

# Standard Life Independent Governance Committee

## Interim Update – January 2021

The Standard Life Independent Governance Committee (“IGC”) acts solely in the interests of customers who hold a pension plan through any of the workplace pension schemes that are run by Standard Life Assurance Limited (“Standard Life”). If you are unsure of which pension plan you have with Standard Life (and therefore the extent to which this update applies to you), please refer to your plan documentation or phone Standard Life on 0345 266 5833.

Normally at this time of year, the IGC is busy drafting the annual report that tells you what we have done on your behalf and what we think of the value for money that Standard Life is providing for you. However, from this year onwards, there is a change in the IGC reporting timetable. One of the industry’s regulators, the Financial Conduct Authority (“FCA”), has changed some of the rules that apply to IGCs, including the content and time period to be covered by IGC annual reports.

As a consequence, our next full annual report will be available in the summer. However, there are some things we would like to tell you about now and so we have prepared this interim update covering:

1. Customer service during the Covid-19 pandemic
2. Security of members’ funds
3. Some positive benchmarking results
4. The launch of Investment Pathways
5. Changes to the membership of the IGC

### **1. Customer service during the Covid-19 pandemic**

The IGC continues to monitor the impact of the Covid-19 pandemic on pension customers within our scope. The IGC is satisfied that Standard Life continues to maintain an appropriate and quality service. By Q3 2020, servicing performance was returning to a pre-pandemic position. Customer satisfaction scores are positive and in line with pre-pandemic levels.

Standard Life continues to focus on bereavement claims, as sadly these have increased in number as a result of the pandemic. Continuous improvement actions are being taken to reduce the average time taken to make payments.

Standard Life provides broad access to digital servicing. A number of digital enhancements have been delivered during the pandemic to improve the member experience.

Standard Life continues to support customers in vulnerable circumstances through greater flexibility and additional guidance for customer service colleagues. Standard Life has undertaken research with vulnerable

customers and it is now considering what further actions it will take. The results of this work are a key focus for the IGC.

We noted in our update in September that some employers had delayed payment of contributions. We understand this position has now improved to more normal levels.

## **2. Security of members' funds**

In our 2020 report, we commented on the financial strength of the Phoenix Group as at 31 December 2019, based on information that it publishes on its website. This gave us assurance that members' funds remain secure. We are pleased to note that, despite the impact of the Covid-19 pandemic and market volatility, information published by Phoenix Group in December 2020 showed that the position remained strong during 2020.

## **3. Some positive benchmarking results**

We are pleased to be able to share with you some of the results of a comparative study that we commissioned to inform our work on a new obligation that has applied to IGCs since April 2020. We are now required to assess the adequacy and quality of Standard Life's approach to Responsible Investment and, in particular, how it takes Environmental, Social and Governance ("ESG") considerations into account when investing your pension pots. This is one of the areas that we had assessed less favourably in our annual report last year and we were keen to get an external perspective on how far Standard Life has progressed since then.

We commissioned a respected external consultancy to assess Standard Life's performance against what they see elsewhere in the market, particularly amongst other providers that offer contract-based workplace pensions. The assessment was carried out across all of Phoenix Group's investment activity (i.e. including what is done for Phoenix-branded pensions as well as Standard Life-branded), reflecting the combined "one business" management approach that is followed by Phoenix Group.

The consultants' view was that Phoenix Group has made good progress in this area. Their assessment highlighted that governance was a particular area of strength and the commitment demonstrated both by becoming a signatory to the Principles for Responsible Investment and embedding those principles in the firm's policy was positive. The recent launch by Standard Life of the new ESG integrated default fund was also noted as an encouraging development.

There remain areas for improvement and the assessment particularly noted that, although basic engagement with customers on Responsible Investment issues was well developed, this could be deepened to demonstrate clearer outcomes from Phoenix Group's activities. Improved reporting and the greater use of case studies as communication tools were both suggested as actions.

The IGC has been closely monitoring Phoenix Group's progress since we published our criticisms last spring. We feel good progress has been made, and so it is particularly helpful to see this external assessment, which confirms this, and gives comfort that Standard Life are keen to play their part in ensuring that UK pensions savings are invested responsibly.

#### **4. The launch of Investment Pathways**

In July 2019, the FCA set out new rules requiring firms such as Standard Life, which allow customers to enter 'drawdown' without taking advice, to introduce Investment Pathways. Drawdown is a means by which customers can take benefits from their pension pots in a flexible way that suits them (e.g. by taking money out gradually over time to provide an income, taking larger cash sums out over a shorter period, keeping money invested or a combination).

Investment Pathways were introduced by the FCA with the aim of improving the decision-making of non-advised customers as they enter drawdown and to promote competition. Investment Pathways provide four investment options which customers can select depending on their aims over the following 5 years.

The FCA also extended the remit of IGCs to assess the value for money of Investment Pathways. This included a requirement for IGCs to make that assessment before Investment Pathways are offered to customers. Investment Pathways were intended to be introduced from 1 August 2020 but, due to the Covid-19 pandemic, this was deferred until 1 February 2021.

We have had ongoing discussions over the many months during which Standard Life has been developing its Investment Pathways. We believe our discussions have led to greater clarity in the digital journey and other communications, improvements in charges applied and therefore an increase in the value for money customers can expect.

Our overall view is that Standard Life has been concerned, in all its development of an Investment Pathway process and the Pathway Investment Funds, with enabling customers to make the right choice for them and achieve a good outcome from whichever Pathway Investment Fund they enter. We have reviewed the design, planned implementation and clarity of Standard Life's Investment Pathways proposition and consider it to represent reasonable value for money at this time.

We have set out our findings in detail in a separate report that you can find here – <https://library.standardlife.com/invpathwaysigc.pdf>. During the course of 2021, we will continue to monitor the value for money and outcomes achieved.

#### **5. Changes to the membership of the IGC**

During 2020, the Phoenix Group completed its acquisition of ReAssure Limited. ReAssure had its own IGC, but, from February 2021, the

membership of the ReAssure IGC will be aligned with that of the Standard Life IGC.

As part of this process, we welcome a new independent member to the Standard Life IGC, Venetia Trayhurn. Venetia is an experienced pensions professional, with a real passion for increasing member engagement with their pension pots by improving communication to them. Venetia has been a member of the ReAssure IGC for several years and is replacing Mike Christophers, who is retiring. Mike was a member of the Phoenix IGC and joined the Standard Life IGC following Phoenix Group's purchase of Standard Life. He leaves the IGC with our grateful thanks and best wishes for the future.

**In conclusion**

We hope you have found this interim update of interest. More detail on the work of the IGC can be found on our website and in the annual reports available there. If you have any questions or comments on the material there or in this update, please get in touch with us. You can email us at [igc@thephoenixgroup.com](mailto:igc@thephoenixgroup.com). We are always pleased to hear from the customers whose interests we are here to focus on.