

COURTIERS INVESTMENT SERVICES LIMITED

GOVERNANCE ADVISORY ARRANGEMENT ('GAA')

Statement for the year ended: 5th April 2018

**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 the COURTIERS Group SIPP.

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 2nd September 2015 by COURTIERS Investment Services Limited ("**the Provider**") in partnership with PS Independent Trustees Limited ("**PSIT**").

COURTIERS Investment Services Limited was founded in 1982 and is a privately owned wealth management firm and SIPP provider, advising individual and corporate clients. COURTIERS manages a range of funds for its clients, offering global investment opportunities across a range of asset classes.

PSIT is a firm of professional trustees with experience of workplace pension schemes and the governance of defined contribution pension schemes.

At the date of this Statement, there is only one 'relevant scheme' in place with the Provider.

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 are provided by COURTIERS Investment Services Ltd.

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 policyholders ('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 scheme provides value for money for members.

The GAA must provide an annual report to members on how the workplace pension schemes operated by the Provider have performed.

The workplace pension schemes marketed by the Provider have only been available for a relatively short period of time and this Statement reflects the contemporary nature of the products under review.

The workplace pension scheme covered by this report is:

➤ **The COURTIERS Group SIPP** ('the Group SIPP')

This workplace pension scheme was established with effect from 6th October 2015. As at 5th April 2018, there are no other products that fall within the scope of COBS 19.5.5.

1.2 Terms of reference

A copy of the GAA Board's Terms of Reference and contact address for queries is available to members of the COURTIERS Group SIPP at: www.courtiers.co.uk.

1.3 Further information

Further information on the GAA is also available to members at: www.courtiers.co.uk.

2. SUMMARY

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

- 2.1 that the default investment strategies are designed and executed in the interests of members with default fund investment, and
- 2.2 that the Provider
 - has considered whether the characteristics and net performance of the proposed initial investment strategies are appropriately designed, to ensure these are aligned with the interests of members;
 - will undertake regular reviews of the investment strategies to ensure they continue to be aligned with the interests of members;
 - will act to make changes that the Provider or GAA considers necessary;
- 2.3 that core scheme financial transactions are processed promptly and accurately;
- 2.4 the levels of charges borne by members;
- 2.5 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 ARRANGEMENT

The Provider has undertaken post-launch an assessment of the default investment strategy offered and the investment performance of the initial default fund in the period covered by this Statement to ensure appropriateness.

The initial default strategy available to members is:

➤ **The COURTIERS Balanced Lifestyle Strategy (Targeting Annuity)**

The initial default strategy was made available to Group SIPP investors by the Provider with effect from **6th October 2015**. Although the default fund was made available at this time, the underlying funds were launched in November 2015.

The COURTIERS Balanced Lifestyle Strategy is an investment strategy which incorporates a lifestyle feature designed to reduce investment risk ahead of a member's planned retirement age by gradually switching the asset allocation from higher to lower risk investments. During this risk reduction phase, members can still make single or regular contributions.

As a default, the COURTIERS Balanced Lifestyle Strategy targets the purchase of an annuity which assumes that 25% of a member's retirement fund will be taken as a tax-free cash sum at retirement, with the remaining 75% used to purchase an annuity. The strategy also offers the option to target drawdown, or to target cash as alternative outcomes.

The Balanced Lifestyle Strategy fund uses three funds before the lifestyling stage. The underlying funds and the overall percentages, pre-lifestyling are:

- **COURTIERS UK Equity Income I Shares Accumulation Fund (40%)**

- **COURTIERS Global (ex UK) Equity Income I Shares Accumulation Fund (40%)**
- **COURTIERS Investment Grade Bond I Shares Accumulation Fund (20%)**

The Provider has advised that it is currently reviewing the default lifestyle strategy (Balanced Lifestyle Strategy (Targeting Annuity) fund) in light of experience since April 2015 which suggests that few members are now looking to annuitise. Any new default will still utilise the above three Funds but the lifestyle profile will change.

The characteristics of these Funds and their investment objectives are set out below:

3.1 **COURTIERS UK Equity Income I Shares Accumulation Fund**

The investment objective of the Fund is to achieve a combination of income and capital growth. The Fund achieves this through investment predominantly in equities of companies incorporated, domiciled or having the predominant part of their business in the UK.

3.2 **COURTIERS Global (ex UK) Equity Income I Shares Accumulation Fund**

The investment objective of the Fund is to achieve a combination of income and capital growth. The Fund achieves this through investment predominantly in equities of companies incorporated, domiciled or having the predominant part of their business outside of the UK.

3.3 **COURTIERS Investment Grade Bond I Shares Accumulation Fund**

The investment objective of the Fund is to achieve a combination of income and capital growth. The Fund achieves this through investment predominantly in investment grade government and non-government fixed and variable interest rate securities globally.

3.5 **Overall cumulative performance of the COURTIERS Balanced Lifestyle Strategy Fund (% Growth)**

Fund	01/01/2018 to 05/04/2018	06/01/2018 to 05/04/2018	06/10/2017 to 05/04/2018	06/04/2017 to 05/04/2018	Inception date to 05/04/2018
COURTIERS Balanced Lifestyle Strategy Fund	-4.2948	-5.2527	-3.4152	2.6293	26.2903

3.6 **Cumulative performance of the underlying funds within the default fund (% Growth)**

Fund	01/01/2018 to 05/04/2018	06/01/2018 to 05/04/2018	06/10/2017 to 05/04/2018	06/04/2017 to 05/04/2018	Inception date to 05/04/2018
COURTIERS GIBI (ex UK) Eq Inc I Acc Fund	-3.5763	-5.3981	-3.6426	2.5604	40.2000
<i>Benchmark 1: IA OE Global Equity Income</i>	-5.5257	-6.7438	-4.0695	-0.5866	29.7229
COURTIERS Investment Grade Bd I Acc	-2.3121	-2.0290	-3.7951	-6.8871	1.4000
<i>Benchmark 1: IA OE Global Bonds</i>	-1.8664	-2.0552	-2.5350	-1.1983	17.6583
COURTIERS UK Equity Income I Acc	-6.0448	-6.7407	-3.0793	7.5149	25.9000
<i>Benchmark 1: IA OE UK Equity Income</i>	-5.4914	-6.4846	-3.6379	0.7640	14.9125

Notes:

- All figures from Morningstar (www.morningstar.co.uk) as at 05 April 2018.
- Inception date is 27 November 2015.

For the COURTIERS Investment Grade Bond fund the peer group (the IA Global Bond sector) comprises a broad range of funds with very different mandates. These include, for example, euro denominated high yield bond funds, ultra long duration funds, Latin American and Asian local currency debt funds, US dollar denominated government bond funds, European corporate bond funds and short duration bond funds.

The peer group is the most appropriate for the COURTIERS Investment Grade Bond fund yet it is too diverse to offer a reasonable comparator and should be used simply as a guide. The expectation is that the COURTIERS Investment Grade Bond fund will be somewhere in the middle over the long term since the COURTIERS Investment Grade Bond fund will not hold high yield or emerging market debt, both of which are higher risk and therefore more likely to contribute to strong positive or negative returns for the peer group. The duration and the currency positioning can also be influential and drive returns for some funds in the peer group. Other funds may not have such exposure yet are still in the same peer group.

As noted above, the Provider has explained the reasons for the performance of the COURTIERS Investment Grade Bond Shares Accumulation Fund on an absolute basis and in comparison to its peer group. At this time, the GAA is satisfied that there are no areas of concern in relation to the default strategy.

3.7 Charges

For each of the underlying funds within the default investment fund, the charges are:

- initial charge: 0.00%
- ongoing charge: 0.75%

There are no early exit charges that are applied to the Group SIPP.

4. INVESTMENT STRATEGIES

The other (non-default) investment strategies and funds were made available to Group SIPP investors by the Provider with effect from **6th October 2015**.

The current range of non-default investment strategies and funds available to all members of the Group SIPP are set out below:

- COURTIERS Cautious Lifestyle Strategy (Targeting Annuity)
- COURTIERS Adventurous Lifestyle Strategy (Targeting Annuity)
- COURTIERS Cautious Lifestyle Strategy (Targeting Cash)
- COURTIERS Balanced Lifestyle Strategy (Targeting Cash)
- COURTIERS Adventurous Lifestyle Strategy (Targeting Cash)
- COURTIERS Cautious Lifestyle Strategy (Targeting Drawdown)
- COURTIERS Balanced Lifestyle Strategy (Targeting Drawdown)
- COURTIERS Adventurous Lifestyle Strategy (Targeting Drawdown)
- COURTIERS Global (ex-UK) Equity Income Fund I Shares
- COURTIERS UK Equity Income Fund I Shares
- COURTIERS Investment Grade Bond Fund I Shares
- COURTIERS Total Return Cautious Risk Fund A Shares
- COURTIERS Total Return Balanced Risk Fund A Shares
- COURTIERS Total Return Growth Fund A Shares
- Goldman Sachs Sterling Liquid Reserves (Cash) Fund

This range of non-default investment strategies and funds may be changed over time.

Members may also self-select alternative investment strategies and funds with the agreement of the Provider subject to the usual legal restrictions on pension investments.

The GAA is satisfied at this time that there are no areas of concern in relation to the other (non-default) investment strategies that have been identified or brought to its attention.

5. CORE FINANCIAL TRANSACTIONS

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

- the timely investment of member contributions;
- the timely investment of contributions paid in respect of members;
- the processing of transfer payments paid in from other pension arrangements;
- the processing of transfer payments paid out to other pension arrangements;
- the transfer of members' assets between different investment strategies and funds available to members; and
- the prompt payment 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 Provider has provided to the GAA copies of the half yearly Group SIPP administration reports as the necessary evidence to confirm the following on an on-going basis:

- The regular reporting on timescales for processing the core financial transactions and the reporting of errors / complaints statistics, where appropriate.
- Where regular contributions are made, that the investment of the contributions is made once cleared funds are available in the Cash Account(s). The SLA for the investment of the contributions is one working day from receipt of contributions providing all information is available.
- That the Provider undertakes a sweep of the Cash Accounts(s) at least once per month to ensure there are no uninvested contributions.
- For transfer payments paid out to other pension arrangements, that the Provider has procedures in place to undertake appropriate checks to ensure the receiving scheme is not a liberation arrangement. The Provider aims to provide a streamlined process for transfers out but additional checks are undertaken where the receiving scheme is considered unusual. The Provider monitors the SLAs in relation to transfer payments but notes that some aspects of the process (relating to receiving information) are often outside of the Provider's control.
- For any qualifying schemes for Auto Enrolment purposes, that 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.
- That the Provider also undertakes reviews where there are increases or decreases to the level of 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 have been processed in accordance with the contractual terms / schedules of contributions / payment schedules in place.

The Provider has also confirmed that it has not been necessary to 'backdate' any member or employer contributions received to reflect the request date(s) and no members have suffered any loss because of any delay.

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

6. ADMINISTRATION

Information made available to the GAA by the Provider has confirmed the following (as at 31 March 2018):

- Total number of Group SIPPS: 25
- Total number of members: 1395
- Total number of active members and deferred members: 1053 and 342
- Highest membership total per employer: 768 active members, 292 deferred members
- Lowest membership total per employer: 1 active member, 0 deferred members
- Total employer contributions received: c£1.3m
- Total employee contributions received: c£42k
- Total value of Group SIPP funds under management: c£9.3m
- Statutory Money Purchase Illustrations have been issued within the required deadlines
- Regulatory reports have been made to HMRC and The Pensions Regulator within the required deadlines
- During the reporting period there have been no errors raised
- During the reporting period, there have been no complaints relating to the Group SIPP membership
- No issues have been identified with SIPP records held on the Provider's administration system
- Common and conditional data reviewed by the Provider shows that 98% of the data held is correct.

7. CYBER SECURITY

As part of the processing of the core financial transactions, the GAA has considered the robustness of the Provider's information technology and systems. Whilst cyber security falls outside of the GAA's remit, a successful breach of the Provider's IT systems has the potential to impact the core financial transactions undertaken by the Provider. For this reason, the GAA considers it appropriate to provide some brief information relating to the measures taken by the Provider to ensure its IT systems and data are protected.

The Provider has confirmed the following information in relation to the issue of cyber security.

In 2015, COURTIERS appointed Agility IS, an information security specialist consultancy, as its ongoing information security advisor. Agility IS holds relevant certifications including CREST Certified Tester, ISO/IEC 27001 Lead Auditor and PCI DSS QSA.

COURTIERS outsources its first, second and third line IT support to Brookland Computer Services (BCS). BCS is a UK based information, communications and technology service (ICT) provider which has been providing services to small and medium enterprises since 1997, predominantly in the financial and legal sectors. BCS was appointed after a formal tendering process run by COURTIERS and Agility IS.

During the period, Agility IS ran extensive external and internal penetration testing to identify areas of weaknesses and create programmes of work for BCS. Agility IS form part of the monthly reporting and control of BCS activities. It is intended that both external and internal penetration tests are repeated annually to test conformance and identify any new areas of weakness.

BCS operate services for COURTIERS from a 4D data centre in Byfleet.

The GAA has seen the 4D ISO 27001 certification and is satisfied with the measures currently in place to protect the Provider's IT systems and ultimately the processing of the core financial transactions.

8. DATA PROTECTION

The GAA is an internal committee of the Provider and does not process personal member data. It is not a data controller or data processor. The GAA is satisfied with the policies put in place by the Provider to meet the requirements of the General Data Protection Regulation (GDPR).

9. CHARGES AND TRANSACTION COSTS

- 9.1** The Provider has agreed that a default investment arrangement can be used by the scheme employers to meet their 'auto-enrolment duties' in accordance with the regulations. In providing the default investment arrangement, the Provider has confirmed that the charges are within the range permitted by legislation.

The Provider has confirmed that all other charges and transaction costs are borne by the Provider.

Please refer to **Appendix 1** for details of the charges applying to the default investment arrangement.

- 9.2** The charges and transaction costs that apply to the other (non-default) investment strategies and funds (that is those investment strategies and funds where the member has made an active choice) range from 0.75 % to 1.83 % of each member's assets invested in the relevant strategy or fund.
- 9.3** The Provider has confirmed to the GAA that it may charge additional fees to the employer(s) directly for the costs of the administration of the Group SIPP. These are not member-borne and therefore out of scope of this report, but are included for completeness. The Provider operates on a 'per-member / per-year' fee, billed to the employer(s) on a regular basis.
- 9.4** The GAA has assessed the extent to which the charges and transaction costs set out above represent good value for money in the period covered by this report and concluded that:
- the initial non-default investment strategies and the current default investment arrangement offer members good value for money.

10. MEMBER COMMUNICATIONS

- 10.1** The Provider has confirmed to the GAA that it has in place a suite of literature for issuing to the employers and employees as appropriate and copies of the key documents have been provided to the GAA. The GAA has assessed these as being appropriate with sufficient detail to enable members to make informed decisions.
- 10.2** Members are provided with detailed information relating to the Group SIPP on joining, including information concerning the default investment arrangement and alternative investment strategies, how to opt out, the level of member borne scheme charges, projected retirement forecasts, COURTIERS' complaints procedure, how to contact the GAA and where to access copies of its Reports.
- 10.3** Statutory Money Purchase Illustrations (SMPIs) are issued by the Provider on the anniversary date of the initial start date for each employer joining the Group SIPP. The Provider has confirmed that the SMPIs have been issued within the required statutory timescales. The GAA has agreed to add a line to the covering letter for the SMPIs to draw members' attention to the existence of the Chair's Statement held on the COURTIERS' website. The Provider intends to monitor traffic to the Chair's Statement and report to the GAA accordingly in due course.
- 10.4** The Provider has confirmed that communications covering other statutory information have been issued to members as appropriate and within the necessary timescales e.g. P60s, Annual Standard Lifetime Allowance Statements, and Contribution Letters.
- 10.5** Where appropriate, the Provider has issued Privacy Notices / Fair Processing Notices to meet the requirements of the new data protection legislation (see section 8, above). The Provider is a Data Controller for the purposes of the GDPR. The Provider will review standard documents issued to members to ensure the data protection wording is updated as required.

11. GAA CONCERNS

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

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.

12. 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) pension 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.
- Two of 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 COURTIERS Investment Services Ltd, an FCA authorised firm, have also been appointed to the GAA. This ensures good communication with the Provider and the free-flow of information.
- COURTIERS has a 30+ year history of dealing with corporate trust-based and contract-based pensions and directly employs a number of pensions specialists.
- The two individuals from COURTIERS are both Chartered Financial Planners with, collectively, more than 20 years' experience of group pensions.
- Both PSIT and the Provider understand the FCA's requirements in relation to the duties of the GAA.
- The majority of the GAA members are therefore independent of the Provider.
- Each independent member meets the requirements of COBS 19.5.12 G.

13. MEMBER REPRESENTATION

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

- all key communications issued by the Provider to members has included reference to the GAA;
- all key communications issued by the Provider to employers will include reference to the GAA;
- the Provider will seek the support of the employer(s) to encourage feedback from members;
- information on the GAA is available to all members through the Provider's website;
- the covering letter to the SMPI statements will include reference to the Chair's Statement being available to members via the COURTIERS' website.

Signed by Simon Riviere of PS Independent Trustees Ltd, as Chair of the COURTIERS Investment Services Ltd GAA

Chair.....SIMON RIVIERE.....

Date.....26 - JUNE - 2018.....

APPENDIX 1 – CHARGES AND TRANSACTION COSTS

Default investment strategy:

➤ ***The COURTIERs Balanced Lifestyle Strategy (Targeting Annuity)***

The **Charges and Transaction Costs** relating to the above default investment strategy are set out below:

Type of charge	Description	Amount
Initial charge	One off charge taken before or after an investment is made	None
Redemption charge	One off charge taken before or after an investment is made	None
Ongoing charges	Charges taken from the Fund over a year	0.75%
Performance fee	Charges taken from the Fund under certain specific conditions	None
Early exit charge	Charges taken from a Member's fund value on early withdrawal from the Fund.	None

Summary:

- All costs and charges for the above default investment strategy are within the 0.75% charge cap.
- All costs above 0.75% TER are absorbed by COURTIERs and are not passed on to members.
- There are no other additional costs or charges that are passed on to scheme members.
- The Provider may charge additional fees to the employer(s) directly for the costs of the administration of the Group SIPP. These are not member-borne and therefore out of scope of this report, but are included for completeness. The Provider operates on a 'per-member/per-year' fee, billed to the employer(s) on a regular basis.