



ZEDRA

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# Chair's annual report

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## Fundment Workplace Personal Pension Plans

- | Year ended 31 December 2022
- | The ZEDRA Governance Advisory Arrangement (GAA)

September  
2023



## Executive summary

**This report has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') acting for the workplace personal pension plans provided by Fundment ('the Firm') and sets out our assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.**

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D respectively. The GAA works under Terms of Reference, agreed with Fundment the latest version of which is dated 29 March 2022 and are publicly available (see Appendix D).

This is our third annual report. The Fundment workplace pension plans comprise the Advised Client Plans and a Staff Plan available to those staff who choose to opt out of joining the employer's auto-enrolment scheme. The size of Fundment's book of workplace pension plans has grown rapidly in recent years and by 2022 the overwhelming majority of policyholders now hold Advised Client Plans and only a very small number of policyholders are members of the Staff Plan. Accordingly, this report focuses on the value delivered to policyholders in the Advised Client Plans but we have commented briefly on how this might vary for policyholders in the Staff Plan.

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the Fundment workplace personal pension plans. The GAA has conducted a rigorous assessment of the Value for Money ('VfM') delivered to policyholders over the period 1 January 2022 to 31 December 2022. The GAA has developed a Framework to assess Value for Money which balances the quality of services provided to advised and sophisticated policyholders against what they pay for those services. Less weighting is placed on investment strategy and performance than other criteria within a SIPP wrapper, since the Firm has no role in setting or managing investment strategies. Further details are set out on page 7.

### A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

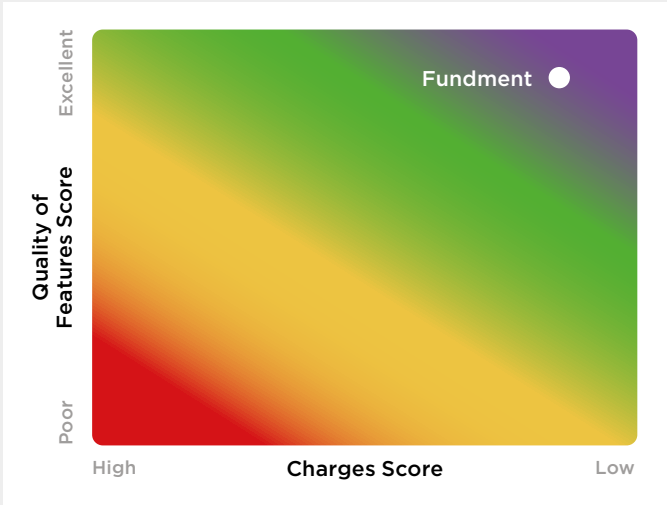
	Weighting toward VfM assessment*	Advised Client Plans
1. Product strategy design and investment objectives	7%	●
2. Investment performance and risk	7%	●
3. Communication	20%	●
4. Firm governance	7%	●
5. Financial security	7%	●
6. Administration and operations	17%	●
7. Engagement and innovation	3%	●
8. Cost and charge levels	33%	●
<b>Overall Value for Money assessment</b>	<b>100%</b>	<b>●</b>

\* May not add to 100% due to rounding

<p><b>Quality and investment features (1-7)</b></p> <p>● Excellent   ● Good   ● Satisfactory   ● Poor</p>	<p><b>Cost and charge levels (8)</b></p> <p>● Low   ● Moderately Low   ● Moderately High   ● High</p>
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The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual features and the weightings shown in the above table. The Quality of Service and Investment Features combined (i.e. 1 to 7 in the table above) represent two-thirds of the overall score and the Cost and Charge Level (i.e. 8 in the table above) represent one-third of the overall score. It is visually represented by the heatmap below.

### VALUE FOR MONEY SCORING



## The overall conclusion is that the Fundment Advised Client Plans provide **excellent Value for Money**.

There are no specific areas identified where the GAA has challenged Fundment to make improvements, but it has made the following observations:

- | In addition to existing processes, Fundment should consider implementing a formal process to seek confirmation direct from policyholders on a triennial basis that they have an IFA in place.
- | As Fundment grows, it should look to formalise the existing communications review process.

The GAA has not raised any concerns with Fundment during the year.

In our previous report we identified that further improvements could be made by Fundment to formalise its proactive engagement with advisers and policyholders and we are pleased to be able to report that the Firm is making progress in this area.

In the case of the Staff Plan, we would conclude that Value for Money is at least good, acknowledging that these policyholders generally do not have their own IFA and are reliant on support and guidance provided by Fundment and the investment decisions made by Fundment's Investment Committee, impacting the restricted range of Fundment funds these policyholders are able to invest in. In our previous report we identified a number of suggested improvements that could be made by Fundment primarily for the benefit of Staff Plan members, in particular more detailed Investment Committee minutes to evidence Fundment's monitoring and decision making processes and improvements to the support and guidance available to members at retirement. Given that Staff Plan members now only represent a very small proportion of the Fundment workplace pension plan policyholders, we have not assessed these areas in detail this year.

The FCA introduced new requirements last year requiring a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification this year. Our view on each feature that we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix B.

A consultation was launched in early 2023 between the FCA, the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR). This consultation set out a transformative framework of metrics and standards to assess Value for Money across Defined Contribution (DC) pension schemes including the workplace pensions reviewed by the GAA. The consultation seeks to improve retirement outcomes and encourage greater transparency and standardisation across the entire market offering DC pensions. This should result in a more consistent Value for Money review for policyholders irrespective of where their DC pension originated. This consultation does not affect this year's review but may mean a change in the way that Value for Money is assessed for policyholders in the future, if the consultation prescribes a standard way of measuring Value for Money which differs from the approach used by the GAA.

Where we have used technical pensions terms or jargon, these are explained in the glossary in Appendix E.

Details of the numbers of policyholders and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix F.

I hope you find this value assessment interesting, informative and constructive.

## Clare James

Chair of the ZEDRA Governance Advisory Arrangement  
for Fundment Workplace Personal Pension Plans

September 2023



**If you are a policyholder or pathway investor and have any questions, require any further information, or wish to make any representation to the GAA you should contact:**

Fundment  
66-67 Newman Street, London W1T 3EQ

**[support@fundment.com](mailto:support@fundment.com)**

Alternatively, you can contact the GAA directly at [zgl.gaacontact@zedra.com](mailto:zgl.gaacontact@zedra.com)



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# Overview of the value assessment

**The GAA has assessed the Value for Money delivered by Fundment to its workplace personal pension policyholders by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.**

## Our approach

The GAA believes that Value for Money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the quality of investment and other services provided to policyholders.

The key steps for the GAA in carrying out the Value for Money assessment are:

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including full information on all costs and charges, including transaction costs.
- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.

- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA and to undertake comparisons of the Firm's product against a suitable comparator group of providers for certain Quality of Service and Investment Features and Cost and Charges.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against eight different features covering Quality of Service, Investment Performance and Strategy (the 'Quality of Service and Investment Features'), and the Costs and Charges borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAA's view of good practice.

The Quality of Service and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in **COBS** 19.5.5, in particular services relating to communications with policyholders and processing of **core financial transactions**. The Quality of Service and Investment Features considered have been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement and innovation, and a wider overview of the administration quality and processes.

Within each of the Quality of Service and Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see to achieve each numerical score. The scores for each sub-feature are then aggregated to the feature level based on the GAAs view of the relative value of the sub-feature to the policyholders.

The GAA then considers the value represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and any platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the policyholders pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1 to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The scores for each feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAA's views of the relative importance to the policyholders of each feature. The weightings are tilted towards the features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of policyholders, based on the information made available by the Firm.

## Value for Money assessment framework for Group SIPPs

This section comments on how we have applied our Value for Money assessment framework in the case of advised group Self-Invested Personal Pension Plans ('SIPPs') such as the Fundment Advised Client Plans.

The FCA has prescribed specific features that the GAA must assess, as discussed in the framework described above. However, some of these do not directly apply in the SIPP environment where the policyholder is advised or sophisticated and are only relevant to the GAA due to the classification of Group SIPPs as workplace personal pension plans. In isolation, the SIPP regulations do not require that providers consider these aspects, and we explain this below.

The FCA requires the GAA to assess whether:

1. "default investment strategies are designed and managed taking the needs and interests of relevant policyholders into account"
2. "default investment strategies have clear statements of aims and objectives"
3. "all investment choices available to relevant policyholders, including default options, are regularly reviewed to ensure alignment with the interests of relevant policy holders"

Under the rules of a SIPP, the policyholder directs the investment strategy, and is usually guided by their FCA authorised IFA. The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled by the FCA authorised IFA, the policyholder or, in some cases, potentially by the employers.

For some Group SIPP providers there are policyholders who choose this type of pension because they are 'certified high net worth' or 'sophisticated' investors as defined in FCA Handbook COBS 4.12.6/7/8 R. In these cases, our interpretation is that the provider can assume that the policyholder is able to design the strategy and evaluate whether they are obtaining Value for Money over time from their investments.



For unsophisticated and non-advised policyholders, the GAA assesses the provider's process of reviewing the characteristics and performance of the investment strategies.

By their nature, SIPPs can invest in 'non-standard' assets such as the unquoted shares or business premises of the employer. In such cases, it is likely that the policyholder themselves will be much better placed to obtain information on, and understand the characteristics and net performance of, such strategies, rather than the Firm. The Firm is not able to make changes to the investments because, as described, it has no role in setting or managing investment strategies. The Firm can raise concerns but cannot require action to be taken.

Nearly all Group SIPPs, including those offered by the Firm, do not have default funds in operation because each member is choosing their own investments. This removes the first two areas of assessment in the bullet points above.

Accordingly, the GAA has not assessed the Firm in relation to the first two areas highlighted above for such policyholders.

Further, the GAA would only carry out an assessment of the third area where there are unsophisticated or non-advised policyholders. In cases where the policyholder is 'certified high net worth' or 'sophisticated' or advised by an FCA authorised IFA, the GAA has focused on ensuring this is evidenced.

Similarly, the GAA has not assessed the Firm in relation to transaction costs and the charges paid directly to the underlying investment managers over which the Firm has no control or influence, instead focussing on ensuring that such charges are appropriately disclosed to policyholders.

In the sections on the following pages, we have described the Firm's approach to delivering each of the features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

In addition, there is a section to set out the GAA's views on the adequacy and quality of the Firm's policies on ESG financial considerations, non-financial considerations, and stewardship to the extent these apply to the Firm. Largely, however, these considerations do not apply to a SIPP provider, on the basis that the Firm is not making any investment decisions on behalf of its policyholders.

An assessment has also been made of the quality of communication and quality of the administration service including the processing of core financial transactions, SIPP provider-controlled costs and charges and the disclosure of cost and charges relative to a suitable comparator group of product providers. We have not included an assessment of net investment return as this does not apply to a SIPP provider. Comments on the outcome of these assessments is included in the sections for the relevant features. We have also considered whether an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and products were determined is set out in Appendix B.



# 1. Product strategy design and investment objectives

**Value score:**  Excellent  Good  Satisfactory  Poor

## What are we looking for?

Given the limited involvement of the Firm in designing investment strategies, we seek confirmation that all SIPP policyholders can be considered as fully advised or sophisticated investors.

If there is a limited range of investment options open to policyholders, our assessment is focussed on how policyholders are supported when exploring their investment options. We expect to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that policyholders are reminded to review their investments regularly.

We look for evidence of a robust decision process on the suitability for adding new investment funds onto the platform.

## The Firm's approach

After an extensive period of engagement with advisers, Fundment designed and launched its workplace personal pension plans for clients in March 2020 (referred to in this report as the Advised Client Plans). At the same time, Fundment launched a plan for its own staff (referred to in this report as the Staff Plan).

Policyholders in the Advised Client Plans all have FCA regulated advisers paid for by their employers and receive advice from their advisers on an appropriate investment strategy to suit their individual needs and objectives.

Policyholders in the Advised Client Plans have access to a universe of 2,000-3,000 retail client funds, including Fundment's own investment range. Fundment carry out a limited due diligence process on external funds when an IFA requests a new fund is added to the platform.

Fundment's own investment range comprises 16 model portfolios, across 3 different fund ranges: standard, ethical and income. There are 9 standard, 5 ethical and 2 income funds. Each fund range provides different fund choices to suit varying risk appetites, ranging from a target allocation to equities of 20% to 100%, as well as holdings in long term bonds, cash, gold and short-term bonds. The majority of assets are passively managed, with the only exception being the infrastructure allocation in the income portfolios.

In the case of the Staff Plan, policyholders are not provided with IFA advice, but policyholders are required to complete an online risk questionnaire, which is used to assess each policyholder's risk profile and capacity for loss. The responses to the questionnaire lead to a fund choice suggestion, but policyholders are free to choose higher or lower risk options within a specified range of the suggested funds. Fundment intends that

policyholders will complete a similar questionnaire annually, to help them review if their investment choices remain appropriate.

In the case of policyholders in the Staff Plan, only the Fundment standard fund range is available for investment.

Fundment has no default investment options.

## **The Firm's strengths**

In the case of the Advised Client Plans, Fundment has evidenced a robust due diligence process it conducts on IFAs to ensure their ongoing regulatory status. Fundment has also evidenced how it monitors that all policyholders have IFAs in place on an ongoing basis and the process in the event a policyholder were to become non-advised. During 2022, there was one non-advised policyholder in the Advised Client Plans and Fundment are currently following their process to address this. The policyholder has been advised to either appoint a new IFA or transfer to a different pension product.

Fundment send regular communications to policyholders in the Advised Client Plans reminding them to review their investment choices with their IFA.

Fundment have evidenced that they take ESG into account across the entirety of Fundment's own investment range in their selection of the underlying investment managers and review their ESG processes and engagement activity on an ongoing basis. Fundment offer a specific ethical range of funds.

## **Areas for improvement**

### **GAA observations**

In addition to existing processes, Fundment should consider implementing a formal process to seek confirmation direct from policyholders on a triennial basis that they have an IFA in place.

## 2. Investment performance and risk

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

Acknowledging the limited role that the Firm plays in that they make available investment options but do not assess the performance of those funds as this falls within the remit of the IFA, we focus on the processes the Firm has to monitor that IFAs remain in place on an ongoing basis and look for evidence that the Firm regularly reminds policyholders to review their investment choices with their IFA.

Nevertheless, we expect to see a robust governance framework under which investment performance information is regularly gathered and made easily accessible to policyholders and advisers. The performance results disclosed should be assessed against investment objectives, including against a measurable and stated benchmark and should be net of investment fees.

### The Firm's approach

Policyholders in the Advised Client Plans all have FCA regulated advisers paid for by their employers. Fundment monitors that all policyholders have IFAs in place on an ongoing basis and has a clear process in the event a policyholder were to become non-advised.

Fundment make available, via their adviser portal, access to Morningstar financial information on the full fund range available to policyholders. This includes information on investment performance, costs and charges, fund ratings and fund factsheets.

Fundment monitors their own investment portfolios on a daily basis, rebalancing when volatility measures exceed specified risk levels and when asset allocations deviate outside specified asset allocation tolerances. Investment performance of Fundment's own funds is monitored against Index Industry Association ('IAA') benchmarks. Fundment's Investment Committee is responsible for the governance of the investment fund ranges, including oversight of investment performance and risk monitoring. The Committee meets on a quarterly basis.

## **The Firm's strengths**

In the case of the Advised Client Plans, Fundment has evidenced a robust due diligence process it conducts on IFAs and Fundment has also evidenced how it monitors that all policyholders have IFAs in place on an ongoing basis and the process in the event a policyholder were to become non-advised. During 2022, there was one non-advised policyholder in the Advised Client Plans and Fundment are currently following their process to address this. The policyholder has been advised to either appoint a new IFA or transfer to a different pension product.

Fundment send regular communications to policyholders in the Advised Client Plans reminding them to review their investment choices with their IFA.

## **Areas for improvement**

### **GAA observations**

In addition to existing processes, Fundment should consider implementing a formal process to seek confirmation direct from policyholders on a triennial basis that they have an IFA in place.

## 3. Communication

Value score:

Excellent

Good

Satisfactory

Poor

### What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account policyholders' characteristics, needs and objectives.

Where the Firm is communicating directly with policyholders, we would expect to see a comprehensive suite of communications including annual benefit statements, pre-retirement wake-up letters and retirement option packs.

Information on administration and investment charges, and transaction costs should be made available to policyholders on a publicly available website annually, including illustrations of the compounding effect of the administration and investment charges and transaction costs on an annual basis.

Although an advised policyholder would expect to get most of their support from their independent financial adviser, in a high-quality communication service offering we would expect the Firm to offer substantial additional support, with a range of materials such as online calculators to enable personalised calculations with various selectable options although these may be made available via the policyholder's IFA rather than to the policyholder directly. We would expect telephone

support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we would expect policyholders or their IFAs to be able to switch investment options online and for non-advised policyholders to have support available to help them make appropriate decisions. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to be able to offer a range of different retirement options for policyholders, as well as clear signposting to policyholders on where they can obtain guidance and advice on their retirement options.

### The Firm's approach

Fundment provides a range of routine communications directly to policyholders in the Fundment Workplace Personal Pension Plans, including benefit illustrations and retirement wake-up letters with accompanying risk warnings.

These communications are currently reviewed at least annually and in many cases more frequently. Fundment have currently been reviewing their communications in order to comply with the new FCA consumer duties requirements.

Fundment's risk questionnaire, whilst primarily developed for policyholders in the Staff Plan to assist them with the selection of their investments, can be made available to policyholders in the Advised Client Plans if their adviser or employer requests this.

Communications are predominantly through the online portal. However, in addition, policyholders can communicate with Fundment by telephone or e-mail. Communications can also be sent by post, on request.

For the Advised Client Plans, policyholders are advised by FCA regulated advisers paid for by their employers. The adviser, rather than the policyholder, tends to be the main point of interface with Fundment, and adviser feedback is obtained on an ongoing basis, informing the development of the Fundment product offering.

## The Firm's strengths

The GAA has been provided with a range of sample communications to review including pensions illustrations, quarterly pensions statements and retirement wake-up communications. Communications are clear and contain appropriate risk warnings, and pensions terminology is explained in a glossary.

The GAA was given a detailed demonstration of the online portal in 2022. A range of tools are available, for example a projection illustration tool and the facility for IFAs to run ad hoc reports to obtain information on policyholders' holdings and asset valuations without having to wait for a quarterly statement.

Full online functionality is available to switch investment options.

Fundment provide an advised drawdown facility and the ability to take benefits in the form of an Uncrystallised Funds Pensions Lump Sum ('UFPLS') at retirement.

## Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar workplace pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2022 were above average relative to the comparator group.

## Areas for improvement

### GAA observations

As Fundment grows, it should look to formalise the existing communications review process.

## 4. Firm governance

Value score:

Excellent

Good

Satisfactory

Poor

### What are we looking for?

We would expect to see a comprehensive governance structure in place where, for example, Terms of Reference are provided for key committees, reviewed on a regular basis, with clearly defined scope. We would expect to see evidence of the key committees operating during the year with minutes or meeting packs demonstrating that the key scope elements of the committee remit have been adequately covered.

There should be a transparent and documented process for appointing and monitoring service providers, including a clear process for monitoring whether all policyholders either continue to have an independent financial adviser in place or remain classified as a 'sophisticated investor' with evidence of regular reviews being completed and appropriate steps being taken, as required.

### The Firm's approach

Fundment has put in place a governance framework for appointing and monitoring internal and external service providers. This includes an investment process for reviewing and selecting investment portfolios available on retail platforms, which Fundment use to construct their model portfolios.

Fundment's Risk and Compliance Committee oversee the formal due diligence process to check that IFAs are FCA regulated and appropriately qualified, the management of data security and cyber-risk and an annual review of banks and custodians.

Fundment also have a clear process for dealing with policyholders who no longer have an IFA.

### The Firm's strengths

Fundment has provided the GAA with documentary evidence of the due diligence process for checking advisers are FCA regulated and has clearly explained its monitoring process to ensure IFAs remain in place on an ongoing basis and the process it would follow in the event any policyholders within the Advised Client Plans are no longer advised.

Fundment has provided evidence of regular monitoring of external investment managers and custodians.

Fundment has developed their own tools to monitor investment performance and risk and have provided the GAA with screen shots to evidence the information the relevant committees have available to monitor and assess all areas of operation.

Administration is in-house with automated straight through processing.



## Improvements since last year

As Fundment has grown, it has evolved and expanded its governance approach. There is now a dedicated operations and pensions director and a dedicated compliance officer monitoring all relevant operations.

## Areas for improvement

### GAA observations

In addition to existing processes, Fundment should consider implementing a formal process to seek confirmation direct from policyholders on a triennial basis that they have an IFA in place.



## 5. Financial security

**Value score:**

Excellent

Good

Satisfactory

Poor

### What are we looking for?

We look for information about the financial position of the Firm supported by evidence such as accounts as well as ratings from third party rating agencies, where available.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

We are looking for evidence of a clear process to warn policyholders about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

### The Firm's approach

Fundment is a start-up business that is currently investing significantly in the development of its platform and investment offering.

Policies are set up under trust with the assets segregated from the Firm. Policyholders can expect to receive Financial Services Compensation Scheme ('FSCS') protection up to the cap of £85,000.

Fundment take appropriate steps to protect policyholders against fraud and scams. There is a formal process required to be followed where a policyholder wishes to access funds, for example in drawdown. New bank accounts need to be verified and other security checks are carried out before a payment is made.

Transfer packs include scam literature and appropriate warnings and signposting.

Fundment staff undertake regular online training courses on fraud and scams.

Policyholders in the Advised Client Plans have an additional layer of protection as Fundment would also liaise with their FCA regulated advisers as part of the transfer process.

### The Firm's strengths

Fundment was able to raise an additional £1m in investment in 2022 to further develop its proposition. Although the business was still loss-making in 2022, this is to be expected given its stage of development, Fundment expects to reach a break even position in the near future.

## **Areas for improvement**

### **GAA observations**

The GAA notes that Fundment is a start up business and is reliant on securing funding to invest in the development of that business. The GAA will continue to monitor progress and growth of the business as part of its annual review.



## 6. Administration and operations

Value score:



Excellent



Good



Satisfactory



Poor

### What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that **core financial transactions** are processed promptly and accurately, such as processing contributions, transfers processing and death benefit payments.

We look for evidence of regular internal and external assurance audits on controls and administration processes. In particular, we are looking for a robust risk control framework around the security of IT systems, data protection and cyber-security. We would expect to see evidence that cyber-security is considered as a key risk by the Firm's relevant risk governance committee and that appropriate monitoring, staff training and penetration testing is put in place.

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business .

We would expect to see a low level of substantive complaints and demonstration of a clear process for resolving complaints.

### The Firm's approach

Fundment has straight through end-to-end processing for core financial transactions, such as investment of contributions.

Risk management, including security of IT systems, is the responsibility of the Risk and Compliance Committee. Measures are in place to ensure data is held within systems securely, with restricted staff access, and that any transfer of data is encrypted. Fundment adopts a policy that no e-mail communications can contain links or personal data.

Annual penetration testing is carried out and MDSec Consulting Limited, an external security consultancy, performed a security assessment of the Fundment platform and infrastructure between 7th-21st June 2022. No critical vulnerabilities were found. Lower risk vulnerabilities and recommendations were fed back to the technical team and mitigations put in place. A further security review is scheduled later in September 2023.

Fundment has a business continuity plan in place, which is tested periodically.

Fundment has a clear, formal process for handling complaints.

## The Firm's strengths

Fundment has supplied the GAA with a copy of its business continuity plan and was able to evidence a live scenario in 2022 when a server failed but was automatically replaced by an alternate server to ensure that policyholders, advisers and staff had full access to the system with no detriment to any party.

Fundment received no complaints during 2022. Fundment was able to demonstrate the process it has in place for resolving any future complaints, with provision to provide appropriate redress in the event of financial loss if a complaint is upheld.

## Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar workplace pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2022 were above average relative to the comparator group.

## Areas for improvement

The GAA did not identify any specific areas for improvement.

## 7. Engagement and innovation

Value score:

Excellent

Good

Satisfactory

Poor

### What are we looking for?

We expect to see evidence that the product is reviewed at least annually, with new products or services being launched on a regular basis, that have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

We are looking for evidence of regular, proactive engagement with policyholders or their advisers to obtain feedback and for this feedback to be taken into account when reviewing the product offering.

### The Firm's approach

Fundment has a culture of encouraging feedback from advisers on an ongoing basis and this feedback informs product development.

Fundment's Product Review Committee meet quarterly to review developments for the next

quarter and also in the longer term and Fundment has created a roadmap for future developments. Fundment use the Jeera system to track all new product developments.

### The Firm's strengths

Fundment was able to demonstrate ongoing regular engagement with advisers, leading to a number of new developments and innovations over 2022, including a simpler accounts overview statement for policyholders, developed based on feedback from advisers.

Fundment also developed a tool to assist IFAs wanting to move all clients out of one particular fund into a new fund. The tool allows the IFA to get permission from policyholders and then automatically implement the transition of assets, as well as generate a suitability letter.

## Areas for improvement

### GAA observations

The GAA observed last year that Fundment should consider how to extend and formalise its proactive engagement with IFAs and policyholders as the business grows. Fundment have told us that they are currently looking at ways to formalise the engagement process with IFAs during 2023 and the GAA will review the steps taken in next year's assessment.

## 8. Cost and charge levels

**Value score:**  Low  Moderately Low  Moderately High  High

### What are we looking for?

The GAA has considered the overall level of charges borne by policyholders over the year that are within the control of the Firm. This included assessing:

- | The annual account administration charges being borne by policyholders.
- | Any other charges being paid to the Firm by policyholders to manage and administer their workplace pensions.
- | The process for collecting and monitoring overall member charges, including transaction costs.
- | Whether the overall level of charges within the control of the Firm is reasonable, bearing in mind the nature of the services provided by the Firm.
- | The distribution of charges across policyholders.

Whilst we have considered the average total costs and charges payable by policyholders we have noted where there may be outliers such as high charges for small pots.

Where policyholders are advised or sophisticated investors, we do not include charges which policyholders will incur specifically in relation to the underlying investment funds, nor the charges which a policyholder may incur in relation to obtaining advice since both are outside the control of the Firm.

Required disclosures relating to costs and charges payable by the Firms policyholders can be found in Appendix A.

### The Firm’s approach

Fundment’s approach is to use technology to automate processes and by using mainly passive investments Fundment is able to reduce costs and create efficiencies for its policyholders.

The Investment Committee actively monitors all costs, including transactions costs. There is a best execution policy to manage spreads on Exchange Traded Funds (‘ETFs’).

In the case of policyholders in the Advised Client Plans the average charge levied by Fundment is a product fee of 0.16% per annum and the maximum charge is 0.25% per annum.

In the case of the Staff Plan, Fundment charges a product fee of 0.15% per annum and policyholders also pay underlying fund charges ranging from 0.09% to 0.11% per annum (underlying charges are relevant here since in the case of Staff Plan policyholders Fundment is responsible for, and has control over, the investment solutions made available to policyholders).

Fundment has confirmed that there are no other charges levied on policyholders.

The GAA believes that the Firm offers low charges to all policyholders in the Fundment Workplace Personal Pension Plans.

### **Risk of high charges for legacy products**

As this is a relatively new and evolving product, there is no legacy of older policies with higher charges.

### **The Firm's strengths**

The GAA was provided with comprehensive details of policyholder charges including transaction costs calculated on the DC workplace methodology.

### **Comparator results**

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar workplace pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 were below average relative to the comparator group.

### **Areas for improvement**

The GAA did not identify any specific areas for improvement.





# ESG financial considerations, non-financial matters and stewardship

## What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to ESG financial considerations, non-financial matters, and stewardship. The GAA will consider how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

Largely, however, these considerations do not apply to a SIPP provider, on the basis that the Firm is not making any investment decisions on behalf of its policyholders.

## The Firm's approach

In the case of the Advised Client Plans, Fundment is not responsible for the investment decisions taken, which remain the responsibility of the policyholder, taking advice from their IFA. Whilst Fundment do provide a fund range on their platform that policyholders can invest in, the overwhelming majority of Advised Client Plan policyholders are not invested in these funds. However, since the Fundment funds are made available to the very small proportion of policyholders in the Staff Plan, the GAA has asked Fundment to provide further details of its approach to ESG.

Fundment believes that ESG is fundamental to delivering sustainable, long-term returns to policyholders. Fundment constructs its own investment portfolios through fund-of-fund multi asset solutions, supporting the UN development goals and the 2015 Paris Climate Change Agreement.

Fundment's fund range seeks to invest in companies that embrace best practices in areas such as sustainability, energy efficiencies, gender equality and clean water. Fundment's investment selection process evaluates how each of the underlying funds are constructed and their alignment with Fundment's goals. Fundment applies specific exclusions to investment in companies involved in arms and gambling.

## The Firm's strengths

Fundment has provided details of its policies on ESG financial considerations, non-financial matters and stewardship to the GAA.

Fundment also provided the GAA with details of its approach to stewardship, including evidence and examples of how it monitors ongoing engagement and voting activity of underlying managers.

The GAA considers the policies to be adequate and of good quality.

## **Areas for improvement**

The GAA did not identify any specific areas for improvement.



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# Appendix A: Cost and charge disclosures

The FCA requires that administration charges and transactions costs in relation to each Relevant Scheme must be published by 30 September, in respect of the previous calendar year: These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a policyholder is able to select. They should also include an illustration of the compounding effect of the administration and investment charges and transaction costs, on a prescribed basis and for a representative range of fund options that a policyholder is able to select.

The Firm has compiled these disclosures and compounding illustrations, which are provided on a publicly accessible website at [www.fundment.com/governance-advisory-arrangement](http://www.fundment.com/governance-advisory-arrangement)



# Appendix B: Comparison report

The FCA requires that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm's offering against a selected group of other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, the GAA must inform the pension provider.

ZEDRA's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to carry out the required comparisons this year. This is done on an anonymised basis.

## How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products so as to be comparable to those provided by the Firm for this purpose. The selection was based on the following broad criteria:

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.
- | Products where Firms provide similar services, for example in the case of a SIPP whether the provider has responsibility for setting and monitoring the investment strategy.
- | Similar membership cohort, for example staff schemes for staff of the provider.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of Fundment's Advised Client Plans.

## Comparison of net investment performance

As all policyholders in the Advised Client Plans are either advised or sophisticated investors, we have not included a comparison of [net investment performance](#) as the funds are selected directly by the policyholder and their adviser.

## Comparison of communication provided to policyholders

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar workplace pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2022 were above average relative to the comparator group.

## Comparison of administration services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar workplace pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2022 were above average relative to the comparator group.

## Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | Annual administration charge
- | Other costs and charges
- | Approach to cost data collection and disclosure

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar workplace pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2022 were below average relative to the comparator group.



## Appendix C: GAA activity and regulatory matters

This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

### GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in early 2023.

Members of the GAA had a meeting with representatives of Fundment to kick off the Value for Money assessment process for the 2022 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of Fundment to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including product governance, administration, communications and risk management. In some cases this meeting was virtual.

Members of the GAA had a meeting with representatives of Fundment to discuss the GAA's provisional scoring of Value for Money of the in-scope Fundment Workplace Pension Plans and the approach for meeting the cost and charges disclosure requirements in [COBS 19.5.13](#).

As part of the Value for Money assessment process, Fundment has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

The GAA held several meetings during the year to review and discuss the information we received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, significant work has taken place reviewing and developing the data request and the approach for Firms to provide information in response to the data request, to make the process more efficient.

The GAA documents all formal meetings with Fundment and maintains a log which captures any concerns raised by the GAA with Fundment, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	03/02/23
Kick off meeting	06/02/23
Site visit	18/04/23
GAA panel review meeting	19/05/23
Discuss provisional scoring	31/05/23

## Concerns raised, and challenges made with the Provider by the GAA and their response

The GAA has not raised any concerns with Fundment during the year covered by this report.

## The arrangements put in place for policyholders' representation

The following arrangements have been put in place to ensure that the views of policyholders can be directly represented to the GAA:

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via their financial advisers or directly if they are unadvised. This information is also made available by Fundment via their website at [www.fundment.com/governance-advisory-arrangement](http://www.fundment.com/governance-advisory-arrangement)

- | Fundment will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders. Where Fundment determine that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

In addition, the GAA has established a dedicated inbox at [zgl.gaacontact@zedra.com](mailto:zgl.gaacontact@zedra.com) so that policyholders can make representation to the GAA direct. Fundment will include details of this contact e-mail address on [www.fundment.com/governance-advisory-arrangement](http://www.fundment.com/governance-advisory-arrangement)



## Appendix D: ZEDRA GAA credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- | Act solely in the interests of the relevant policyholders of those pension plans; and to
- | Assess the 'Value for Money' delivered by the pension plans to those relevant policyholders.

These requirements were then extended to Firms providing investment pathways in respect of **pathway investors** from 1 February 2021.

The FCA rules also require that the Chair of each Independent Governance Committee and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

The ZEDRA Governance Advisory Arrangement ('the GAA') was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. More information on the ZEDRA GAA can be found at [www.zedra.com/GAA](http://www.zedra.com/GAA)

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that individually and collectively

the members of the GAA have sufficient expertise, experience, and independence to act in the interests of relevant policyholders or pathway investors.

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. The majority of ZEDRA Governance Ltd's Client Directors act as representatives of ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

The Board of ZEDRA Governance Ltd has appointed either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act in the capacity of Chair of the GAA in respect of each Firm.

More information on each of ZEDRA's Client Directors, their experience and qualifications can be found at [www.zedra.com/people](http://www.zedra.com/people)

Information on Dean's experience and qualifications can be found at [www.deanwettonadvisory.com](http://www.deanwettonadvisory.com)

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of ZEDRA Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

The terms of reference agreed with the Firm can be found at: [www.fundment.com/governance-advisory-arrangement](http://www.fundment.com/governance-advisory-arrangement)



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# Appendix E: Glossary

## Active management

The investment of funds where the skill of the fund manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question

## Annual Management Charge (AMC)

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

## Annuity

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is 'joint life', it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ('the annuitant').

## COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

## Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

- | Investment of contributions
- | Implementation of re-direction of future contributions to a different fund
- | Investment switches for existing funds, including life-styling processes
- | Settlement of benefits – whether arising from transfer out, death or retirement

## Decumulation

The process of converting pension savings to retirement income.

## Environmental, Social and Governance (ESG)

These are the three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company

## Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

## Life-styling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

## Net Investment Performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

## Pathway investor

A retail client investing in a Firm's pathway investment offering.

## Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

## Relevant policyholder

A member of a Relevant Scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that Relevant Scheme.

## Relevant Scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer. Transaction costs

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.



## Appendix F: Data table

Employers	Assets Under Management as at 31 December 2022	Number of Policyholders
137	£33,474,603.30	378



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