriate redress being provided for the small number of complaints that were upheld.

## Areas of improvement – GAA challenge



The GAA notes that there are no recorded management information around service level timescales, as Novia operates on a day by day basis. While operationally the GAA is reassured that this works very well in practice and administration operations have senior level visibility, this does mean that Novia are unable to provide evidence supporting the turnaround times.

## Engagement and Innovation

**Value score: Excellent**

**Excellent**
 Good
  Satisfactory
  Poor



### 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. In working towards these goals they have continued to develop their online offering, the Advisor Zone. This represents the largest capital project that Novia has undertaken since launch.

The review process for the Advisor Zone is ongoing, with feedback mechanisms in place for advisers to request changes and new products.

There is a continued focus on enhancing the Advisor Zone, with investment planned for forthcoming years.

### What are we looking for?

We expect to see evidence that products are 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.

### The Firm's approach

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

Novia uses information from quarterly surveys of advisers to identify areas that are not well served or understood, and then looks to address this where appropriate through product development and education.

### Areas of improvement – GAA observation



Novia should consider if it is appropriate to develop its direct engagement with policyholders in order to obtain broader feedback on its product, for example through the use of policyholder surveys. While the GAA believes that Novia invest in their online platform and that new features are regularly added, the GAA would like to see evidence of the product review process as part of next year's assessment.

# Overview of Policyholder Charges

## Charges: Moderately High

High charges



Low charges



### The Firm's approach

Each policyholder will have different charges, for example based on their terms agreed at outset, or based on the funds they have selected. Fees are generally expressed as a percentage of the fund, although a minimum annual charge is present for many policyholders.

There are additional monetary charges levied for activities such as income drawdown and share dealing. There are no transaction charges deducted when a policyholder elects to transition funds from one investment to another, except where the investment fund in question is an Exchange Traded Fund, in which case there is an 0.05% fee. In each case the policyholder will be advised by their FCA authorised IFA who can assist in determining whether such a transaction is worthwhile considering the cost.

The range of charges has been notified to us, together with an explanation of the principles of the pricing model.

### GAA comment and view



The GAA has considered the overall level of charges borne by policyholders over the year, relating specifically to the Novia platform. This included assessing:

- » the process for collecting and monitoring overall member charges, including [transaction costs](#);
- » how the firm monitors charges;
- » whether the overall level of charges levied by Novia is reasonable, bearing in mind the nature of the product and the associated features. This does not include assessment of the Annual Management 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; and
- » the distribution of charges across policyholders.

## GAA comment and view (continued)



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

The effective average charge was determined to be 0.41% p.a., which the GAA would consider to be moderately high, however it was noted that there is significant variation between policyholders.

In particular 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 24% of customers have a charge of over 0.5% p.a., with 16% having charges of over 1% p.a., 8% having charges of over 2% p.a., and 3% 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 a fifth of policyholders have charges of 0.25% p.a., which the GAA consider to be moderately low.

The GAA has not been provided with full information relating to [transaction costs](#). Full [transaction costs](#) are available to advisers via the adviser platform in relation to specific investments, however Novia have confirmed it is impractical for them to be able to provide all [transaction costs](#) for all policies. Instead, the GAA has been provided with sample reports showing the full transactions costs incurred, which are available to advisers and policyholders.

These [transaction costs](#) were calculation using the 'PRIIPS' methodology, and not the 'DC workplace' methodology. Novia is aware of the FCA disclosure requirements which will apply from next year, which will require [transaction costs](#) to be calculated on the DC workplace methodology. The GAA have recommended that Novia challenge the relevant investment firms in question to provide [transaction costs](#) on the DC workplace methodology basis. For the purpose of the GAA assessment for 2020, the GAA was satisfied with the information provided on [transaction costs](#).

The FCA has introduced new requirements that the administration charges and transactions costs information, in relation to each relevant scheme must be published by 31 July each year, 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 member is able to select. They should also include an illustration of the compounding effect of the administration charges and [transaction costs](#), on a prescribed basis and for a representative range of fund options that a policyholder is able to select. For this year, the requirement only applies to default funds but in subsequent years this is extended to all self-select fund options as well. Since Novia does not offer any default funds, no additional disclosures are required this year.

# ESG, Non-Financial Matters and Stewardship

## What are we looking for?

The FCA requirements set out in COBS 19.5.5 state that where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA should 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, and assess the adequacy and quality of the Firm's policy in relation to stewardship. Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account, where relevant, when scoring the area of Strategy Design and Investment Objectives on page 9, how the Firm has integrated [ESG](#) financial considerations and non-financial matters in the Firm's investment strategy and investment decision making. Largely, these considerations do not apply to a SIPP provider such as Novia, where the Firm is not making any investment decisions on behalf its policyholders.

The GAA expected the Firm to be able to provide a clear explanation of the Firm's approach to taking into account [ESG](#) financial considerations, non-financial matters and stewardship, together with evidence of how these are implemented in practice. The GAA expected any policies to take into account the expected investment duration and be aligned with the interests of policyholders.

## GAA comment and view



Largely, these considerations do not apply to a SIPP provider such as Novia, where the Firm is not making any investment decisions on behalf its policyholders. Novia has set out how, as a business, they are committed to minimising their environmental impact in all areas. They also have a dedicated area of the Novia website to assist policyholders to identify Fund Managers available on the Novia platform who have specific [ESG](#) offerings, as well as providing links to third party websites where further independent commentary and information can be found.

This is an area which is evolving and the GAA will continue to monitor developments in this area.

## Appendix 1:

# 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 on 21 September 2020.

On 19 November 2020, members of the GAA had a meeting with representatives of Novia to discuss the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including fund range, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. Given government restrictions in light of Covid-19, this meeting was virtual.

On 20 April 2021, 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 workplace pensions.

As part of the Value for Money assessment process, Novia has provided the GAA with all the information that we requested, including confirmation that data supplied in previous years remained valid 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 and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. 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.

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

The GAA has not raised any concerns with Novia during the year covered by this report.

### The arrangements put in place for policyholders' representation

The arrangements that have been put in place to ensure that the views of policyholders can be directly represented to the GAA are described on the following page.

- » 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 the online platform.
- » 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 [gaacontact@ptluk.com](mailto:gaacontact@ptluk.com) so that policyholders can make representation to the GAA direct. Novia will include details of this contact e-mail address on the online platform.

## Appendix 2:

# PTL 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](#).

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

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

The members of the GAA are appointed by the Board of PTL. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience, and independence to act in the interests of [relevant policyholders](#) or pathway providers.

The Board of PTL has appointed PTL Governance Ltd to the GAA, including as Chair. All of PTL's Client Directors act as representatives of PTL Governance Ltd on the GAA and Clare James currently represents PTL Governance Ltd in the capacity of Chair. More information on each of PTL's Client Directors, their experience and qualifications can be found at [www.ptluk.com/Our-Team](http://www.ptluk.com/Our-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 PTL. Information on Dean's experience and qualifications can be found at [www.deanwettonadvisory.com](http://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 PTL Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of [relevant policyholders](#).

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 3:

# 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').

### Core financial transactions

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

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

### 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.

### Lifestyling

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

### 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 4:

# Summary of Workplace Personal Pension Plan Data at 31 December 2020

	SIPPs
<b>Number of employers</b>	
Non-qualifying for auto-enrolment	66
Qualifying for auto-enrolment	0
<b>Total number of policyholders</b>	<b>2,037</b>
<b>Total value of assets (market value)</b>	<b>£78.5m</b>

**ptl**

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**Personal**  
**Pragmatic**  
**Professional**

