



# COURTIERS

Courtiers Investment Services Limited

## Governance Advisory Arrangement (GAA)

Statement for the year ended: 31<sup>st</sup> December 2020

Prepared in accordance with the Financial Conduct Authority's  
Conduct of Business Rules (COBS 19.5.5)

### Member summary

Welcome to the annual Chair's Statement of the Courtiers Investment Services Limited Governance Advisory Arrangement (**GAA**) for the calendar year ended 31<sup>st</sup> December 2020.

This Statement is relevant to you if you are a member of one of the workplace pension schemes operated by Courtiers Investment Services Limited ("Courtiers" or the "Provider") on behalf of your employer. If you are unsure about which scheme you are a member of, please refer to your scheme documentation. Alternatively, your employer can assist you, or you can contact **Courtiers Investment Services Ltd** direct on:

**Tel: 01491 525652**      **E: corporateadmin@courtiers.co.uk.**

The GAA's role is to protect members' interests. As part of this, the GAA is required to assess the ongoing **value for money** for 'Relevant Policyholders' delivered by 'Relevant Schemes', in accordance with the Personal Pension Schemes (Independent Governance Committees) Instrument 2015. With effect from 1<sup>st</sup> February 2021, the GAA's role is extended to assess the value for money of 'pathway investors'.

The specific objectives of the GAA are to:

- (a) Assess whether a Firm provides 'value for money' for *relevant policyholders* (and from 1<sup>st</sup> February 2021 for *pathway investors*);
- (b) Provide an independent consideration of a Firm's policies on:
  - (i) ESG financial considerations
  - (ii) non-financial matters
  - (iii) Stewardship; and
  - (iv) where applicable, other financial considerations to the extent that they pose a particular and significant risk of financial harm to the *relevant policyholders* or *pathway investors*.

The ongoing role of the GAA is to assess 'value for money'; this assessment is not just about how much it costs you as a scheme member in terms of charges applied to the funds you invest in. It is about the quality of the services provided by Courtiers Investment Services Ltd, the timeliness and accuracy of dealing with member requests, the range of funds available and how this compares to similar alternatives. More details about the value for money assessment are shown later in this report (see Section 3 onwards and Appendix 1).

The GAA can raise any concerns it has regarding value for money initially with Courtiers. If not satisfied, the GAA can escalate the concerns to the FCA. We can confirm that the GAA has not raised any concerns with Courtiers in relation to the value for money for 'relevant policyholders' of those schemes using the default fund.

We can also confirm that the GAA:

- has not escalated any unresolved concerns to the Financial Conduct Authority (FCA), and
- has not needed to notify any 'relevant policyholders' or their respective employers of any concerns.

## New FCA requirements

The FCA has introduced a number of new responsibilities which have extended the remit of GAAs, including:

- disclosing the transaction costs and administration charges incurred by members in relation to their pension scheme investment funds in accumulation
- reviewing the Provider's policy on, and its implementation of, how Environmental, Social and Governance (**ESG**) considerations and other key risks are included in the investment decisions
- from 1 February 2021, assessing the value for money of investment pathway options offered to non-advised customers in drawdown ('pathway investors')
- reviewing communications to advised and non-advised customers in drawdown to ensure they are fit for purpose and adequately set out the costs and charges they have paid.

This information is set out later in this Statement. Members should note that as Investment Pathways came into force from 1<sup>st</sup> February 2021, the first annual Chair's Statement relating to assessing Investment Pathways and related communications will be for the calendar year ending 31 December 2021, which is due by 31 July 2022.

This Statement has been prepared by the Chair of the GAA in accordance with the above statutory Instrument. Further details are set out below.

## FCA definitions

- **Governance Advisory Arrangement** (per FCA Rules COBS 19.5) - an arrangement between a 'firm' and a third party under which the third party establishes a committee to represent the interests of 'relevant policyholders' in a firm's 'relevant scheme'.
- **Relevant policyholder** (per FCA Rules COBS 19.5) - a member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme. **Relevant policyholders are referred to as members** in the following sections of this report.
- **Relevant scheme** (per FCA Rules COBS 19.5) – a personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.
- **Firm** - an FCA authorised individual or person. Courtiers Investment Services Limited is an FCA authorised firm.
- **Pathway investor** – a retail client investing in a Firm's *Pathway Investment*.
- **Pathway Investment / Investment Pathway** – investment solutions offered by the Provider to match a particular objective in drawdown. There are 4 Investment Pathways mandated by the FCA, each with a corresponding fund designed to meet the Pathway's objective.

## 1. Introduction

The GAA was established on 2<sup>nd</sup> September 2015 by Courtiers Investment Services Limited (the “**Provider**” or “**Courtiers**”) in partnership with Punter Southall Governance Services Limited (**PSGS**), a firm of professional trustees and governance experts with experience of workplace pension schemes and trust-based defined contribution pension schemes, including DC master trusts.

Courtiers Investment Services Limited was founded in 1982 and is a privately owned wealth management firm and SIPP provider, advising individuals and corporate clients. Courtiers manages a range of funds for its clients, offering global investment opportunities across a range of asset classes. Courtiers is authorised and regulated by the Financial Conduct Authority (**FCA**).

At the date of this Statement, there is only one ‘relevant scheme’ (a Group SIPP) in place with the Provider and one default fund available to members. Courtiers as the product provider does not design or choose the default investment strategies. The default investment strategies have been determined by the Employer(s) participating in the Group SIPP and their authorised financial advisers. The GAA and Courtiers have an objective to monitor the default fund to ensure it is appropriate and that it provides ‘value for money’. Courtiers as an adviser speaks to its clients regarding the different investment options available and makes a recommendation on which strategy is most suitable given each Employer’s objectives and age/salary profile of their employees. This recommendation is officially confirmed in a suitability report provided to the Employer. This potential conflict of interest where the Firm gives advice on SIPPs as well as administers them is recognised by Courtiers and managed in accordance with Principle 8 of the FCA’s Principles for Businesses. The GAA understands that Courtiers discloses the potential conflict to Employers at the outset and management procedures are in place to ensure any potential or actual conflicts of interest are dealt with appropriately and are ‘fit for purpose’.

Members who choose to invest in the other investment funds offered by Courtiers (‘self-select’ or ‘non-default’ funds) make their own decisions to invest in particular funds on an advised or non-advised basis, and the GAA has taken this into account in this report (see Section 5).

At the time of signing this Statement, there is only one relevant scheme that is a ‘qualifying scheme’ being used by the Employer(s) for Auto-Enrolment (**AE**) purposes.

### 1.1 Committee

The GAA is constituted with 5 individual members forming a committee including a Chair. To ensure the independence of the GAA from the Provider, a simple majority of the individuals on the GAA and the Chair are provided by PSGS and the remaining members are provided by Courtiers.

The GAA has a duty to protect the interests of members of the relevant schemes operated by the Provider.

As a minimum, the GAA has a duty to:

- act solely in the interests of members of the workplace pensions operated by the Provider
- operate independently from the Provider, in accordance with the GAA’s Terms of Reference
- assess and where necessary, challenge the Provider on whether the relevant schemes (and in due course, Investment Pathways) provide value for money for members.

The GAA must provide annual reports to members on how the relevant schemes operated by the Provider have performed.

The workplace pension schemes marketed by the Provider have only been available for a relatively short period of time and this Statement reflects the contemporary nature of the products under review.

The workplace pension scheme covered by this report is: **The Courtiers Group SIPP** (the Group SIPP)

This workplace pension scheme was established with effect from 6<sup>th</sup> October 2015. As at 31<sup>st</sup> December 2020, there were no other products that fell within the scope of COBS 19.5.5.

## 1.2 Terms of reference

A copy of the GAA Board's Terms of Reference (as updated from time to time) and contact address for queries is available to members of the Courtiers Group SIPP at: [www.courtiers.co.uk](http://www.courtiers.co.uk).

## 1.3 Further information

Further information on the GAA is also available to members at: [www.courtiers.co.uk](http://www.courtiers.co.uk).

## 2. Summary

The GAA has considered the ongoing value for money for members of the relevant schemes operated by the Provider through assessing, for example:

- 2.1 where required, the default investment strategies are designed and executed in the interests of members with default investment funds;
- 2.2 the Provider:
  - regularly reviews the characteristics and net performance of the initial investment strategies to assess whether they are appropriately designed, to ensure these are aligned with the interests of members
  - is taking, or has taken, action to make changes that the Provider or GAA consider necessary;
- 2.3 ensures that the core scheme financial transactions are processed promptly and accurately;
- 2.4 considers the levels of charges borne by members;
- 2.5 reviews the direct and indirect costs incurred as a result of managing and investing and activities in connection with the managing and investing of members' pension savings, including transaction costs.

## 3. Value for money

In assessing the ongoing value for money of the relevant schemes operated by the Provider, the GAA has considered the following features:

- Investments
- Customer service
- Member communications, engagement, and representation
- Governance
- Costs and charges
- Management
- Application of ESG principles to investments

#### 4. Investments – the default fund

The Provider has undertaken an assessment of the default investment strategy offered to members and the investment performance of the default fund in the period covered by this Statement to ensure its continued appropriateness.

Up to 2019, the initial default strategy available to members was: **The Courtiers Balanced Lifestyle Strategy (Targeting Annuity)**. As explained below, from 2019 the default investment strategy changed to targeting drawdown.

The initial default strategy was made available to Group SIPP investors by the Provider with effect from 6<sup>th</sup> October 2015. Although the default fund was made available at this time, the underlying funds were launched in November 2015, following FCA approval. Where there is an adviser in place, the responsibility for establishing a default investment arrangement, where such an arrangement is required, and for the on-going monitoring of the default arrangement is between the adviser and the employer sponsoring the workplace pension scheme.

The Courtiers Balanced Lifestyle Strategy is an investment strategy which incorporates a lifestyle feature designed to reduce investment risk ahead of a member's planned retirement age by gradually switching the asset allocation from higher to lower risk investments over a period of 12 years prior to a member's selected retirement age. During this risk reduction phase, members can still make single or regular contributions.

Up to 2019, the initial default investment strategy made available to members was the Courtiers Balanced Lifestyle Strategy. This strategy targeted the purchase of an annuity on retirement which assumed that 25% of a member's retirement fund was taken as a tax-free cash sum at retirement, with the remaining 75% used to purchase an annuity. The strategy also offered the option to target drawdown, or to target cash as alternative outcomes.

Following a review in 2019, the default lifestyle strategy (The Courtiers Balanced Lifestyle Strategy (Targeting Annuity) fund) has been amended to target drawdown. This change was in light of experience since the introduction of Pension Freedoms from April 2015 which suggests that fewer members are now looking to annuitise. The new default investment strategy still utilises the three Funds below, but the lifestyle profile has changed

The Courtiers Balanced Lifestyle Strategy uses three funds before the lifestyling stage. The underlying funds and the overall percentages, pre-lifestyling are:

- Courtiers UK Equity Income I Shares Accumulation Fund (40%)
- Courtiers Global (ex UK) Equity Income I Shares Accumulation Fund (40%)
- Courtiers Investment Grade Bond I Shares Accumulation Fund (20%)

The characteristics of the underlying Funds making up the default fund and their investment objectives are set out below.

##### 4.1 Courtiers UK Equity Income I Shares Accumulation Fund

The investment objective of the Fund is to achieve a combination of income and capital growth. The Fund achieves this through investment predominantly in equities of companies incorporated, domiciled or having the predominant part of their business in the UK.

##### 4.2 Courtiers Global (ex UK) Equity Income I Shares Accumulation Fund

The investment objective of the Fund is to achieve a combination of income and capital growth. The Fund achieves this through investment predominantly in equities of companies incorporated, domiciled or having the predominant part of their business outside of the UK.

##### 4.3 Courtiers Investment Grade Bond I Shares Accumulation Fund

The investment objective of the Fund is to achieve a combination of income and capital growth. The Fund achieves this through investment predominantly in investment grade government and non-government fixed and variable interest rate securities globally.

#### 4.4 Cumulative performance of the Courtiers Balanced Lifestyle Strategy Fund (% Growth) at 31/12/2020

Fund	YTD	3 Months	6 Months	1 Year	3 Years	Since Launch (28/11/2015)
<b>Courtiers Balanced Lifestyle Strategy Fund</b>	-1.26%	17.41%	15.86%	-1.26%	7.81%	42.22%

#### 4.5 Cumulative performance of the underlying funds within the default fund (% Growth) at 31/12/2020

Fund	YTD	3 Months	6 Months	1 Year	3 Years	Since Launch (27/11/2015)
<b>Courtiers Gbl (ex UK) Eq Inc I Acc Fund</b>	4.98%	12.51%	13.71%	4.98%	10.11%	60.10%
Benchmark: IA Global Equity Income	3.38%	8.76%	10.29%	3.38%	15.95%	58.81%
<b>Courtiers Investment Grade Bd I Acc</b>	0.47%	-1.20%	-1.84%	0.47%	2.99%	6.72%
Benchmark: IA Global Bonds	5.90%	0.98%	1.55%	5.90%	12.07%	33.50%
<b>Courtiers UK Equity Income I Acc</b>	-11.07%	31.87%	26.44%	-11.07%	3.13%	38.20%
Benchmark: IA UK Equity Income	-10.91%	15.62%	11.88%	-10.91%	-4.26%	15.94%

#### Notes:

- All figures from Morningstar ([www.morningstar.co.uk](http://www.morningstar.co.uk)) and as at 31 December 2020.

For the Courtiers Investment Grade Bond Fund, the peer group (the IA Global Bonds sector) comprises a broad range of funds with very different mandates. These include, for example, Euro denominated high yield bond funds, ultra-long duration funds, Latin American and Asian local currency debt funds, US dollar denominated government bond funds, European corporate bond funds and short duration bond funds.

This peer group is the most appropriate available for the Courtiers Investment Grade Bond Fund, yet it is too diverse to offer a reasonable comparator and should be used simply as a guide. The expectation is that the Courtiers Investment Grade Bond Fund will be somewhere in the middle over the long term since the Courtiers Investment Grade Bond Fund will not hold high yield or emerging market debt, both of which are higher risk and therefore more likely to contribute to volatility as a result of strong positive or negative returns for the peer group. The duration and the currency positioning can also be influential and drive returns for some funds in the peer group. Other similar bond funds may not have such exposure yet are still in the same peer group.

As noted above, the Provider has explained the reasons for the performance of the Courtiers Investment Grade Bond Fund on an absolute basis and in comparison to its peer group.

At the date of this Statement, the GAA is satisfied that there are no areas of concern in relation to the default investment strategy or the performance of any of the underlying funds.

#### 4.6 Default fund charges

At 31<sup>st</sup> December 2020, for each of the underlying funds within the default investment fund, the charges are:

- initial charge: 0.00%
- ongoing charge: 0.75%

There are no early exit charges that are applied to the default fund.

#### 5. Investments – non-default funds and strategies

The other (non-default) investment strategies and funds were made available to Group SIPP investors by the Provider with effect from 6<sup>th</sup> October 2015.

The current range of non-default investment strategies and funds available to all members of the Group SIPP and the charges applying to them, are set out below:

<b>Fund / Strategy</b>	<b>Annual Management Charge (AMC)</b>	<b>Total Expense Ratio (TER)</b>
Courtiers Cautious Lifestyle Strategy (Targeting Annuity)	0.75%	0.75%
Courtiers Adventurous Lifestyle Strategy (Targeting Annuity)	0.75%	0.75%
Courtiers Cautious Lifestyle Strategy (Targeting Cash)	0.75%	0.75%
Courtiers Balanced Lifestyle Strategy (Targeting Cash)	0.75%	0.75%
Courtiers Adventurous Lifestyle Strategy (Targeting Cash)	0.75%	0.75%
Courtiers Cautious Lifestyle Strategy (Targeting Drawdown)	0.75%	0.75%
Courtiers Balanced Lifestyle Strategy (Targeting Drawdown)	0.75%	0.75%
Courtiers Adventurous Lifestyle Strategy (Targeting Drawdown)	0.75%	0.75%
Courtiers Global (ex-UK) Equity Income Fund	0.75%	0.75%
Courtiers UK Equity Income Fund	0.75%	0.75%
Courtiers Investment Grade Bond Fund	0.75%	0.75%
Courtiers Total Return Cautious Risk Fund	1.5%	1.68%
Courtiers Total Return Balanced Risk Fund	1.5%	1.66%
Courtiers Total Return Growth Fund	1.5%	1.67%
Goldman Sachs Sterling Liquid Reserves (Cash) Fund	0.15%	0.15%

This range of non-default investment strategies and funds may change over time.

Members may also self-select alternative investment strategies and funds with the agreement of the Provider, subject to the usual legal restrictions on pension investments.

At the date of this Statement, the GAA is satisfied that there are no areas of concern in relation to the non-default investment strategies or funds that have been identified or brought to its attention.

## 6. Customer service - core financial transactions

In the GAA's view, the following are core financial transactions:

- the timely receipt and allocation of member and employer contributions
- the timely investment of contributions paid in respect of members
- the processing of transfer payments received from other pension arrangements
- the processing of transfer payments paid out to other pension arrangements
- the switching of members' assets between different investment funds available to members
- the prompt payment of benefits from the scheme to, or in respect of, members

In the period covered by this report and in the GAA's view in light of discussions with the Provider, the core financial transactions have been processed promptly and accurately. Core financial transactions in the period have been made within the Provider's standard, internal SLAs.

The Provider has provided to the GAA copies of the Group SIPP administration reports as the necessary evidence to confirm the following on an on-going basis:

- The regular reporting on timescales for processing the core financial transactions and the reporting of errors / complaints statistics, where appropriate.
- Where regular contributions are made, that the investment of the contributions is made by the Provider once cleared funds are available in the Cash Account(s). The SLA for the investment of the contributions is one working day from receipt of cleared funds providing valid investment instructions are held by the Provider and all other required information has been received.
- the Provider undertakes a sweep of the Cash Accounts(s) at least once per month to ensure there are no uninvested contributions.
- For transfer payments paid out to other pension arrangements, the Provider has procedures in place to undertake appropriate checks to ensure the receiving scheme is not a liberation arrangement. The Provider aims to provide a streamlined process for transfers out, but additional checks are undertaken where concerns exist about the receiving scheme e.g. doubts about the receiving scheme's authenticity. The Provider monitors the SLAs in relation to transfer payments but notes that some aspects of the process (relating to receiving information) are often outside of the Provider's control.
- For any qualifying schemes for Auto Enrolment purposes, the Provider undertakes checks of contributions received against the salaries notified to it. Any errors are identified and brought to the attention of the employer(s) concerned.
- The Provider undertakes reviews where there are increases or decreases to the level of the expected contributions. Any errors are identified and brought to the attention of the employer(s) concerned.

The Provider has confirmed to the GAA that, regardless of the date of processing, all transactions have been processed in accordance with the terms agreed with the individual SIPP members and on the basis agreed with the Employer(s) for the collection of contributions, ensuring that no members suffer any loss because of any delay.

The Provider has also confirmed that it has not been necessary to 'backdate' any member or employer contributions received to reflect the request date(s) and no members have suffered any loss because of any delay.



The Provider informed the GAA that it had identified a number of errors in the reporting period and these are set out in Section 7, below. Where appropriate, the Provider has corrected the original error and conducted calculations to establish if any member had suffered any financial loss. The Provider has made additional payments to members' individual plans to put them back in the correct position. The range of the redress made was approximately £1 - £200. Where necessary, the members have been informed accordingly. The GAA noted the errors and the actions taken to make good any shortfall as a result.

Having considered the above, the GAA is satisfied that during the period under review and based on the confirmations provided to it by the Provider, there are no areas of concern in relation to the processing of the core financial transactions.

## 7. Customer service - administration

Information made available to the GAA by the Provider has confirmed the following (as at 31 December 2020):

- total number of Group SIPPS: 28
- total number of members: 1,903
- total number of active members and deferred members: 1,086 and 817
- highest membership total per employer: active members 789, deferred members 631
- lowest membership total per employer: active members 1, deferred members 0
- total value of employer contributions received: £3,279,046.78
- total value of employee contributions received: £214,807.19
- total value of Group SIPP funds under management: £21,756,013.78
- statutory Money Purchase Illustrations have been issued within the required deadlines
- regulatory reports have been made to HMRC and The Pensions Regulator within the required deadlines
- during the reporting period a number of errors were identified and resolved by the Provider. The errors can be categorised as follows:
  - disinvestment errors where the funds disinvested were re-invested in error before they could be paid out as benefits or switched to alternative funds. Any losses to the members were made good by Courtiers;
  - lifestyling errors affecting a small number of members were identified and corrected with top-ups being made to the funds to address the minor losses to the members;
  - dealing errors where contributions received either by or on behalf of the member(s) were not invested for a short time period. Error calculations were undertaken, and any shortfall made good;
  - external error where a date of birth had been supplied incorrectly by an Employer. This impacted the lifestyling risk reduction as the member was 10 years younger than the age held on record. Calculations to determine any loss have been undertaken and will be discussed with the Employer to make good any shortfall;
  - personal data errors where a member's annual statement was accidentally issued to an incorrect member; and where scheme documents for a new member of one Employer were issued to a new member of another Employer. As minimal personal data was disclosed in both occurrences, these errors were not notified to the members or the ICO as a data breach.
- during the reporting period, there have been no complaints relating to the Group SIPP membership
- no issues have been identified with SIPP records held on the Provider's administration system
- common and conditional data reviewed by the Provider shows that 99%+ of the data held is correct

- the GAA has no material concerns regarding the Customer Service provided by Courtiers during the year. The low number and materiality of errors, the lack of complaints and the SLAs reported in the Group SIPP report to 31 December 2020 demonstrate that Courtiers continues to improve the accuracy and timeliness of its administration and overall customer experience. The GAA is satisfied that where an error has occurred, Courtiers have taken remedial action to address it, and have made prompt payment of any shortfall due to the member(s)
- the GAA is aware of the appointment of a new Head of Pension & Investment Administration at Courtiers to be made in early 2021, with a remit to further improve the pension and investment processes, with the aim of reducing the number of errors occurring by decreasing the amount of manual intervention and increasing the work that can be automated.

## 8. Member communications and engagement

**8.1** The Provider has confirmed to the GAA that it has in place a suite of literature for issuing to the employers and employees as appropriate and copies of the key documents have been provided to the GAA. The GAA has assessed these as being appropriate with sufficient detail to enable members to make informed decisions. The Provider has confirmed the range of literature remains the same, but the format has recently been updated. The communications continue to be reviewed and evolve in line with regulatory requirements and member needs.

**8.2** Members are provided with detailed information relating to the Group SIPP on joining, including information concerning the default investment fund and alternative investment strategies, how to opt out, the level of member borne scheme charges, projected retirement forecasts, Courtiers' complaints procedure, how to contact the GAA and where to access copies of its Reports. This information is provided to the Employers who pass it on to the individual members.

Members are informed of the GAA and the Chair's Statements by Courtiers at pension surgeries, and copies of the Statement are provided at the annual reviews.

**8.3** Statutory Money Purchase Illustrations (SMPIs) are issued by the Provider on the anniversary date of the initial start date for each Employer joining the Group SIPP. The Provider has confirmed that the SMPIs have been issued within the required statutory timescales. The GAA has asked Courtiers to add a line to the covering letter for the SMPIs to draw members' attention to the existence of the Chair's Statement held on the Courtiers' website.

The Provider monitors traffic to the Chair's Statement on an ad-hoc basis and has reported the following to the GAA:

- In the period April 2020 – April 2021, the link that holds the Chair's statements had 30 views.

**8.4** The Provider has confirmed that communications covering other statutory information have been issued to members as appropriate and within the necessary timescales e.g. P60s, Annual Standard Lifetime Allowance Statements, and Contribution Letters.

**8.5** Where appropriate, the Provider has issued Privacy Notices / Fair Processing Notices to meet the requirements of the new data protection legislation (see below). The Provider is a Data Controller for the purposes of the UK GDPR. The Provider will review standard documents issued to members to ensure the data protection wording is updated as required.

### 8.6. Member representation

The GAA is required to consider members' interests. To support this, the Provider has put the following arrangements in place:

- all key communications issued by the Provider to members and employers includes reference to the GAA
- the Provider will seek the support of the employer(s) to encourage feedback from members
- information on the GAA is available to all members through the Provider's website, at pension surgeries and included as part of the annual reviews
- the covering letter to the SMPI statements includes reference to the Chair's Statement being available to members via the Courtiers' website and includes the link to it.

In the GAA's view, Courtiers provides GSIPP members via their Employers with suitable and appropriate member communications. Courtiers is aware that member engagement is lower than it would like and is continually working to improve this. However, the direct relationship is via the Employers and not direct with members, so engagement levels with members and member representation is expected to remain low.

## 9. Governance - cyber security

As part of the processing of the core financial transactions, the GAA has considered the robustness of the Provider's information technology and systems. Whilst cyber security falls outside of the GAA's remit, a successful breach of the Provider's IT systems has the potential to impact the core financial transactions undertaken by the Provider. For this reason, the GAA considers it appropriate to provide some brief information relating to the measures taken by the Provider to ensure its IT systems and data are protected.

The Provider has confirmed the following information in relation to the issue of cyber security.

In 2015, Courtiers appointed Agility IS, an information security specialist consultancy, as its ongoing information security advisor. Agility IS holds relevant certifications including CREST Certified Tester, ISO/IEC 27001 Lead Auditor and PCI DSS QSA.

Courtiers outsources its first, second- and third-line IT support to Brookland Computer Services (BCS). BCS is a UK based information, communications, and technology (ICT) service provider which has been providing services to small and medium enterprises since 1997, predominantly in the financial and legal sectors. BCS was appointed after a formal tendering process run by Courtiers and Agility IS.

During the period, Agility IS ran extensive external and internal penetration testing to identify areas of weaknesses and create programmes of work for BCS. Agility IS forms part of the monthly reporting and control of BCS activities. It is intended that both external and internal penetration tests are repeated annually to test conformance and identify any new areas of weakness.

BCS operate services for Courtiers from a 4D data centres in Byfleet and Gatwick.

The GAA has seen the 4D ISO 27001 certification and is satisfied with the measures currently in place to protect the Provider's IT systems and ultimately the processing of the core financial transactions.

## 10. Governance - data protection

The EU General Data Protection Regulation (EU GDPR) applied with effect from 25<sup>th</sup> May 2018 and introduced new contractual obligations on data controllers and data processors, giving individuals increased control over their personal data and enhanced reporting obligations in the event of a data breach. The UK GDPR was brought into UK legislation by the Data Protection Act 2018 and replaced the EU GDPR following Brexit.

The GAA is an internal committee of the Provider and does not process personal member data. It is not a data controller or data processor. However, appropriate terms are in place between Courtiers and PSGS in relation to the processing of personal member data. The GAA is satisfied with the policies put in place by the Provider to meet the requirements of the UK General Data Protection Regulation (UK GDPR).

## 11. Charges and transaction costs

Since 3 January 2018, the FCA rules require asset managers to report transaction costs and charges to the manager of the workplace pension scheme(s). For the Courtiers GAA, we understand this to mean that the asset managers should be reporting transaction costs and charges to Courtiers as the Provider, which in turn reports the costs and charges to the GAA. The reporting of the costs and charges can be done using either the DCPT or FVPT methodology. The GAA has agreed that the DCPT template is an appropriate format for the asset managers to report the transaction costs and charges to the Provider.

The FCA issued a consultation (CP19/10) on publishing and disclosing transaction costs and charges to workplace pension scheme members. The consultation closed on 28 May 2019 and the FCA issued new rules (PS20/2) in February 2020. PS20/2 sets out the requirement to publish and disclose information about administration charges and transaction costs by scheme governance bodies to members of workplace pension schemes.

**11.1** The Provider has agreed that a default investment arrangement can be used by employers to meet their 'auto-enrolment duties' in accordance with the regulations. In providing the default investment arrangement, the Provider has confirmed that the charges are within the range permitted by legislation.

The Provider has confirmed that all other charges and transaction costs are borne by the Provider.

Please refer to **Appendix 1** for details of the charges applying to the default investment arrangement.

- 11.2 The charges and transaction costs that apply to the other (non-default) investment strategies and funds (that is those investment strategies and funds where the member has made an active choice) range from 0.75 % to 1.83 % of each member’s assets invested in the relevant strategy or fund.
- 11.3 The Provider has confirmed to the GAA that it may charge additional fees to the employer(s) directly for the costs of the administration of the Group SIPP. These are not member-borne and therefore out of scope of this report but are included for completeness. The Provider operates on a ‘per-member / per-year’ fee, billed to the employer(s) on a regular basis.
- 11.4 The GAA has assessed the extent to which the charges and transaction costs set out above represent good value for money in the period covered by this report and concluded that:
  - the non-default investment strategies and the current default investment arrangement offer members good value for money.

**12. Summary of impact of cost and charges – default fund**

The table below shows the effects of charges over time on members’ pension funds invested in the default fund.

The table shows the charges that would apply after one year of membership and at the age of 67 for members joining at each of the ages shown on the left. For example, someone joining at the age of 40 will have costs of £7.73 by the end of the first year and cumulative costs of £9,818.24 by the time they reach 67.

	After one year	Up to age 67				
Age at Start	Fund Value without Fees	Fund Value with Fees	Fees	Fund Value without Fees	Fund Value with Fees	Fees
22	£958.41	£954.53	£3.84	£257,710.99	£216,557.21	£22,977.94
30	£1,631.67	£1,625.04	£6.56	£246,786.80	£213,653.05	£20,265.39
35	£1,820.45	£1,813.05	£7.30	£194,725.46	£171,976.58	£14,799.19
40	£1,927.21	£1,919.37	£7.73	£143,015.18	£128,847.97	£9,818.24
45	£1,910.82	£1,903.05	£7.69	£95,404.50	£87,672.22	£5,716.04
50	£1,836.95	£1,829.46	£7.38	£58,545.42	£54,862.63	£2,906.37
55	£1,754.81	£1,747.66	£7.05	£32,552.63	£31,098.27	£1,224.66
60	£1,533.14	£1,526.92	£6.14	£13,670.73	£13,311.17	£320.80

The assumptions used in this table are:

- The member invests in one of the nine standard lifestyle strategies offered by Courtiers (including the default Balanced Lifestyle Strategy (targeting drawdown)).
- Projected pension pot values are shown in today’s terms and do not need to be reduced further for the effects of inflation
- The starting pension pot size is assumed to be £0.00
- Inflation is assumed to be 2.50% each year
- Contributions will be paid each year from the starting age shown on the left to age 67

- Contributions are paid at the minimum rates required by automatic enrolment legislation, being 5% of band earnings for employees and 3% of band earnings
- The salary is £10,000 per annum (AE Minimum Trigger Point)
- Starting salaries are based on the median earnings for the relevant age group using the most current data available from the Office for National Statistics
- Salaries will increase in line with the rate of national average earnings increases, currently 2.90%
- Total costs each year will be 0.75% of the pot value, with no other charges applicable
- The projected rate of growth for the funds shown is 4.334% each year

### 13. Management

The GAA has no concerns regarding the management of the Firm and the experience of the Courtiers individuals on the GAA. Management is responsive to requests from the GAA and acts responsibly and collaboratively to assist the GAA in the discharge of its duties.

### 14. ESG and investment pathways

The FCA's Policy Statement 19/30 introduced new rules to extend the GAA's remit in two areas:

- A new duty for GAAs to consider and report on their Firm's policies on Environmental, Social and Governance (**ESG**) issues, member concerns and stewardship, for the products that the GAA oversees.
- A new duty for GAAs to oversee the value for money of investment pathways solutions for pension drawdown (pathway solutions).

These new rules were effective from 1 April 2020, but the introduction of the above requirements was put back by six months from 1 August 2020 to 1 February 2021.

#### 14.1 ESG

With regard to extending the remit of the GAA for ESG, Courtiers offer ethical strategies to members and Employers but not in the default fund as the fund charges would exceed the charge cap. Courtiers include questions about ethical views on its Fact Find prior to take on of a client, as ethical funds and ESG are becoming more topical with Employers and members.

Financial and non-financial ESG factors are considered, where appropriate, at the initiation of an investment position and all subsequent regular reviews; ESG monitoring is carried out by Courtiers at least annually.

On Stewardship, Courtiers engages with companies where appropriate. This is done by Investor Relations at Courtiers, via direct contact with the senior management of the companies. Where standards are not met, this may result in Courtiers selling an investment.

Proxy votes are exercised by Courtiers for all equities. External research is used and where appropriate, engagement with the relevant company is undertaken and/or the investment is reviewed. Both the Courtiers UK Equity Income Fund and the Courtiers Global ex UK Equity Income Fund are in receipt of the Morningstar Sustainability Ratings ("globes") rating portfolios on their ESG information. The UK Equity Income Fund has received the highest rating of five globes, the UK Equity ex UK Income Fund has received three globes.

For the Investment Grade Bond Fund, ESG factors are considered where appropriate at the initiation of an investment position with issuers assessed at the time of investment. There are no Morningstar Sustainability Ratings available for the Courtiers Investment Grade Bond Fund or for its sector.

The GAA does not have any concerns with the Firm's policies on the financial and non-financial ESG factors or stewardship for the products within the GAA's remit at this time. This will continue to be reviewed and reported on in future Chair's statements.

## 14.2 Investment Pathways

Courtiers have confirmed they will be offering 'pathway solutions' to their non-advised customers entering drawdown, despite the fact that they currently have less than 500 non-advised customers and are therefore exempt from doing so. Courtiers consider that it is appropriate to put pathway solutions in place as most members target drawdown. The GAA has agreed to extend its remit to include the assessment of the pathway solutions and related member communications and this will be reported on more fully in subsequent Chair's statements.

For context, since April 2018, 76 members retiring have taken their benefits from the Courtiers Group SIPP; of these, 46 accessed their benefits as a single lump sum either at age 55 or on reaching their NRA. As a result, since 2018 over 60% of Courtiers GSIPP members did not require investment pathways to be offered to them.

Courtiers provided PSGS with its Investment Pathways strategy document in Q4 2020, setting out the pathway solutions for each Investment Pathway, including the funds, risk ratings, and charges, and the draft member communications. These were agreed by the GAA prior to the (revised) launch date of 1 February 2021.

Pension members with larger fund values of c£200k generally require (and seek) independent financial advice which is provided by Courtiers' private client team. This leaves a small number of GSIPP members who will potentially use IPs.

At the date of drafting this Statement, there are no members using Investment Pathways; therefore, it is not possible to assess whether they provide vfm to members. The majority of members moving from an AE compliant solution into non-advised drawdown are likely to be members of the default fund. The charge for each pathway solution has therefore been set initially at 0.75% as this is an appropriate and consistent charging structure.

The GAA is satisfied that the IP strategy and member communications setting out the pathway solutions include sufficient risk warnings, particularly in relation to Option 4: taking all the money as cash within the next 5 years. The communications are clear that members must make an active decision to invest in cash.

Investment Pathways will be a standing agenda and reporting item as the GAA has a duty to oversee the vfm offered.

## 15. GAA concerns

The GAA has not raised any concerns with the Provider in relation to the value for money for members of the Group SIPP.

The GAA has not escalated any unresolved concerns to the Financial Conduct Authority (FCA).

The GAA has not needed to notify members or their respective employers of any concerns.

## 16. GAA expertise

The GAA has sufficient expertise, experience and independence to act in members' interests and this is evidenced by:

- The appointment of a professional trustee company, Punter Southall Governance Services Limited (PSGS), to ensure the independence of the GAA from the Provider
- Three individuals from PSGS have been appointed to the GAA
- PSGS is experienced in relation to trust based defined contribution (DC) pension schemes; these trust skills are appropriate for the provision of a GAA to the Provider's workplace pension schemes
- PSGS has wide experience of pension scheme governance and workplace committees such as GAAs and IGCs
- The three individuals from PSGS also act for a GAA to the workplace pension schemes of another FCA regulated firm and one also acts for an Independent Governance Committee (IGC) for a major investment firm

- As part of a wider benefit consulting group, PSGS has access to technical resources and expertise relevant to the GAA
- Two individuals from Courtiers Investment Services Ltd, an FCA authorised firm, have also been appointed to the GAA; this ensures good communication with the Provider and the free-flow of information
- Courtiers has a 30+ year history of dealing with corporate trust-based and contract-based pension schemes and directly employs a number of pensions specialists
- The two individuals from Courtiers are both Chartered Financial Planners with, collectively, more than 20 years' experience of group pensions
- Both PSGS and the Provider understand the FCA's requirements in relation to the duties of the GAA
- The majority of the GAA members are therefore independent of the Provider.

**Signed by Punter Southall Governance Services Ltd, as Chair of the Courtiers Investment Services Ltd Governance Advisory Arrangement (GAA)**

**Chair** MARK HOMER

**Date** 30 July 2021

**Appendix 1 – charges and transaction costs of the Default Investment Strategy**

Default investment strategy:

**The Courtiers Balanced Lifestyle Strategy (Targeting Annuity)** (up to 2019)

**The Courtiers Balanced Lifestyle Strategy (Targeting Drawdown)** (from 2019)

The charges and transaction costs relating to the above default investment strategy are set out below:

Type of charge	Description	Amount
Initial charge	One-off charge taken before or after an investment is made	None
Redemption charge	One-off charge taken before or after an investment is made	None
Ongoing charges	Charges taken from the Fund over a year	0.75%
Performance fee	Charges taken from the Fund under certain specific conditions	None
Early exit charge	Charges taken from a Member's fund value on early withdrawal from the Fund	None

**Summary:**

- All costs and charges for the above default investment strategy are within the 0.75% charge cap.
- All costs above 0.75% TER are absorbed by Courtiers and are not passed on to members.
- There are no other additional costs or charges that are passed on to scheme members.
- The Provider may charge additional fees to the employer(s) directly for the costs of the administration of the Group SIPP. These are not member-borne and therefore out of scope of this report but are included for completeness. The Provider operates on a 'per-member/per-year' fee, billed to the employer(s) on a regular basis.