Governance Advisory Arrangement (GAA)

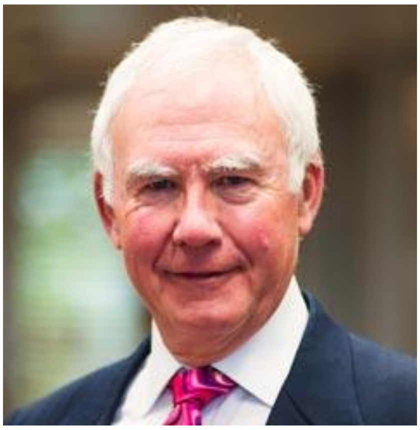
Chair's annual report covering the 2020 calendar year

July 2021

What's in this report?

1. Executive Summary

Introducing the Chair's Report



GAA Chair Peter Shelton.

Welcome to the fifth annual report of the Intelligent Money (IM) Governance Advisory Arrangement (GAA). The GAA was set up to work solely in the interests of members with qualified workplace pension schemes (QWPS) provided by IM.

In this report we summarise our activities during the last year and set out our independent assessment on whether QWPS members receive value for money from IM's workplace pension plans. Our value for money (VfM) assessment covers the 2020 calendar year, though where relevant we will include updates from the first half of 2021, when this report was being prepared.

We evaluate value for money based on four key criteria:

- Whether **investment strategies** are suitable and executed in the interests of members
- Whether **costs and charges** borne by members are fair and competitive in the market
- Whether IM's **customer service and communications** are fit for purpose
- Whether pension savings are **financially secure** and protected against **cyber threats**.

Our overall view is that IM offered reasonable to good value for money in 2020, with some improvements noted since our last report. You can read a quick summary of our value for money assessment here and our full assessment in chapters 3-6.

The scope of our responsibilities has changed this year in line with updated Financial Conduct Authority (FCA) regulations. In chapter 7 we include a review of IM's retirement pathway solutions for pension drawdown, which were introduced in February 2021. We also have a duty to review IM's policies on environmental, social and governance (ESG) issues, member concerns, and stewardship. We do this in chapter 8.

Our primary duty is to challenge IM to deliver positive retirement outcomes for its QWPS members. We will continue working to improve our own processes and effectiveness in achieving this, taking guidance from regulatory authorities and industry best practices. If you are a member of IM's QWPS, we encourage you to read this report and take an active interest in how your pension savings are being managed.

Recent GAA Activities

In June 2020, the FCA gave the GAA important feedback as part of a wider review of the effectiveness of governance bodies on pension providers. We have taken this on board and are working to improve how we document our processes and the actions taken as part of our ongoing VfM assessment.

These are some of the things we have been doing over the last year.

- We set up formal quarterly meetings with IM to review different aspects of our VfM assessment, consider future actions, and raise any concerns. These meetings complement informal correspondence that is ongoing throughout the year.
- In September 2020 we updated our VfM framework, based on four weighted pillars. This was presented to IM and agreed upon in November 2020 (more details in Appendix C).
- In November 2020 we held an introductory meeting with IM's new dedicated fund manager P1 Investment Management. Since January 2021, a GAA representative has attended the quarterly investment committee meetings (ICM) held by IM and P1.
- In February 2021, we helped design a survey that should provide us with more insight into QWPS member experiences, needs and expectations.
- We have been working more closely with IM regarding its communications to QWPS members, with IM open to GAA feedback and suggestions on new material.

Impact of Covid-19

Like most companies, IM faced major financial and operational challenges in 2020 due to the impact of the Covid-19 pandemic. IM provided the GAA with details about the measures taken to protect clients and minimise disruption. It also shared its crisis management plan, which sets out key risks and response measures for minor or major incidents.

The Covid-19 lockdown and related financial market volatility provided a 'real-world' stress test of the processes and systems in place to maintain customer support during a crisis. We believe IM was able to cope with the pressure relatively well and minimise service disruption for clients.

Key measures included a swift transition to remote work using existing office protocols, providing contact email addresses for a full range of member needs (e.g. payments, contributions, complaints), investing in infrastructure to better handle remote communications, and upgrading IT security measures to protect office systems and vulnerable members against scams and other cyber threats.

The GAA is satisfied that IM made every effort to maintain 'business as usual' and provide ongoing support to members during the crisis. IM has said that it intends to continue with some of the new practices adopted even after government restrictions on office work have been lifted.

Changes to Investment Management

At the time of preparing this report, IM was still in the process of switching its QWPS portfolios to a new dedicated fund manager and its own in-house investment platform. The first step of this change was completed in 2020 with the transfer of the discretionary mandate for IM Optimum Portfolios from Quilter Cheviot (QC) to P1 Investment Management (P1). The switch is due to be completed in September 2021 when P1 will take on management of IM's Default Portfolios, which is where the vast majority of QWPS members are invested.

IM believes that the changes will provide QWPS members with an improved service, thereby offering better value for money. This is expected to be driven in part by increased automation of administrative services, which should improve the speed and accuracy of transactions and enable member-specific reporting of investment performance. As a GAA we will be monitoring the impact of the change and any new measures or processes that affect the management of QWPS portfolios.

We are optimistic that the change in dedicated fund manager will improve the governance of IM Default Portfolios, which has been a GAA concern over the last year and is reflected in our VfM ratings. We have previously identified problems with communications and data reporting from QC, which IM has acknowledged as one of the driving factors behind the switch to a new investment manager. We have already noted significant improvements in the governance of IM Optimum Portfolios since P1 took on the discretionary mandate in June 2020 and hope that this will also be the case with the default arrangement.

We will monitor how the transfer of IM Default Portfolios to the Intelligent Money platform and the change in dedicated fund manager is implemented, as well as the way in which these changes are communicated to members. We will report on this in more detail in next year's report.

2. Value for Money - Summary Assessment

Value for money framework components	2019	2020
Investment Design & Performance Are the QWPS pension investment solutions well designed and managed, and are they meeting performance expectations?		
Costs & Charges Are the charges borne by reasonable for the benefits received, and how do they compare with other providers in the market?		
Client Service & Communications Is IM meeting expectations for client service standards and are communications fit for purpose?		
Financial Strength & Cyber Security Are member savings and data kept safe and secure, even in times of volatility?		
Overall VfM Assessment Are you getting value for money from your workplace pension plans with IM?		

**2019 score reflects rating for the tax year ending 5 April, 2020.*

VfM assessment ratings key

- IM is meeting or surpassing GAA expectations and compares favourably to alternative options on the market (where comparison is possible).
- The GAA found no material issues and IM is broadly meeting expectations, though there may still be room for improvement.
- There are specific points that may affect some members or relate to emerging issues and are being addressed.
- There are material concerns about performance that the GAA has raised with IM and should be addressed.
- The GAA has identified serious issues that affect retirement outcomes for all members but have not been addressed.

Key Views

We have given IM an 'amber-green' VfM rating for 2020, the same overall score as in our previous report. This reflects our broad view that IM continues to offer QWPS members reasonable-to-good value for money. While we have seen some progress on issues that have been raised, for the most part they had not yet been fully resolved during the period under review.

We believe the default investment strategy is suitable for non-engaged QWPS members, which are the majority, while charges (including transaction costs) are fair and competitive in the current market. Client communications are compliant and broadly fit for purpose, while we have no material concerns about IM's financial strength and cyber security policies. We are also satisfied that IM did its best to maintain 'business as usual' from a client's perspective during the Covid-19 pandemic.

We were pleased to see an improvement in the governance of IM Optimum Portfolios since the change in dedicated fund manager and the design of a new ESG-focused 'IM Optimum Sustainable' portfolio to be made available to QWPS members in 2021. In other areas we have seen further progress in the first half of 2021, but this will be reflected in next year's VfM assessment. We are optimistic that the overall VfM rating will improve in future reports.

We have identified key areas where we think IM should work to improve members' experiences and outcomes. These are:

- The governance of IM Default Portfolios, including a review of the core investment strategies, glide paths and stated objectives to ensure they remain in the best interests of QWPS members.
- The integration of ESG considerations into investment strategies across the range of QWPS portfolios, including the default arrangement.
- Assessing real-life client behaviour and wider market dynamics to further develop and improve the newly-introduced retirement pathway solutions offered to drawdown investors.
- Reviewing the current charging structure, in particular how the initial contribution charge may impact certain groups of QWPS members such as those approaching retirement.
- Producing more engaging communications that are tailored to different QWPS member profiles and take into account the needs of vulnerable members.
- Monitoring client service levels and the impact of communications using quantitative metrics and benchmarks against which performance can be measured for effectiveness.

3. Investment Design & Performance

Why is this important?	VfM rating
Most QWPS members do not make active choices about how their pension savings are invested, so it is important that the design, governance, and performance of the default solution supports good retirement outcomes. Members should also have the option to choose alternative strategies with different objectives.	

What we are looking for

- Is the design of the default QWPS scheme appropriate for members at different stages of their pension savings journey?
- Are the QWPS investments managed effectively, with strategies regularly reviewed and actions taken promptly when required?
- Is the default investment scheme performing in line with its stated objectives and benchmarks?
- Do members have a good range of alternative investment strategies to choose from?
- Are responsible investing principles integrated into portfolio design, and do members have access to ESG-focused funds?

Our overall conclusion

IM remains in a transitional phase as it switches to a new dedicated fund manager and investment platform. The process has taken longer than expected and continues at the time of writing this report. This means that concerns about default scheme governance under the existing fund manager were not addressed in 2020, informing our ‘amber’ rating in some sub-components. We are pleased at the recent introduction of a new ESG-focused sustainable option but would like to see these ESG criteria integrated more widely into portfolio design and investment decision-making.

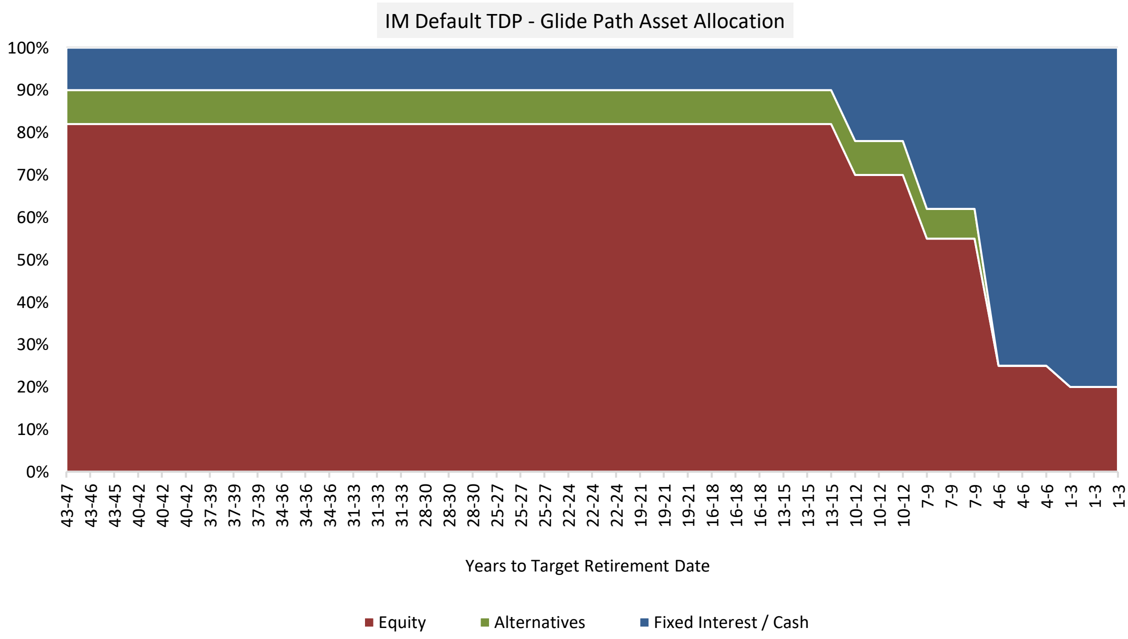
GAA priorities for 2021/2022

- Monitor the switch to a new dedicated fund manager and investment platform for all IM default portfolios (due in September 2021).
- Recommend a formal review of the default investment strategy and its objectives.
- Assess the five-year returns of IM default portfolios since inception, and challenge IM to address underperformance if required.
- Encourage IM to continue integrating ESG and responsible investing principles into its core investment strategies where feasible, including the default solution.

IM Default Portfolio – Design

The IM default portfolio is where members' savings are automatically invested when registered to IM's workplace pension scheme. As of end-2020, more than 95% of QWPS members remained invested in this default option.

The default option is a target-dated portfolio (TDP), which automatically manages down risk as members approach retirement. In practice, this means that savings will mainly be invested in equities during the 'growth phase', which lasts until around 12 years before the target retirement date. At this point savings will gradually be moved into in lower-risk assets (e.g. cash and gilts) so that pension pots are less exposed to market volatility in the run up to retirement.



The portfolio is designed to offer a low-cost, low-maintenance solution for members that are not comfortable or interested in actively engaging with their workplace pension. It has the stated objective of achieving returns of CPI+4% over the long term.

We believe the design of IM's default investment strategy is appropriate for the majority of IM's QWPS members who prefer not to actively engage with their pensions. The stated objectives are clear and the de-risking process compatible with pension freedoms. We intend to review whether the single target objective of CPI+4% remains suitable and clear for members at different phases of the glide path.

IM Default Portfolio – Governance

Since inception, IM has reviewed the strategic objectives of its QWPS default investment portfolios annually with dedicated fund manager Quilter Cheviot (QC). There have been no major changes to the core default investment strategy or glide path since 2017, which in itself is not a concern given that pensions are long-term investments. In 2018, the GAA set up quarterly meetings with QC to discuss recent portfolio performance and any recent changes to strategic or tactical asset allocation.

In our last annual report, we noted that problems with data provision and communications from QC risked undermining scheme governance. This remained a concern throughout 2020, when market conditions were volatile due to the pandemic. Responses to requests for information from QC were often slow and data was not typically presented in a clear and understandable manner. The GAA raised these concerns with IM, which reported its own communications issues with QC.

The 'amber' rating for this component reflects these concerns but also the actions already underway to deal with them. In September 2021, the mandate for managing the default investment range will be taken on by P1 Investment Management, which is already responsible for managing other investment portfolios available to QWPS members (see below).

Since mid-2020, IM and P1 have held quarterly investment committee meetings (ICMs) for its range of alternative Optimum Portfolios (see below). The GAA has attended several of these meetings and noted an improvement in scheme governance. This makes us optimistic that governance of the default portfolios will also improve when the switch has been completed.

As part of the switch, QWPS pension assets will be transferred to IM's own investment platform, powered by Seccl. IM says this will improve the accuracy of its administrative processes as well as lower costs, while improving the quality of performance data for members (including member-specific performance/charges data). This has been an area of focus for the GAA and we will work with IM to see how this change can improve member experiences.

The GAA remains confident that the change in fund manager should resolve most recent concerns and lead to more robust scheme governance. Our next annual report will include more information about the impact of the switch. We recommend that IM conducts a review of its default investment strategy with P1 Investment Management to ensure that it is still suitable for QWPS members. We will expect IM to swiftly implement any changes that may be required.

IM Default Portfolio – Historical Performance

Measuring historic portfolio performance is only partially useful in a forward-looking VfM assessment, particularly as pensions are long-term investments and IM's default portfolios only have live data from 2017. However, as investment returns have a big influence on how much a pension pot grows over time, this is an important part of our VfM assessment.

If you are a QWPS member invested in IM's Default Portfolios, the returns you experience will depend on how far you are from your planned retirement date:

- **Defensive Phase:** If you are approaching retirement (2023-2025), your savings will be invested in the lowest risk strategy to protect accumulated wealth from market volatility.
- **Transition Phase:** Once you are around 10 years from your retirement date (2029-2031), your pension savings will automatically be moved into more conservative portfolios.
- **Growth Phase:** If you are still a long way from planned retirement (2056-2058), you will be invested in a portfolio that seeks to maximise capital returns over a long-term horizon.

	2018	2019	2020	3-year annualised
IM Default TDP 2023/2025 (defensive phase)	**-4.1**	**12.1**	**3.4**	**3.6**
Benchmark – QC Conservative Composite	-2.9	12.0	4.2	4.2
NEST 2025 Retirement Fund	-	12.9	5.8	5.0
IM Default TDP 2029/2031 (transition phase)	**-5.2**	**15.9**	**2.4**	**4.0**
Benchmark – MSCI PIMFA Private Investor Balanced	-4.4	16.2	2.0	4.2
NEST 2031 Retirement Fund	-	16.9	8.2	6.6
IM Default TDP 2056/2058 (growth phase)	**-6.2**	**18.1**	**1.3**	**3.9**
Benchmark - MSCI PIMFA Private Investor Growth	-5.5	18.2	2.2	4.6
NEST 2058 Retirement Fund	-	15.2	9.4	6.8
UK CPI +4%	6.1	5.3	4.7	5.4

**Source: Quilter Cheviot, NEST, FE Analytics. Note: IM portfolio data is net of all third-party fees but not IM management fees. NEST retirement fund data is total return net of all charges; benchmark data is 'gross' of any charges. The returns on your personal pension plan may vary from those detailed here.*

Over the three years to end-2020 default portfolios have underperformed benchmarks and the stated long-term target of CPI +4%. Net returns also lagged those achieved by comparable NEST retirement funds*, particularly for those members in the 'growth phase' during 2020. However, returns lie within the range of reported default fund performance at other pension providers.

Retirement outcomes for most QWPS members will be determined by performance over a longer time horizon than the period for which IM default portfolios have live data. However, we believe that recent performance warrants a review of the default investment strategy, benchmarks and objectives that should occur in tandem with the switch to a new dedicated fund manager.

*We chose NEST as a peer benchmark due to its similar default portfolio design, objectives and charging structures. However, this should not be considered a truly fair comparison given differences in the services and plans provided.

Alternative Investment Strategies – IM Optimum Portfolios

Since 2018, IM QWPS members have had access to seven self-select portfolios (see Appendix B for more information on each strategy). These provide the opportunity to tailor investment strategies to fit different needs, risk tolerance and retirement goals.

Risk-Rated Optimum Portfolios	Optimum Target-Dated Portfolios
IM Optimum Defensive	IM Optimum Growth for Withdrawal (de-risk to IM Optimum Defensive at retirement)
IM Optimum Cautious	
IM Optimum Income	IM Optimum Growth for Income (de-risk to IM Optimum Income at retirement)
IM Optimum Global Growth & Income	
IM Optimum Global Growth	

The two risk-managed IM Optimum TDPs will always mirror one of the risk-rated portfolios, with the glide path determining which this is according to how far you are from retirement. The IM Optimum Growth for Withdrawal portfolio will automatically de-risk to mirror the IM Optimum Defensive at the point of retirement, while the IM Optimum Growth for Income will de-risk to mirror the IM Optimum Income portfolio.

To date, only a small number of members have chosen to invest their workplace pension savings in these alternative investment strategies. These are typically members with larger pension pots who are more actively engaged with their investments.

Optimum Portfolio governance

The Optimum Portfolios were managed by Quilter Cheviot (QC) until June 2020, when the discretionary mandate was transferred to P1 Investment Management. The mandate will be renewed at least annually in the future.

At quarterly Investment Committee Meetings (ICMs), P1 and IM discuss the market outlook and agree on any changes to strategic asset allocation (SAA) to keep the risk-rated portfolios aligned with their respective long-term objectives. The Optimum Portfolios are actively managed under an agreement to maintain a tactical asset allocation within 10% of the mandate’s SAA under normal circumstances.

Optimum Portfolio historical performance

The table below shows the recent historical performance of the IM Optimum Portfolios, relative to benchmarks and the default portfolios at key stages of the retirement journey:

	2018	2019	2020	3-year annualised
IM Optimum Defensive	**-0.8**	**8.1**	**5.7**	**4.3**
Benchmark - MSCI PIMFA Conservative/ Bloomberg Barclays Sterling Gilt 1-5 years 60%/40%	-	-	2.6	-
IM Optimum Cautious	**-1.6**	**9.3**	**7.9**	**5.1**
Benchmark - MSCI PIMFA Private Investor Conservative	-	-	3.0	-
IM Optimum Income	**-4.4**	**14.8**	**2.4**	**4.0**
Benchmark - MSCI PIMFA Private Investor Income	-	-	1.9	-
IM Optimum Global Growth & Income	**-5.3**	**17.8**	**0.6**	**3.9**
Benchmark - MSCI PIMFA Private Investor Balanced	-	-	2.0	-
IM Optimum Global Growth	**-6.1**	**19.8**	**0.9**	**4.3**
Benchmark - MSCI PIMFA Private Investor Growth	-	-	2.2	-
IM Default TDP 2023/2025 (defensive phase)	-4.1	12.1	3.4	3.6
IM Default TDP 2029/2031 (transition phase)	-5.2	15.9	2.4	4.0
IM Default TDP 2056/2058 (growth phase)	-6.2	18.1	1.3	3.9

Source: P1 Investment Management, IM. Benchmarks were changed in 2020 when the discretionary mandate was taken on by P1. The returns on your personal pension plan may vary from those detailed here.

In recent years, returns from the IM Optimum Portfolios have outperformed the default portfolios with similar risk-reward profiles. However, longer-term performance is more important for pension savings. Investing in the IM Optimum Portfolios incurs higher management charges (see ‘costs & charges’ below), which will affect the overall outcome at retirement.

We believe the range of self-selected portfolios is satisfactory, giving QWPS members a choice over the level of engagement and risk they are most comfortable with. Only a small number have opted to move savings from the default strategy to the IM Optimum Portfolio suite.

Responsible Investing – ESG Options

In previous reports we have been critical of IM for not offering QWPS members investment options based on Environmental, Social and Governance (ESG) principles. This was against the backdrop of growing industry-wide interest in ESG factors and responsible investment, alongside a new regulatory focus on protecting investments from ESG-related risks (e.g. climate change).

We are therefore pleased that IM has launched a new 'IM Optimum Sustainable' portfolio in 2021, to be managed by P1 Investment Management. The new portfolio will broadly align with the risk profile of the 'IM Optimum Global Growth & Income' portfolio. The portfolio's ESG credentials will be calculated using Morningstar ESG fund ratings and tracked by P1 at quarterly ICMs.

The underlying holdings of the IM Optimum Sustainable will mostly be passive ESG products. This has historically been a limitation due to difficulties in finding suitable instruments, but options are expanding as more products become available.

IM has confirmed that the annual charge for the new portfolio will be the same as the other Optimum Portfolios available to QWPS members. P1 has said it will seek to take advantage of opportunities to reduce costs, improve performance or upgrade the portfolio's ESG rating where feasible.

We believe the introduction of an ESG-based investment portfolio is a positive step and beneficial for QWPS members. We will include our first assessment of the IM Optimum Sustainable portfolio in our next annual report. We are also conducting some research into member views on ESG options, which we hope will help the GAA better serve QWPS member interests when it comes to responsible investing. We will continue to encourage IM to further integrate ESG principles into wider investment decision-making.

4. Costs & Charges

Why is this important?	VfM rating
The costs and charges associated with managing your pension plan have a significant impact on how much your savings pot will grow through to retirement. To deliver good value for money, charges should be reasonable for the services provided and compared to other similar providers in the market.	

What we are looking for	
• Are the charges borne by members appropriate and fair given the services provided?	
• Do charges & costs applied adversely affect any particular cohort(s) of QWPS members?	
• Are transaction costs reasonable and how do they compare to those of similar funds/portfolios in the market?	

Our overall conclusion

Our 'light green' rating reflects our view that IM's costs and charges are reasonable compared to the market, but that a review of the current charging structure would be beneficial. This is due to concerns that the contribution charge may disproportionately affect those with a shorter investment horizon, including those that begin saving close to their retirement date. We also note that regulators are proposing a universal charging structure for default QWPS arrangements that would only permit a single annual management charge – if approved, IM would be required to adjust its charging structure.

GAA priorities for 2021/2022

- Recommend IM complete a formal review of its charging structure to determine whether contribution charges remain appropriate.
- Expand our reporting on transaction costs and the impact of costs & charges on investment portfolios to IM Optimum Portfolios.

IM pension charges

Pension charges cannot be assessed in isolation, as they must be weighed against the benefits received. However, they remain an important indicator of value for money and have material impact on retirement outcomes.

QWPS Default

IM applies two types of charges to its default QWPS plans:

- **A single annual management charge (AMC) of 0.5%** on the total value of a member's fund each year. This includes all the third-party fees for managing investments, operating and administrative costs, and underlying fund charges.
- **A one-off charge of 1.8% on all contributions** members make to their pension plans.

This combination charging structure is compliant with the existing charging cap regulations, through is uncommon among workplace pension providers. According to the Department of Work and Pensions (DWP)'s Pension Charges Survey 2020, only two out of twenty providers involved in the survey applied contribution charges. NEST is one of the few providers with the same charging structure, also applying a 1.8% contribution charge but with a lower AMC of 0.30%.

According to calculations made by the DWP, under this fee structure the equivalent total average annual charge in IM's default scheme stands at 0.66-0.72%, below the 0.75% charge cap. The actual equivalent figure will depend on the size of each member's contributions relative to their overall pension pot. The table below compares IM charges with NEST and industry averages as per the DWP's Pension Charges Survey 2020.

Default investment scheme annual charges	2020
Workplace pension defaults scheme annual charge cap	0.75%
Intelligent Money – AMC/equivalent single annual fee inc. contribution charges*	0.50%/0.68%**
NEST - AMC/equivalent single annual fee inc. contribution charges*	0.30%/0.48%**
DWP Pension Charges Survey 2020	
Average annual charge for qualifying contract-based workplace pension schemes	0.50%
% of total scheme members paying annual ongoing charges of 0.51-0.75%	47

*Source: IM, NEST, DWP. *Contribution charge = 1.8%. **Illustrative example based on annual contributions of £1,000 and total pension pot of £10,000; the actual figure will depend on your unique circumstances.*

IM's ongoing AMC is in line with the market average, but overall annual fees charges borne by active members are higher when the effects of contribution charges are included (members not making ongoing contributions to their pension plan will not be affected by this). The DWP survey notes that in 2020, nearly half of all qualifying contract-based workplace pension scheme members were paying annual charges between 0.51% and 0.75%. As such, we do not believe IM's charges were unreasonable relative to the wider market in 2020.

IM Optimum Portfolios

IM's Optimum Portfolios carry the same 1.8% contribution charge but a higher maximum AMC of 0.87%. This reflects more active management of the portfolios and higher administrative costs but provides members with more choice over their investments and greater flexibility at retirement. The fee remains all-inclusive, and IM says it automatically adjusts its own management fees to ensure members are not charged more than 0.87% (for example, it will lower management fees to compensate for a rise in underlying fund charges).

As per the DWP Pension Charges survey 2020, the average annual charge for workplace pension schemes that do not fall under charge cap requirements stood at 0.53%, down significantly from 0.73% in 2016. The report also showed that 88% of members of these non-qualifying schemes were now paying less than the 0.75% charge cap, implying that IM Optimum fees are at the higher end of the market.

Impact of new investment manager/platform on charges

IM has said that the change in investment manager and platform from September 2021 should reduce the costs it incurs for running the QWPS default scheme. IM has informed QWPS members that it has no plans to reduce its fees at this time, in part due to the one-off costs associated with the transfer of assets to the new system. However, it has pledged to monitor this and potentially look to reduce charges in the future.

The GAA intends to continue consultations with IM to see whether any cost savings from the change in investment management can be passed to QWPS members via lower charges without undermining service quality or financial security.

We believe IM's default charges are reasonable in the current market, though they should be regularly reviewed in the context of a broad industry trend towards lower fees. The GAA has challenged IM to conduct a review of its charging structure, as contribution charges may disproportionately impact members with a shorter investment horizon (i.e. closer to retirement) or discourage members from making additional contributions. We accept that this review will be more effective after the switch to a new investment management and platform is completed in 2021. We will follow this up with IM and report further on the matter in our next annual report.

Disclosure of costs & charges

From this year, we are required by the FCA to include more detailed information about the costs and charges applied to QWPS member pension schemes, including illustrative examples of how they can affect savings over time. Please see Appendix D for full information.

Transaction costs

Transaction costs are incurred during the buying and selling of investments – they are not charged to members directly but do impact the net investment returns of each portfolio.

- **Explicit transaction costs** are the direct costs of trading and include brokerage or custodian fees, stamp duty and other relevant taxes.
- **Implicit transaction costs** include the bid/ask spread and the difference between the quoted mid-price of an instrument and the price paid (slippage cost).

For the first time, the GAA was able to review a detailed breakdown of transaction costs for IM's default portfolios in 2020, using data provided by Quilter Cheviot (QC). We've included the full list in the table below:

	Explicit transaction costs*	Estimated implicit transaction costs	Implicit transaction costs (% av. month end value)
IM Default 2020/2022	£0	£0	0.000%
IM Default 2023/2025	£0	£16	0.004%
IM Default 2026/2028	£0	£51	0.011%
IM Default 2029/2031	£0	£57	0.012%
IM Default 2032/2034	£0	£126	0.013%
IM Default 2035/2037	£0	£110	0.015%
IM Default 2038/2040	£0	£103	0.015%
IM Default 2041/2043	£0	£118	0.014%
IM Default 2044/2046	£0	£108	0.016%
IM Default 2047/2049	£0	£88	0.015%
IM Default 2050/2052	£0	£95	0.015%
IM Default 2053/2055	£0	£126	0.014%
IM Default 2056/2058	£0	£238	0.014%
IM Default 2059/2061	£0	£24	0.039%
IM Default 2062/2064	£0	£41	0.045%
IM Default Average	**£0**	**£87**	**0.016%**

**QC reports that it includes all explicit transaction costs in its own management fees. Source: QC, Asset Intelligence. Data covers the period 01/01/2020-31/12/2020.*

The GAA finds transaction costs to be reasonable and in line with or lower than similar options on the market. The higher transaction costs for the IM Default 2059/2061 and IM Default 2062/2064 portfolios are likely to reflect their relatively small size as they were the latest to be launched. However, we will monitor this to ensure that any outliers are reviewed and actions taken where required.

5. Client Service & Communications

Why is this important?	VfM rating
QWPS members should receive a high standard of client service from their pension provider. This includes accurate and timely administration of pension investments, adequate client support and protection for vulnerable members. Communications should be timely and 'fit for purpose' – that is, helping members make more informed decisions leading to better retirement outcomes.	
What we are looking for	
• Are core financial transactions (e.g. transfers, benefit payments) processed promptly and accurately?	
• Does IM offer adequate support for members, including vulnerable groups?	
• Are communications fit for purpose and do they take into account the needs of different members?	
• What is being done, if anything, to encourage members to actively engage with their pensions?	

Our overall conclusion

While the GAA has no material concerns about IM's client services and communications the 'light green' rating reflects limited quantitative data currently available to objectively measure performance. Communications are compliant and broadly fit for purpose, though we believe information could be more tailored to the needs of different groups of members.

GAA priorities for 2021/2022

- Work with IM to introduce metrics and benchmarks against which service levels and the effectiveness of communications can be measured.
- Analyse the results of a survey to assess member needs and expectations, and use this to guide future communications.
- Consider how IM can enhance its member-specific digital communications, while ensuring that vulnerable members have alternative ways to receive communications.

Service Levels

The GAA has stepped up its requests for information about the service levels provided by IM to gain a clearer picture of the experiences QWPS members have. IM is an intermediary-only proposition, marketing its business through qualified financial advisers. The auto-enrolment process for IM's QWPS schemes is managed remotely by AutoEnroll.Me (AEM), including all aspects of staging, record-keeping, and payroll upload support.

IM shared its service level agreements (SLA) targets for completing core financial transactions and other administrative tasks. IM reported to the GAA that management reviews these SLAs on a weekly basis but that this is not formally documented and performance is not currently measured against any metrics or benchmarks.

For scale and cost reasons, member funds are collected by direct debit and invested twice monthly. Following a GAA request for information, IM reported a small number of issues in which AEM did not provide full enrolment data and investments were delayed while the missing information was gathered. This has affected fewer than 1% of QWPS members to date, and IM has said it is engaging with AEM to resolve the underlying issue and minimize any future delays to investments if another problem occurs. The GAA will continue to monitor this issue and follow up on efforts to find a lasting solution.

IM confirmed that it had not received any formal complaints from QWPS clients, either directly or via the Financial Ombudsman Service, since inception.

Covid-19 Response

IM was quick to respond to the Covid-19 pandemic. Staff were encouraged to work from home before restrictions were enforced, and the company's existing protocols for remote work appear to have helped smooth the transition when the office was closed on 23 March. IM quickly added information on its website about how it would operate and provided contact email addresses for a full range of member needs (e.g. payments, contributions, complaints). A skeleton staff of senior employees that were able to travel safely remained in-office to ensure IT systems remained operational and incoming mail was attended to.

IM also upgraded its infrastructure to support remote working, including installing a faster internet connection and a new telephone system with the ability to maintain communications as if the staff were in the office. IM reported to the GAA that the changes implemented have been a success and some would be maintained even after government restrictions are lifted.

More generally, when dealing with vulnerable members – such as those affected by serious illness or financial hardship – IM staff are asked to escalate to their line manager who will ensure the client case is made a priority. IM says these clients will receive additional support as required, involving senior management where necessary.

Based on the information available to the GAA, we believe that IM provides a good service to QWPS members. We are also satisfied that IM did a good job of maintaining operational standards and supporting clients during the Covid-19 crisis. We acknowledge that our ability to conduct a more meaningful value for money assessment is limited by a lack of quantitative research and formal benchmarking. We are working with IM to improve how we can evaluate this component of our value for money framework. The GAA will also consider how IM can further enhance support for different groups of vulnerable members.

Client Communications

This year the GAA has an expanded duty to assess whether IM's client communications are 'fit for purpose' and consider the needs of different members. As such, the GAA has been working more closely with IM on communications sent to QWPS members and those which are made available on the website. IM has been open to GAA feedback and suggestions on new communications directed at QWPS members.

Regular client communications include introduction letters, a Member's Pack with detailed information on the QWPS, pre-retirement illustrations and an annual statement. These are clear and informative but not currently tailored to members at different life stages who may have vastly different priorities and requirements.

The IM website also includes a library of downloadable informative guides, key terms and conditions and portfolio fact sheets. The information available has improved in recent years, though the website does not include the same level of financial education material as some other pension providers. This is perhaps understandable given the relatively limited scale of IM's QWPS business relative to the wider market but remains an area that we believe IM can use to help members make more informed decisions about their pensions.

Another area of development across the industry is the enhanced provision of member-specific reporting via the online client portal. This is a work in progress, but as part of its switch to a new investment platform structure IM said that it will be offering individual performance figures for members portfolios, including book cost and a modified Dietz performance figure. The is a welcome step and the GAA will continue working with IM to enhance the quality of its digital communications.

Our view is that they IM communications are compliant and satisfactory, though we also believe there is room for improvement. We believe more tailored communications and new online materials would help members better understand and engage with their pensions. We have also challenged IM to set up processes to track the impact of its communications on member decision-making. This should provide some baseline metrics that can be used to improve communication material and better gauge the effectiveness of future campaigns.

Member Engagement

Member engagement with pensions remains low, with more than 95% of QWPS members remaining in the default investment option. Without knowing the reasons behind this trend, it cannot be taken as a negative outcome in itself. From the GAA's perspective, we want to monitor what steps IM is taking to give members the relevant information and tools to enable them to better decisions about their own pension savings.

Part of this process is through encouraging more members to register for and use the online portal, where they can:

- Access important documents related to their plan.
- View plan value and performance.
- Switch between investment options.
- Manage where regular contributions are invested.
- Transfer plans from other pension providers and track the progress of the transfer(s).
- Apply for benefits (over 55's only)
- Update and manage personal details including name (proof by marriage certificate or deed poll required), address, email address and telephone number.

At the time of preparing this report, IM reported that around 25% of QWPS members had registered to access the online portal. IM has been sending regular e-mail reminders to members who have not yet registered and will step up these efforts as part of its recent pledge to go 'paperless'.

In 2021, the GAA helped design an online member survey to gather more information about different profiles of QWPS members and their engagement levels. We will analyse the results of this and include any relevant analysis in our next report.

Low engagement of savers with their workplace pension plans remains an industry-wide concern. We believe moving members to the online client portal will be an important way to get members more actively interested in their pension savings and help them make informed decisions that could lead to better outcomes. The GAA recognises that measuring engagement is challenging, and we will continue to work with IM to find ways to set reasonable standards or targets to benchmark against.

6. Financial Strength & Cyber Security

Why is this important?	VfM rating
The security of pension savings and personal data is vitally important for all QWPS members.	
What we are looking for	
• Are IM and any third-party discretionary fund manager it uses financially secure?	
• Do QWPS members have adequate protection from data theft/fraud/scams?	
• Are IT/cyber security policies appropriate and regularly updated to protect against the latest threats?	
• Are core operational procedures safeguarded and secure even in adverse scenarios?	

Our overall conclusion

We remain satisfied that QWPS member savings and private data are secure with IM. The company continues to invest in IT security systems and added increased protection for potentially vulnerable members during the Covid-19 pandemic. We also have no current concerns about IM’s financial strength, with robust systems and controls in place to safeguard client money.

GAA priorities for 2021/2022

- Complete a review of the cyber security/financial strength credentials of incoming dedicated fund manager P1 Investment Management and new investment platform Seccl.

Financial Strength

IM was established in 2002 and manages more than £2.5bn in client assets. It is 100% owned by its directors and senior management with no outside shareholders or investors. The company has no debt/loans and is free from private equity investor influence. The company has met the latest capital adequacy requirements – with its Tier 1 capital alone - for SIPP providers since they came into force in 2016.

All client assets are held in a trust by Intelligent Money Trustees Limited, and therefore remain completely ring-fenced from IM itself. Client money is also held in individually segregated bank accounts. Each client’s cash bank holding is reconciled in its own sub account within a ring-fenced client money account.

The dedicated investment manager (DFM) for all of IM’s QWPS portfolios (until mid-2020) has been Quilter Cheviot (QC), one of the UK’s largest investment management firms with over £25.4bn in AuM as at end-March 2021. The GAA will review the financial strength and cyber security profile of IM’s incoming DFM, P1 Investment Management, and its new in-house investment platform powered by Seccl, in next year’s report.

The GAA has no material concerns with IM’s current financial strength and supports the current policies in place to safeguard member savings.

Cyber Security & Data Protection

IM has provided the GAA with details of its IT security systems and policies, including data protection and controls against cyberattacks. The company has its own in-house team of software developers to keep its IT systems updated and secure. IM also shared its latest Due Diligence pack and Crisis Management Plan, which together outline the security and controls in place to protect against evolving cyber threats, as well as protocols in case the company is affected by a major incident (e.g. a ‘Disaster Recovery Plan’).

IM assures that its data protection policies are compliant with GDPR and the UK data protection legislation. IM CEO Julian Penniston-Hill is responsible for assessing the risks the firm faces and advising the governing body of them. External auditors are used to ensure that the systems and controls in place are appropriate, effective, and compliant with regulations.

IM has also provided information about how members are protected against pension fraud/scams. As an intermediary proposition, all requests for benefits by members are made via a regulated financial adviser, which will undertake anti-money laundering checks as required by UK/EU regulations. IM is upgrading the security on members’ online access with the implementation of 2-factor-authentication (2FA) via SMS for all accounts.

We believe IM offers robust cyber security and data protection to its QWPS members.

7. Retirement Pathways

In February 2021, IM launched retirement pathway solutions for new or existing members entering drawdown. This was in line with the FCA's requirement for pension providers to offer non-advised members a range of investment solutions based on what they plan to do with their pension savings in the coming five years. The goal is to help members choose an investment option that best suits their financial needs and objectives.

The table below shows the four pathway solutions that IM now offers its members. Note that these are the default suggestions based on which drawdown option is chosen – members can review this selection and choose an alternative investment option or leave their investments as they are (if applicable).

Drawdown Options	IM Pathway Solution	Level Of Risk
I have no plans to touch my money in the next 5 years	IM Optimum Global Growth & Income	Medium-High
I plan to use my money to set up a guaranteed income (annuity) within the next 5 years	IM Optimum Growth for Withdrawal Strategy	Medium-Low to Low (decreasing over time)
I plan to start taking my money as a long-term income within the next 5 years	IM Optimum Growth for Income Strategy	Medium To Medium-Low (decreasing over time)
I plan to take out all my money within the next 5 years	IM Optimum Defensive	Low

During the reporting period, the GAA worked with IM on the design of the pathway solutions and how they would be communicated to members. IM also shared examples of how these solutions would be presented to members using the online client portal.

The GAA is expected to conduct a full value for money assessment of IM's pathway solutions. However, as they were only launched in February 2021 and accessed by very few members as this report was being prepared, we were unable to complete a meaningful assessment. At this stage, we believe IM is meeting FCA requirements for offering suitable retirement pathway solutions. We will include a comprehensive review of the first 'live' year of the pathway solutions in our next report, including how performance and fees compare to other providers.

8. ESG Policy

This year, the GAA also has a duty to review IM's policies on environmental, social and governance (ESG) issues, non-financial concerns and stewardship relating to its QWPS investments.

The GAA has been urging IM to consider the introduction of ESG considerations into its core investment objectives for several years, with limited success. Our belief has always been that ESG factors are important in workplace pension plans amid growing public interest in responsible investment and a new regulatory focus on protecting investments from ESG-related risks such as climate change.

We have previously expressed our disappointment in a lack of progress on this front, and in our view there remains much to be done. However, we are pleased to report that IM has recently launched a new ESG-focused portfolio 'IM Optimum Sustainable' that will be available to all QWPS members in 2021. IM has also shared a new policy document outlining the need to embed ESG values within "all company policies in relation to human resources, client management and the business model as a whole." This is an important first step, but we will now expect IM to provide more details about how it aims to achieve this integration of ESG values and monitor progress on this front.

A key area of focus for the GAA will be to assess what steps IM is taking to integrate ESG considerations into all of its QWPS investment options, including the default strategy. IM has acknowledged GAA recommendations but noted historic difficulties in incorporating suitable ESG solutions into its low-cost, passive investment strategy. While we accept this has been challenge in the past, we believe the rapidly expanding universe of ESG products is lowering the barrier to inclusion. As such, we would like to see IM develop a plan to integrate responsible investing principles across its entire investment range over time.

To support this evolving process, the GAA helped design a survey that should provide some insight into how important members view ESG factors when it comes to their pension investments. We intend to outline and assess our findings in our next annual report. We will also consult with P1 Investment Management, which will take over the discretionary mandate for IM's default portfolios in September 2021, about its own ESG and stewardship policies where relevant.

Appendix A: What is the GAA?

GAA Credentials & Independence

The GAA Independent Committee is chaired by Peter Shelton and comprises a team of experienced financial services professionals at Asset Intelligence Research, an independent consultancy that provides investment research and portfolio management solutions to financial advice firms across the UK. All GAA members act entirely independent of IM and can draw on broad expertise and experience to support the interests of QWPS members. Where appropriate, the GAA also seeks input from relevant external specialists.

GAA Terms of Reference

The GAA's terms of reference (since April 2020) include the following core duties:

- to act solely in the interests of QWPS members and pathway investors;
- to assess the value for money (VfM) received by QWPS members and pathway investors on an ongoing basis. This involves weighing up the quality of the scheme/pathway solutions and the benefits and services it provides against the costs to scheme members/pathway investors (see below);
- to review IM's policies (if any) in relation to Environment, Social and Governance (ESG) factors, non-financial concerns, and stewardship;
- to raise concerns with IM where the GAA is not satisfied with value for money and escalate these concerns as appropriate if they are not addressed;
- to produce an annual report detailing the GAA's activities and findings.

The requirement to evaluate VfM includes as a minimum an assessment of:

- Whether IM's default investment strategies are designed and executed in members' interests, with a clear statement of aims and objectives;
- Whether IM regularly reviews the characteristics and net performance of all investment strategies to ensure they align with members' interests;
- Whether core scheme financial transactions are processed promptly and accurately;
- The costs and charges borne by IM's QWPS members;
- The direct and indirect costs incurred as a result of managing and investing pension savings, including transaction costs;
- Whether the communications to QWPS members are fit for purpose and properly take into account the relevant members' characteristics, needs and objectives.

Appendix B: IM's QWPS Portfolios

IM's Default QWPS

This portfolio targets returns of CPI plus 4% over the long term to achieve a lump sum for withdrawal or annuity purchase at each member's chosen retirement date. The risk-adjusted portfolio reduces volatility as retirement approaches by cutting exposure to equities in favour of gilts and cash. The default portfolio uses passive underlying investments and limits tactical asset allocations to keep costs low.

If you are a member of IM's Default TDP, most of your savings (80%+) will be invested in equities until 12 years before your target retirement date. After this you will see a gradual shift towards low-risk assets like cash or bonds until they represent around 80% of the portfolio at the time of retirement. The 'glide path', determined by IM, seeks to maintain an optimal risk/reward balance throughout the journey to retirement.

IM Optimum QWPS Options

IM Optimum Growth for Withdrawal Strategy: This portfolio manages risk, asset allocation and underlying investments to provide growth in excess of global markets and achieve a lump sum for withdrawal at each client's chosen retirement dates. Risk is automatically managed down as members approach retirement, but unlike the default option investment managers may make tactical changes to asset allocation to respond to changing market conditions.

IM Optimum Growth for Income Strategy: This portfolio operates in a similar way to the IM Optimum Growth for Withdrawal Strategy, but instead of bringing risk down to a very defensive level as the target date approaches it is instead managed into a balanced investment portfolio designed to provide the optimum level of return in retirement. This is ideal for people wanting risk-appropriate growth during the accumulation phase and a balanced portfolio to draw down after retirement.

Defined-Risk Optimum Portfolios: These are five core investment strategies and asset allocations used along different stages of the TDP glide paths. They range from the most adventurous 'global growth' strategy (mainly global equities) for members seeking higher returns to the most defensive option (mainly bonds and cash) designed for those seeking to reduce risk in the final years before retirement. At inception, the long-term strategic asset allocations of these five portfolios were based on the WMA/PIMFA framework and managed on this basis by QC until June 2020, when the discretionary mandate was passed to P1 Investment Management. In 2021, IM will add an ESG-focused 'IM Optimum Sustainable' portfolio to this defined-risk range.

Appendix C: Our Value for Money Framework

Investment Design & Performance (40% weighting in VfM rating)

- The default investment strategy should be designed to deliver good outcomes for members that don’t make active decisions about their pension savings.
- Default portfolios performance should be reviewed regularly and action taken if needed.
- The strategic objective and risk management of the default scheme should be clearly defined and communicated to QWPS members.
- Members should have access to alternative, self-select funds that suit a range of risk-reward profiles and financial objectives.
- Environmental, Social and, Governance (ESG) considerations should be integrated into QWPS investment strategies where this is not detrimental to portfolio net returns.
- Investment pathways should provide non-advised members with good value for money outcomes during drawdown.

Costs & Charges (40% weighting)

- The charges borne by members should be fair relative to the services and benefits provided.
- Charges should be reasonable compared to other similar pension providers.
- Transaction costs should be clearly reported and remain in line with wider market trends.
- Members should be clear about the charges they face and the impact these may have on their retirement outcome.

Client Service & Communications (15% weighting)

- The administration of QWPS core financial transactions should be prompt and accurate.
- Members should receive adequate support, particularly those in a vulnerable position.
- Communications should be ‘fit for purpose’, meaning they are clear, informative and easily accessible to all members.
- Communications should take into account the characteristics, needs and objectives of members with different profiles and/or at different stages of the retirement journey.
- Reasonable efforts should be made to encourage members to engage with their pension plan, particularly ahead of important decisions (e.g. when approaching retirement).

Financial Strength & Cyber Security (5% weighting)

- Member savings should be financially secure and private data well protected.
- IT systems should have robust tools for defending against fraud and other cyber threats.

Appendix D: Disclosure of Costs & Charges

Ongoing Costs & Charges Breakdown

Updated FCA rules state that we must publish a more detailed breakdown of the costs and charges applied to QWPS members. For this year, we are required to provide data for IM's default schemes, and this requirement will expand to cover all QWPS investment options next year.

IM charges a headline 0.5% AMC for all its default portfolios, which includes the fees of its dedicated investment manager in 2020, Quilter Cheviot (QC), and the ongoing charges associated with the underlying funds in each portfolio. Transaction costs are not charged directly but impact on the portfolio's net returns.

The table below shows the breakdown of these charges, including the additional impact of the transaction costs, for each of IM's Default Portfolios in 2020.

	IM Annual Management Charge (%)			Transaction costs (%)	Total costs & charges (%)
	QC management fee	Underlying fund charges	Max. annual charge*		
IM Default 2020/2022	0.24%	0.12%	0.50%	0.000%	0.500%
IM Default 2023/2025	0.23%	0.11%	0.50%	0.004%	0.504%
IM Default 2026/2028	0.23%	0.12%	0.50%	0.011%	0.511%
IM Default 2029/2031	0.23%	0.12%	0.50%	0.012%	0.512%
IM Default 2032/2034	0.23%	0.13%	0.50%	0.013%	0.513%
IM Default 2035/2037	0.22%	0.13%	0.50%	0.015%	0.515%
IM Default 2038/2040	0.22%	0.13%	0.50%	0.015%	0.515%
IM Default 2041/2043	0.23%	0.13%	0.50%	0.014%	0.514%
IM Default 2044/2046	0.22%	0.13%	0.50%	0.016%	0.516%
IM Default 2047/2049	0.22%	0.13%	0.50%	0.015%	0.515%
IM Default 2050/2052	0.22%	0.13%	0.50%	0.015%	0.515%
IM Default 2053/2055	0.22%	0.13%	0.50%	0.014%	0.514%
IM Default 2056/2058	0.23%	0.13%	0.50%	0.014%	0.514%
IM Default 2059/2061	0.18%	0.12%	0.50%	0.039%	0.539%
IM Default 2062/2064	0.18%	0.11%	0.50%	0.045%	0.545%
IM Default Average	**0.22%**	**0.12%**	**0.50%**	**0.016%**	**0.516%**

*Source: IM, QC. *IM adjusts its own management fees to ensure no member pays more than the maximum annual charge. Note: this table shows ongoing charges only and does not include the one-off charge of 1.8% on all contributions. Charges shown as % of portfolio value.*

Effects of costs & charges on average member pension savings

As per FCA requirements, we have included illustrations of how IM's costs and charges may affect the pension pot of a QWPS member invested in IM's default portfolios. This is intended to demonstrate the effects of fees on pension savings over time and does not reflect the individual circumstances of each member's plan. Members should refer to their annual statements for detail of their own plan or contact IM for further information.

How do we make the calculations?

The gross value of the pension pot shows how savings would grow over time if there were no costs or charges associated with managing the pension plan. It includes the sum of ongoing contributions plus compound investment returns, accounting for effects of inflation.

To calculate the net value after costs and charges we:

- Deduct the 1.8% initial charge on all monthly contributions.
- Deduct transaction costs from the projected investment returns.
- Deduct the 0.5% annual management charge (AMC) from these adjusted returns.

Example 1 – 26-year-old member (40 years from retirement) with a starting pot of £0 and monthly contributions of £100

Years saving into pension plan	Pension plan gross value before all costs & charges	Pension plan net value after all costs & charges
1	£1,202	£1,170
3	£3,692	£3,580
5	£6,302	£6,124
10	£13,390	£12,834
15	£21,363	£20,227
20	£30,331	£28,375
25	£40,417	£37,354
30	£51,762	£47,250
35	£64,522	£58,154
40	£78,875	£70,171

Notes on the illustration:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to remain constant at 2.5% a year.
3. We assume monthly contributions rise by 2.5% each year in line with assumed inflation.
4. Investment growth is assumed to be 5.0% per year (2.4% when accounting for the effects of inflation).
5. **All values shown are estimates and not guaranteed. The real values experienced by members may be higher or lower than these projections.**

Example 2 – 55-year-old member (10 years from retirement) with a starting pot of £20,000 and monthly contributions of £300

Years saving into pension plan	Pension plan gross value before all costs & charges	Pension plan net value after all costs & charges
1	£23,664	£23,596
2	£27,345	£26,956
3	£31,044	£30,434
4	£34,761	£33,912
5	£38,495	£37,390
6	£42,247	£40,868
7	£46,017	£44,346
8	£49,805	£47,824
9	£53,611	£51,302
10	£57,435	£54,780

Notes on the illustration:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to remain constant at 2.5% a year.
3. We assume monthly contributions rise by 2.5% each year in line with assumed inflation.
4. Investment growth is assumed to be 3.0% per year (0.5% when accounting for the effects of inflation). This is intended to reflect IM's default strategy of moving investments into more defensive (lower risk) portfolios as members approach retirement.
5. **All values shown are estimates and not guaranteed. The real values experienced by members may be higher or lower than these projections.**