

AJ BELL MANAGEMENT LIMITED
GOVERNANCE ADVISORY ARRANGEMENT ('GAA')

Statement for the period ending 5th April 2017

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

Executive summary

The GAA has assessed the ongoing value for money for relevant policyholders delivered by relevant schemes, in accordance with the Personal Pension Schemes (Independent Governance Committees) Instrument 2015.

The GAA has not raised any concerns with the Provider in relation to the value for money for members of those schemes using default funds.

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.

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

1. INTRODUCTION

The GAA was established on 8th May 2015 by AJ Bell Management Limited ("**the Provider**") in partnership with PS Independent Trustees Limited ("**PSIT**"), a firm of professional trustees with experience of workplace pension schemes and the governance of defined contribution (DC) pension schemes.

AJ Bell is one of the UK's largest providers of online investment platforms and stockbroker services. As at 31 March 2017, AJ Bell has 152,441 customers and assets under administration of £36.3 billion and employs 618 staff. The Provider is authorised and regulated by the Financial Conduct Authority (FCA).

At the date of this Statement, there are a small number of schemes using default funds. AJ Bell does not design or choose the default strategies. The default strategies have been determined by the employer and their authorised financial adviser. The GAA and AJ Bell have an objective to monitor the default funds to ensure they are appropriate and provide 'value for money'.

Those individuals investing via the AJ Bell Youinvest platform make their own conscious decisions to invest in particular funds, or other investments, available through the platform and the GAA has taken this into account.

At the time of signing this Statement, there are only two qualifying schemes being used by the employer(s) for Auto Enrolment purposes.

1.1 Committee

The GAA is constituted with 5 individual members forming the GAA committee. To ensure independence of the GAA from the Provider, the majority of the GAA members are provided by PSIT and the remaining members provided by AJ Bell Management Limited.

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

As a minimum, the GAA has a duty to:

- act solely in the interests of members of workplace pensions operated by the Provider ('**members**');
- operate independently from the Provider, in accordance with the GAA's Terms of Reference;
- assess and, where necessary, challenge the Provider on whether the workplace pension schemes provide value for money for members.

The GAA must provide yearly reports to members on how the workplace pension schemes have performed.

1.2 Further information

A copy of the GAA Board's Terms of Reference is available on written request from:

Chair of the AJ Bell Management Ltd GAA
c/o PS Independent Trustees Ltd
Albion
Fishponds Road
Wokingham
Berkshire
RG41 2QE

2. SUMMARY

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

- that, where required, the default investment strategies are designed and executed in the interests of members with default investment fund(s), and
that the Provider:
- regularly reviews the characteristics and net performance of the default investment funds recommended by the advisers to the schemes, to ensure these align with the interests of members, and
- is taking, or has taken, action to make changes that the Provider or GAA considers necessary;
- ensures that the core scheme financial transactions are processed promptly and accurately;
- considers the levels of charges borne by members; and
- 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. DEFAULT ARRANGEMENTS

The Provider offers workplace pension schemes through two of its investment platforms. These are:

- **AJ Bell 'Investcentre'** – only available via an FCA authorised financial adviser;
- **AJ Bell 'Youinvest'** – direct to the consumer.

Where there is an adviser in place, the responsibility for establishing the default arrangement(s) and the on-going monitoring of the appropriateness of the default arrangement(s) is between the adviser and the employer sponsoring the workplace pension scheme(s).

The Provider undertakes periodic reviews annually of the default investment funds to ensure that they are appropriate to the schemes and members. This involves a reasonableness check to ensure there are no unusual funds e.g. offshore funds, and to assess whether the charges appear reasonable. If any issues are identified, these are brought to the attention of the appointed adviser(s).

Where a change of default investment strategy or change of default investment fund is made, the Provider undertakes a review of this to ensure there are no unusual funds, high charges or other issues.

The Provider would be made aware by the fund manager of any changes to the aims, objectives or constitution of the default investment fund(s). The Provider would review these changes accordingly and bring them to the attention of the adviser(s) as appropriate

The Provider has reviewed the default investment strategies offered and the investment performance of these in the period covered by this report. The GAA is satisfied that there are no areas of concern in relation to the default arrangement(s).

4. DUE DILIGENCE ON INVESTMENTS

For a fund to be purchased via the AJ Bell *Investcentre* "Funds and Share Service" or via the AJ Bell 'Youinvest' platform, it must fall within one of the Provider's permitted investment categories. These are broadly in line with the FCA's "standard assets" set out in the SIPP capital adequacy rules.

AJ Bell has procedures in place to review investment funds on a case by case basis following a request to hold a particular investment not currently held on its investment platforms, to ensure that they meet the Provider's requirements. For example, for collective investment funds, the Provider would check that the fund is one that is authorised or recognised by the FCA and is available to retail investors.

The Provider holds a central log of the investments reviewed, along with relevant details about each fund. This log can be accessed by all relevant members of the Provider's staff.

Once an investment is permitted, the Provider's Trade Support Department then carries out additional detailed checks to establish whether each particular investment fund can be held via the Provider's trading platform. This will include checking that the investment fund can be held within a pooled nominee account, dealing frequencies, settlement periods etc to establish whether the investment is something that the Provider can realistically administer on an ongoing basis.

Once all of these checks have been carried out and the investment fund has been "approved", it will then be added to the relevant AJ Bell platform.

The Corporate Actions department of the Provider monitors communications and updates for the investment funds held through the AJ Bell platform and makes relevant details available via the dealing site to affected customers. Information such as alerts and updates are issued to members and to advisers via secure messaging.

A number of the workplace pensions also use an 'Investment Partner', rather than investing through AJ Bell's Funds and Shares dealing service. All Investment Partners are appropriately authorised by the FCA. The GAA has reviewed a copy of the due diligence questionnaire sent out by the Provider before accepting an Investment Partner, a copy of the monitoring questionnaire issued by the Provider and a copy of the Agreement that an Investment Partner signs up to. The GAA is satisfied with these documents.

5. INVESTMENT STRATEGIES

A review of the other ('non-default') investment strategies has not been undertaken by the Provider. These self-select funds and other investments are chosen by members with or without advice from a financial adviser, and are outside the scope of this review.

Members will have access to the range of investments available on the AJ Bell *Investcentre* or *Youinvest* platforms. They will then select the investments they wish to invest in based on the recommendation of their adviser (if they have one) and taking into account any default investment strategy put in place by their employer. Advisers using the AJ Bell *Investcentre* platform must be authorised and regulated by the FCA.

The GAA is satisfied that there are no areas of concern that have been identified or that have been brought to its attention in relation to the investment strategies of the self-select funds.

6. CORE FINANCIAL TRANSACTIONS

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

- 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; and
- 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.

The GAA has been advised of the following by the Provider:

- Where regular contributions are made, the investment of the contributions is made once cleared funds are available in the SIPP cash account(s). The SLA for the investment of the contributions is one working day from receipt of cleared funds, providing all required information is available.
- The Provider undertakes a sweep of the cash account(s) once per month to ensure there are no uninvested contributions.
- For transfer payments paid out to other pension arrangements, the Provider undertakes appropriate checks to try to ensure the receiving scheme is not a pension 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 authenticity of the receiving scheme. The Provider monitors the SLAs in relation to transfer payments but notes that some aspects of the process are out of its control.
- For 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 also undertakes reviews where there are increases or decreases to 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 are processed in accordance with the contractual terms, ensuring no member suffers a loss because of any delay.

The GAA is satisfied that during the period under review and based on the confirmations and other information made available to it by the Provider, there are no areas of concern in relation to the processing of the core financial transactions.

7. CHARGES AND TRANSACTION COSTS

- 7.1** Where the Provider has agreed that an arrangement can be used by an employer to meet its 'Auto Enrolment duties', the charges on the default investment funds are within the range permitted by legislation.

There are two workplace pension schemes that are currently used by the employers for Auto Enrolment (AE) purposes.

The default funds used by the schemes for AE purposes are the **Legal & General Multi-Index 4 Fund I Acc** (ISIN GB00B88Y0217) and the **Vanguard Life Strategy 60% Equity Fund A Acc** (ISIN GB00B3TYHH97). The characteristics of these default funds are set below.

- 7.2 Legal & General Multi-Index 4 Fund I Acc.** As at 31 March 2017, there are 125 members invested in this default fund; the total amount invested in the Fund is £3,333,529.553. The investment objective of the Fund is to provide a combination of growth and income and to keep the fund within a pre-determined risk profile. The fund was launched by Legal & General on 21 August 2013 and is part of a range of risk profiled funds. The risk profile ranges from 1-10 with 1 being the least risky, and 10 being the most. This fund has a risk profile of 4.

The **on-going charge** for the Legal & General Multi Index 4 Fund is 0.31% (*figures from www.morningstar.co.uk*). The initial charge is 0.00% and there are no performance fees or exit charges. The GAA is satisfied that the on-going fund charge, together with the Provider's ongoing administration charges, are within the Charge Cap regulations applying to the default funds of Auto Enrolment schemes.

The Fund's performance net of expenses as at 31 March 2017(1) is set out below:

Annual Fund performance

	1 year	3 years	5 years
Fund	12.38%	26.20%	-

Annual Fund performance to last quarter

12 months to:	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2016
Fund	-	-	12.39%	-0.09%	12.38%

Note: (1) Figures from Morningstar (www.Morningstar.co.uk)

- 7.3 Vanguard Life Strategy 60% Equity Fund A Acc.** As at 31 March 2017, there are 35 members invested in this default fund; the total amount invested in the Fund is £1,258,086.13. The investment objective of the Fund is to achieve income and/or capital returns through exposure to a diversified portfolio comprised of 60% by value of equity securities and 40% by value of fixed income securities. The fund seeks to achieve its investment objective predominantly through investment in passive, index-tracking collective investment schemes

The **on-going charge** for the Vanguard Life Strategy 60% Equity Fund A Acc is 0.22% (*figures from www.morningstar.co.uk*). The initial charge is 0.00% and there are no performance fees or exit charges. The GAA is satisfied that the on-going fund charge, together with the Provider's ongoing administration charges, are within the Charge Cap regulations applying to the default funds of Auto Enrolment schemes.

The performance summary of the Fund (net of expenses) as at 31 March 2017(1) is set out below:

	March 2012-2013	March 2013-2014	March 2014-2015	March 2015-2016	March 2016-2017
Fund(2)	13.30%	3.57%	13.77%	0.11%	18.97%

Notes: (1) Figures from Morningstar (www.Morningstar.co.uk)

(2) Accumulation shares

The Fund's performance as at 31 March 2017(1) is shown below:

Period	Net of expenses	Gross of expenses
1 month	0.50%	0.52%
3 months	3.40%	3.46%
Year to date	3.40%	3.46%
1 Year	18.97%	19.25%
3 Years	10.66%	10.93%
5 Years	9.72%	10.02%
Since inception	9.52%	9.83%

Note: (1) Figures from Morningstar (www.Morningstar.co.uk)

- 7.4** At this time, the GAA is satisfied that there are no areas of concern in relation to the default funds used by the schemes for AE purposes.

- 7.5** The Provider's charges and transaction costs that apply to its workplace pension schemes are either on the Provider's standard fee basis or are on a bespoke charging basis agreed between the employer, their adviser and the Provider. The Auto Enrolment schemes are the only schemes with a charging structure significantly different to the Provider's standard fee basis, with the Provider's

ongoing administration charge being expressed as a percentage of the fund value. This is set at 0.35%.

- 7.6** The charges applicable to non-default investment funds will be the standard charges applied by the relevant investment manager.
- 7.7** Please refer to **Appendix 1** for details of the Provider's fee basis. Up to date information on the Provider's fee basis is also available on the Provider's website at: www.ajbell.co.uk
- 7.8** The GAA considers there is a range of criteria that can potentially be used to assess the 'value for money' delivered by the Provider's schemes. These include:
- Charges and costs
 - Investment options and returns
 - Administration
 - Communications
 - Default strategies
 - Product suitability
 - Customer feedback
 - Flexibility and access

Of the above criteria, the Provider considers that charges and costs represent a reasonable and proportionate measure of assessing value for money. Accordingly, the GAA has assessed the extent to which the charges and transaction costs of the Relevant Schemes represent good value for money and concluded that based on the information made available by the Provider and from published sources such as www.morningstar.co.uk the charges and transaction costs represent good value for money.

In addition to assessing the costs and charges, the GAA has also considered, as far as practicable, the quality of the "services" and "benefits" provided to relevant members of relevant schemes by the Provider. The assessment includes:

- Investment options: where the relevant member makes a choice, there is a wider range of funds on the platforms to choose from.
- Administration: the GAA is satisfied with the core financial transactions being processed promptly and accurately.
- Communications: for *InvestCentre* members, communications are adviser-led and can be part of an employer's overall employee benefit strategy. For *YouInvest* members, there is a wide range of literature on the Provider's website for members to access.
- Disclosure: members receive annual Statutory Money Purchase Illustrations (SMPIs) and annual Benefit Statements in accordance with statutory requirements.
- Member feedback: the Provider has sought feedback from relevant members by way of a questionnaire issued to members seeking their views on the value for money they are receiving. Any feedback is considered by the Product Management Team and relevant action is taken as appropriate.
- Website access: this is available to all relevant members. Members can login to undertake certain administrative functions and request information, make investment switches etc.

8. GAA CONCERNS

In the year under review:

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

- 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.

9. 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, PS Independent Trustees Limited ('PSIT'), to ensure the independence of the GAA from the Provider.
- Three individuals from PSIT have been appointed to the GAA.
- PSIT is experienced in relation to trust based defined contribution (DC) pensions schemes. These trust skills are appropriate for the provision of a GAA to the Provider's workplace pension schemes.
- PSIT has wide experience of pension scheme governance and working on committees.
- The three individuals from PSIT also act for a GAA to the workplace pension schemes of another FCA regulated firm.
- As part of a wider benefit consulting group, PSIT has access to technical resources and expertise relevant to the GAA.
- Two individuals from AJ Bell Management Ltd, an FCA regulated firm, have also been appointed to the GAA. This ensures good communication with the Provider and the free-flow of information.
- AJ Bell Management Ltd has a 20+ year history of dealing with corporate trust-based and contract-based pensions and directly employs a number of pensions specialists.
- The two individuals who are on the GAA committee are both senior employees within AJ Bell Management Ltd with over 20 years experience of risk, compliance and customer servicing. Collectively, they have more than 20 years' experience of group pension schemes.
- The majority of the GAA members are therefore independent of the Provider.
- Both PSIT and the Provider understand the FCA's requirements in relation to the GAA.
- Each independent member meets the requirements of COBS 19.5.12 G.

10. MEMBER REPRESENTATION

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

- Feedback from members will be promoted by the Provider.
- Depending on the level of response, a targeted mailing can be undertaken in future years to the bigger schemes e.g. the Auto Enrolment scheme.
- The Provider will seek the support of the scheme employer(s) to encourage additional feedback from members.
- Information on the GAA is available to all members from the AJ Bell group website and on written request to PS Independent Trustees Limited (see 1.2, above).

Signed by Simon Riviere of PS Independent Trustees Ltd as Chair of the AJ Bell Management Limited GAA

Chair Simon Riviere

Date 24 May 2017

APPENDIX 1: FEES AND CHARGES – AJ BELL YOU INVEST

See attached fees and charges (from AJ Bell website).

[SIPP](#)
[ISA](#)
[Dealing](#)
[Junior ISA](#)

SIPP charges and rates

Set up and administration

	Charge
Setting up your SIPP	No charge
Paying a single or regular contribution	No charge
Transfer in from another registered pension scheme	No charge
Account charge	No charge

Custody charge

	Value	Annual charge
Cash		No charge
Shares (including investment trusts, ETFs, gilts and bonds)		0.25% (maximum £25 per quarter)
Funds (including unit trusts, OEICs and structured products)	First £0 - £250,000	0.25%
	Next £250,000 - £1m	0.10%
	Next £1m - £2m	0.05%
	Value over £2m	No charge

Buying and selling investments (per deal)

	Charge
Funds (including unit trusts and OEICs) online	£1.50
Shares (including investment trusts, ETFs, gilts and bonds) online	£9.95
Shares, where there were 10 or more shares deals in the previous month	£4.95
Regular investments online	£1.50
Dividend reinvestment	1.00% (min £1.50, max £9.95)
Telephone	£29.95
Where we are required to complete a paper application (eg structured products and IPOs where specified)	£100
Foreign exchange charge on international dealing and foreign currency funds	1.00%

Income drawdown and other pension charges

	Charge (VAT is payable in addition)
One-off payment of a tax free lump sum, income payment, uncrystallised funds pension lump sum or small lump sum	£25
Regular income drawdown payments or regular uncrystallised funds pension lump sum payments	£100 pa
Crystallised funds where no income is paid	No charge
Purchase an annuity	£150
Review of capped drawdown (includes triennial/annual reviews and reviews when additional funds are moved into drawdown)	£75
Payment of benefits on death or if your pension is to be split/shared as part of a divorce	Time/cost basis. Minimum charge expected to be £250
Closure of your SIPP through taking flexi-access drawdown payments or uncrystallised funds pension lump sums within 12 months of opening your SIPP	£295

Transfer out and other charges

	Charge (VAT is payable except where stated)
Transfer out to another UK registered pension scheme in cash	£75
Transfer out to another UK registered pension scheme in specie	£25 per holding (no VAT) plus £75
Transfer out to an overseas pension scheme (QROPS)	£250
Payment by CHAPS	£25
Disinvestment, if we need to sell some of your holdings to cover charges	£29.95 per holding (no VAT)
Foreign exchange charge payable when we have to convert any dividends or corporate action payments into sterling	0.50% (no VAT)

Interest rates paid on the cash held in your SIPP account

Cash balance	Gross interest rate for this tier only	Interest rate (AER) for this tier only
Above £50,000	0.05%	0.05%
£50,000 and below	0.00%	0.00%

Notes

All charges will be deducted from your SIPP

These charges and rates are effective from 18 April 2017

Custody charge

- The funds and shares custody charges will be based on the mid-price value of investments in your account on the last working day of each month in the calendar quarter. This will include investments added to your account, but not yet settled at the month end. The charges will normally be collected within 20 business days of the quarter end.
- For new accounts opened during the month the funds and shares custody charges will be applied on a pro-rata basis from the date of account opening to the end of the month. For accounts closed in a month, the custody charges will be applied on a pro rata basis from the beginning of the month to the date we receive your closing instruction.
- There will be no custody charge for the AJ Bell Passive funds until 1 January 2019.

Buying and selling investments

- The shares online dealing charge is determined by the number of shares deals you placed in the previous calendar month across the accounts in your individual name (excluding any regular investment and dividend reinvestment deals). For example, the charge you pay in February will depend on the number of shares deals you made in January. If you make 10 or more online shares deals a month, then the £4.95 charge will apply the following month.
- The investments that you choose may have their own initial and annual charges, in addition to our dealing and custody charges.
- If you are investing in unit trusts and OEICs, we offer discounts on the initial charge made by the fund managers. Any specially negotiated discounts of initial charges on unit trusts and OEICs are passed to you. See our funds universe for details. Information on the annual charge for the unit trust or OEIC may be obtained from our website, or direct from the fund manager.
- Dealing charges apply separately to purchases and sales. The dealing charge for each transaction will be shown on the contract note.
- Dealing charges don't apply for buying the AJ Bell Passive funds.
- Stamp duty of 0.50% applies on all purchases (not sales) of UK quoted shares (1.00% for shares quoted on the Irish Stock Exchange). Stamp duty is payable on certain securities issued by UK incorporated companies where these securities are traded as CREST Depositary Interests. There is no stamp duty on purchases (or sales) of unit trusts, open ended investment companies (OEICs), exchange traded funds (ETFs), warrants and government stock (gilts).

- The PTM (Panel on Takeovers and Mergers) levy of £1.00 is payable on equity trades with a consideration over £10,000 in securities of companies which are incorporated in the UK, Channel Islands or the Isle of Man.
- You will be told in advance if we need to complete a paper application.

International dealing

- Additional government and local stock exchange charges are payable for certain international markets. These are detailed on the charges and rates page on our website and will be added to your contract note.
- A foreign exchange charge of 1.00% will be included in the rate used to convert the value of your deal to sterling. We may share a proportion of this with our service provider.

Drawdown and other pension charges

- The annual charge will be payable when the SIPP is first put into drawdown if you are to receive a regular income or when the regular income or regular uncrystallised funds pension lump sums are set up, and on each subsequent anniversary.
- The closure charge will apply where you have reduced the value of your SIPP to £1,000 or less through taking flexi-access drawdown or uncrystallised funds pension lump sums within 12 months of opening your SIPP. We will be entitled to close your account and pay the remaining funds to you, after deducting our charges.
- Where we make a one-off payment by CHAPS at your request please note that the CHAPS charge will apply in addition to the one-off payment charge.

Interest rates paid on the cash held in your SIPP cash account

- When comparing charges between different SIPP product providers, you should also compare the interest rates payable on your cash, particularly if you intend to hold significant sums of money in cash. The amount of interest paid will depend on the amount you choose to hold in cash and market interest rates.
- The interest rate for each tier only applies to money held in that tier and not to the account balance as a whole. Total interest paid will be a blended rate depending on the money held in each tier. Therefore the interest rates shown should not be used for comparative purposes with other accounts, unless they operate on a similar basis.
- Interest rates are subject to variation and interest is paid to your account quarterly, in arrears. Interest will not be credited or paid if the amount of such interest, at the end of each quarter, is less than £2.50.

- There are no routine bank transaction charges and interest is paid to your account without any deduction of tax.
- The Annual Equivalent Rate (AER) represents the annual rate effectively received by your account if the interest at gross rate applied during a year remained in the account and itself earned interest.
- AJ Bell receives payments from banks based on the aggregate cash balances held across all accounts. The amount we receive will vary depending on the total cash balances held and market interest rates. Over the foreseeable future, we expect to receive between 0.25% below and 0.6% above the prevailing base rate for cash held within a SIPP, although it may be higher or lower when interest rates are volatile. These payments are used to pay interest at the rates shown on our website, and we retain the amount received above these rates to keep our administration, custody and dealing charges low.

Miscellaneous

- You must always ensure that there is sufficient cash held to cover our charges and any SIPP benefits, or other payments, when they are due for payment.
- VAT is only applicable where indicated.