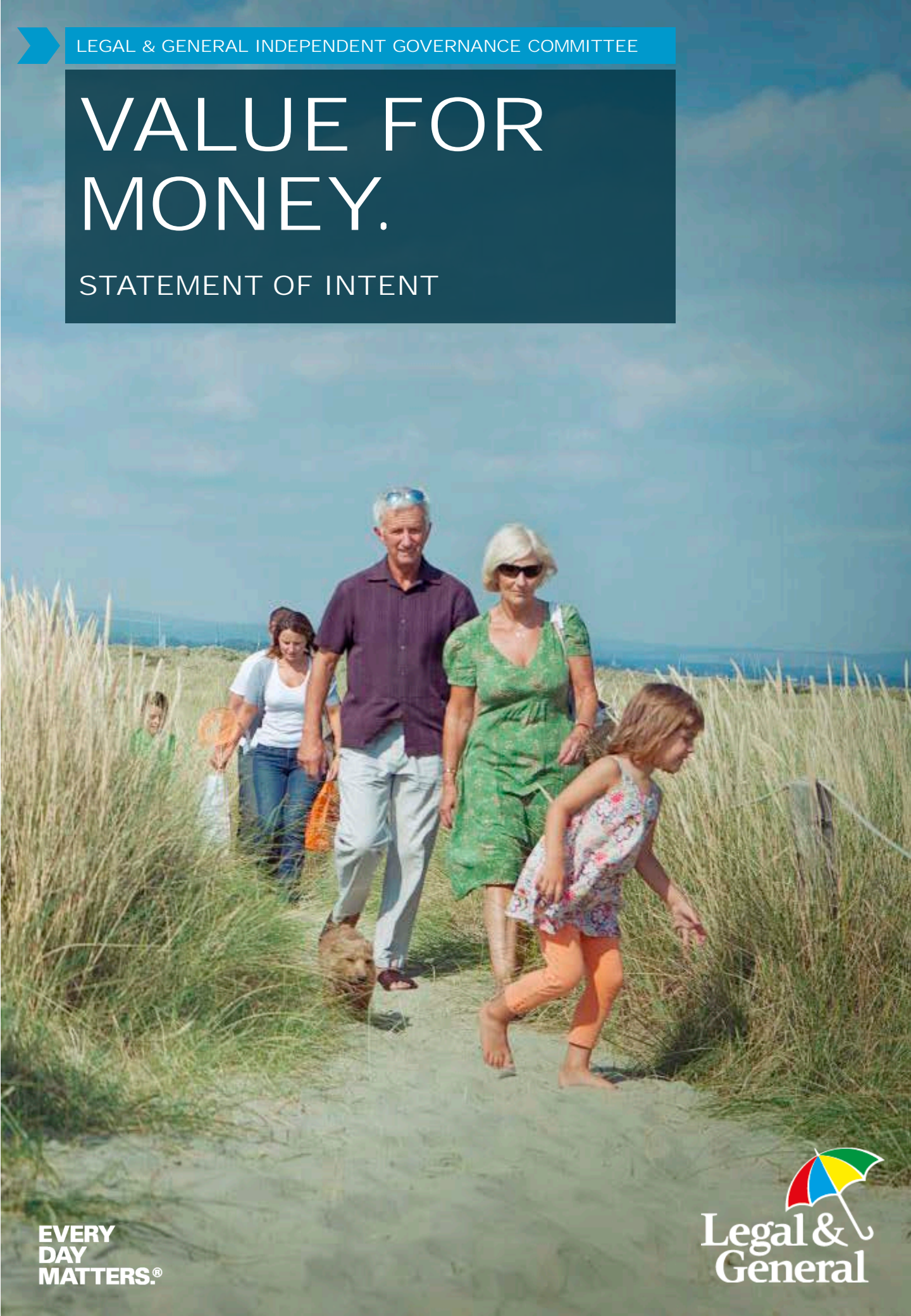


# VALUE FOR MONEY.

STATEMENT OF INTENT



EVERY  
DAY  
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General

# INTRODUCTION.

Independent Governance Committees (IGCs) were introduced to improve the governance of workplace personal pension schemes. From April 2015 providers that operate workplace pension schemes are required to establish and maintain an IGC that must operate independently of the provider.

IGCs have a duty to act in the interests of scheme members in assessing the value for money of their pension schemes.

This document acts as a statement of intent on how the IGC will assess whether Legal & General is delivering value for money to scheme members and is a summary of the approach the IGC will take.

An annual report of the IGC's findings will be made publically available from April 2016.

## PRICE.

Members invested in auto enrolment qualifying default funds must have total charges – Annual Management Charges (AMC) + Fund Management Charges (FMC), but excluding transaction costs – below 0.75%. Other non-qualifying default funds that have total charges above 1.0% for members not selecting their own investments should be reviewed and potentially re-priced in line with the approach being taken on the OFT audit into legacy workplace pensions.

The pricing structure must be clear, ideally an AMC and FMC which members can add together to see the total cost. Any alternative charging structure must be clearly explained to members to enable them to understand the amount they are paying. The IGC understands that this is a more complex issue for With Profit fund holders but nevertheless maintains an ambition to work with the business to provide clarity on With Profit fund costs.

Non-transitional transaction costs should be at an appropriate level commensurate with the objectives of the fund, its performance, market conditions and associated trading activity. The IGC's objective is to ensure such costs are minimised and we will make a determination and request an explanation from LGIM, or the fund manager, if we feel the level of transaction costs is unjustified.

Charges for drawdown and for uncrystallised funds pension lump sum (UFPLS) should be assessed with regard to market average rates including minimum values at which options are made available. Where charges are set at levels which are materially above those rates, the IGC will assess whether the level of service being provided for those charges is justified, or request that the charges are reduced.

## DEFAULT INVESTMENT STRATEGIES.

We will write to each employer seeking affirmation that they have a process in place for reviewing default investment strategies, at least on a triennial basis. The IGC will seek assurance that default investment strategies, including those specified by employers and their advisers, are designed and executed in members' interests and have clear statements of aims and objectives. Any employer who fails to respond will be notified to Legal & General for them to pursue.

For non-advised clients we will also review the Legal & General designed default, to ensure that this is appropriate for members.

## RETURNS.

Each year the IGC will review the process adopted by the business to assess whether the characteristics and net performance of investment strategies are in accordance with member interests.

All active funds should have a target return which shows a positive benefit for the risk the member is taking. Passive funds will be expected to show benchmark returns within a stated tracking error target.

Actual returns over rolling 5 year periods should show performance (net of charges) in line with benchmarks for passive funds and the positive relationship between risk and return outlined above for active funds. The IGC will review the review process carried out by the business to show that funds have met these targets and the process to be followed if such targets are not met.

## FLEXIBILITY.

Members should be able to access all opportunities ordinarily made available by competitors of Legal & General for taking their pension benefits without having to transfer to other products and incur transaction charges. Where this is not possible, and also if a member requests a transfer for any other reason, no specific transactional charges for processing the transfer (over and above any charges that would be applied for accessing any in-scheme options) should apply, and a process should be in place to ensure any period of time where the funds are out of market is minimised.

Set up charges for drawdown arrangements offered within the schemes that fall within the IGC's remit should be assessed with regard to market average rates. Where the charges materially exceed those rates, the IGC will assess whether the service being provided justifies those charges.

## ADMINISTRATION.

Service standards should be set for all major service elements and these should be published on the IGC website. Those service elements are defined on the Service Schedule.

Performance against these service standards should also be published every 6 months in the same way. Service standards should be met in 95% of cases. If there is a failure to meet the standards the IGC will escalate the issue within the business, up to Board level if required.

Members should be able to access information, as appropriate, and make changes to their pension arrangements via a number of methods, including digital means, whenever viable and technologically practicable. Legal & General's current digital proposition should be reviewed continually for enhancements.

## COMMUNICATION.

Members should have access to information about their pension arrangements and the choices they have in a manner they can understand, and through a variety of media.

We will look for core communications to be tested through member focus groups.

Policyholders will receive communications at certain life stages designed to prompt them to review their choices. These will be set out in the service standards published on the website.

## TESTING.

Each year from 2016 we will carry out a survey, run by an independent body, to assess whether policyholders believe they are receiving services which they deem to be value for money and to highlight areas for potential improvement. Where possible, we will also utilise the results from any prior surveys conducted by Legal & General.

We will continue to liaise with employers to seek their views on value for money for their employees and service issues.

A member forum will be held each year to allow members to find out more about their pension arrangements and to ask questions of the IGC.

Member feedback will also be encouraged via digital means.





**For WPP schemes:**

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