Virgin Stakeholder Pension

Independent Governance Committee
Chair's Report for the year ending 5 April 2020

The IGC encourages you to read this report

Inside this year's report

What does the IGC do?

The IGC is here to represent your interests as pension policyholders. The IGC operates independently of Virgin Money, in accordance with our terms of reference which are set out in pages 21-22.

The primary responsibility of the IGC is to assess whether you receive value for money from your pension, and to raise any concerns we identify with the Provider. The IGC is also required to issue an annual report on how we think your pension is performing. This is the report that we have produced.

Your IGC comprises five members, with a majority of wholly independent members including an independent Chair, all of whom were appointed following an open and transparent recruitment and interview process.

The terms of appointment of Company nominated members include the duty to act solely in the interests of relevant policyholders, which overrides any obligations to their employer or indeed their duty to shareholders. All members are considered independent in character and judgement.

All costs associated with the IGC, including the fees of the independent members are met by the Provider. The IGC believes that it is given appropriate resources by the Provider to carry out its duties.

The IGC considers that it has sufficient expertise, experience and independence to act in policyholders interests.

Additional Information

I'm not sure which pension I have or how it works?

Your pension is with Virgin Money and you can contact Virgin Money directly with any questions you have about your pension. Virgin Money can be contacted at

03456 10 20 30.

Alternatively please refer to documentation the Provider will have sent to you.

How can I estimate the size of my pension pot at retirement?

Virgin Money has a pension calculator on its website which can be used for this purpose. You can access the calculator at the following address:
http://uk.virginmoney.com/virgin/pension/personal/pension-calculator.jsp

Can I contact the IGC if I have questions?

We would encourage you to get in touch with any feedback or any questions. You can contact the IGC at **workplacepensionsfeedback@virginmoney.com**

Chair’s Statement

Almost five years have passed since Independent Governance Committees (IGCs) were established by the Financial Conduct Authority (FCA) to look after the interests of Workplace Pension (WP) policyholders to ensure that they were receiving value for money. Last November the FCA commenced a review into the effectiveness of IGCs. At the same time, in what appeared to be an endorsement of their effectiveness, the FCA gave IGCs additional responsibilities in particular with regard to Environmental, Social and Governance (ESG) issues.

This seems a good time, therefore, to examine the effectiveness of the Virgin Money (VM) IGC. Have we been effective and have we made real progress in holding management to account where necessary? Where we have had concerns in the past I would like to think that we have made progress although all the outcomes we have sought are not yet in place. It has been frustrating at times but we have been persistent in robustly challenging management including, of course, escalating our concerns to the Financial Conduct Authority. We have not achieved as much as we would have liked in certain areas, namely regarding the Default Strategy. Even where we have achieved changes, they did not occur as quickly as we hoped.

In all our past Annual Reports we have highlighted our continuing concern with the Default Strategy (DS) in place for policyholders, which has not been updated following suitability reviews since it was first introduced in 1995. Almost five years after the introduction of pension freedoms, which radically changed how people could take their pensions on retirement, the VM DS still assumes that members will take an annuity on retirement. As indicated in successive Annual Reports your IGC has argued strongly that the existing DS was no longer fit for purpose. It should have been updated to reflect the fact that the pension freedoms’ legislation gave members options to take their pensions in different ways other than by simply purchasing an annuity. Wider evidence suggested that nationally most pension members would wish to go into drawdown or take their pensions pot in cash. Even after VM had agreed to review their DS in 2016 they decided not to proceed with any changes. The DS has therefore remained unchanged for almost 25 years while at the same time almost all other pension providers have updated their DSs to reflect the changed pensions environment.

The Committee believe there have been several contributory factors why VM was reluctant to make any changes to their DS. It would appear that the VM Unit Trust Managers board had been uncertain for several years as to their preferred direction of travel for taking the business forward. At the same time there have been too many changes of personnel at the top which inevitably created uncertainty and, we believe, resulted in a lack of strategic focus.

Be that as it may, the fact that no changes have been to the DS in the past is, in the view of your IGC, likely have represented poor value for money for members. However we believe that the outlook is now more positive. There is a clear road forward with the Joint Venture (JV) with Aberdeen Standard Investments (ASI), which we referred to in our 2018 Report. This became “live” in August last year after receiving all the necessary regulatory approvals. Inevitably this has resulted in a number of important changes including new Investment managers and commitment to moving to a new Third Party Administrator. Service and Administration has always been good in the past and the IGC will be closely monitoring this aspect of the business in the future to ensure that there are no reduction in future service levels. The JV will also result in a broadening of VM's investment capabilities which can only be to members' advantage.

The Default situation is finally being addressed. VM and ASI, together with Investment consultants, Hymans Robertson -with input from the IGC - have been working for some time now on a new DS. Unfortunately this is unlikely to be implemented before late 2020, which is very disappointing and much later than we have been pressing for. Most importantly, however, the new DS will address one of the IGC's primary concerns, namely the lack of diversification of asset classes and geographical markets within the DS fund. There is a more detailed update on the DS on page 9 of this report.

Your IGC has also been successful in achieving a reduction in fund charges with effect from January 2019, as mentioned in our last report. Previously charges, while within the regulatory cap, were higher than many of their competitors. They are now in line with the industry average for comparable passively managed funds. We had hoped for an even more competitive rate for policyholders as charges have a direct relationship on the size of a member's final pension pot.

We hope that the new relationship with ASI will result in improved investment performance as previous performance has, at best, been mixed. Overall we want to be positive about the new arrangement with ASI which should work to policyholders' advantage but it is very early days and we will be monitoring the situation closely in the months ahead.

As promised we carried out a survey of members immediately after the publication of our last Annual Report. We welcome and appreciate the responses from those members who completed the survey and their feedback has been extremely helpful. While we would have preferred a higher response level it was encouraging that Members seemed very satisfied with VM and there did not appear any areas of concern. Indeed, the level of complaints from Members over the years has always been very low. I would remind members that we welcome questions or feedback at any time.

You can contact the IGC at workplacepensionsfeedback@virginmoney.com

At their Annual Conference last October, the Pensions and Lifetime Savings Association (PLSA) launched their new Retirement Living Standards guide, which subsequently received national publicity. It made interesting and thought provoking reading. The guide indicated that in broad terms an individual having a retirement income of about £10,000 pa after tax would have only a minimum standard of living, while an income of around £20,000 pa would result in a moderate living standard. To enjoy a "comfortable "lifestyle the PLSA estimated individuals would require approximately £30,000 pa. The comparable income for Couples was about £15,000, £30,000 and £45,000 respectively.

It is encouraging that the Association felt that through a combination of the full state pension, currently £8,767 pa and auto enrolment in workplace pensions, higher levels of income could be achievable for most people. However, of course, everyone's circumstances are different. What the PLSA does not say, but is implicit, is that everyone should review their levels of contributions to ensure that they are contributing the maximum they can afford- and remember you receive tax relief on pension payments. The more one pays into a pension scheme – and the longer you save – the more likely it is that you will achieve a comfortable standard of living in retirement. This must be the goal for everyone. I strongly urge you, therefore, to regularly review your contributions and, if possible, pay more into your pension.

Remember: A small change in your pension contribution today can make a big difference to your retirement pot in the future.

As this report is finalised, we face the immediate challenge of the global Covid-19 pandemic and the uncertainty it brings for everyone. This uncertainty has extended to the economy and volatile global investment markets, where your pensions are invested. At times like these, it is important to remember that pensions are a long term investment. History suggests that staying the course in the face of market fluctuations and continuing to make regular contributions is the best way to continue to build your pension pot in the long term.

To maintain service levels in the face of government advice on restricted movement of people, Virgin Money in conjunction with its key business partners, have taken robust steps to protect their staff and minimise the disruption to the services they offer you. Staff have been relocated and where possible are now working from home including customer service centre staff so that your calls can still be answered. Online capacity is constantly reviewed and disaster recovery plans tested regularly to ensure continuity of service in times such as these. As the pandemic unfolds there may need to be changes to the service the provider can support but you will be kept fully informed and they will ensure that you always have access to your accounts and assets.

Sir David Chapman

5 April 2020

Executive Summary – Value for Money

In April each year, the Independent Governance Committee (IGC) for the Virgin Stakeholder Pension scheme sends you a report on how we believe your pension Provider (Virgin Money) is managing your pension. Our report contains feedback on things we like about your pension, the way it is managed, as well as some areas where we believe improvements should be made by the Provider. This is our fifth report, which provides an update for the year ended 5 April 2020.

The IGC has developed a scorecard to assess whether your pension is delivering value for money. A summary of the scorecard is provided below, with the full version available in appendix 1.

Overall Value for Money assessment

The IGC believes that the Provider offers fair value for money to its workplace pension policyholders. While we note that changes have been made (such as the reduction in fund charges last year), the default strategy (the Provider's 'automatic fund selector') still requires immediate revision to make it more appropriate to the needs of policyholders. However, a redesign of the default strategy is finally being revised and is planned for implementation by the end of 2020.

Value for Money factor	Status	April 2019	April 2020
Default strategy	In previous years we have reported concerns over the default strategy not being aligned to your needs. The Provider is in the process of redesigning the default strategy, which we believe, addresses our concerns. The implementation of this is planned at the end of 2020 and you will receive appropriate communications about the changes in due course. We will monitor this implementation closely over the coming year. Until its delivery, we continue to assess the current default strategy as not fit for purpose, until an improved strategy is in place.	R	R
Performance & characteristics	The default strategy comprises two funds and, based on external benchmarking, the performance of these funds is modest. Please see pages 10-14 for more information.	A	A
Account servicing	The Provider continues to pay considerable attention to the servicing and administration of the policyholder's pension. The IGC continues to believe that this is fit for purpose.	G	G
Costs, charges and benefits	The default fund charge (0.6%) is broadly in line with the average fee for comparable, passively managed schemes. The IGC continues to believe that the simplicity of the scheme is helpful for policyholders.	G	G

An explanation of our findings and what they mean for you

The colour coded scoring system of **Red**, **Amber** and **Green** is used on the scorecard to demonstrate how your pension has been assessed with regards to value for money for policyholders. The scoring system is our assessment of suitability, not an assessment of regulatory compliance. **Red** indicates that urgent attention is required, **Amber** that there is room for improvement, and **Green** that performance is satisfactory.

We have provided further details below to help explain what these mean for you.

Default strategy - urgent attention required

The Provider is redesigning the default strategy after criticism by the IGC in successive annual reports. The new strategy is planned for delivery at the end of 2020. This is an important development because your pension will automatically be invested in the "default strategy" unless you have told the Provider you wish to invest differently. We continue to rate this Red until the new strategy is implemented.

Fund performance and characteristics – room for improvement

The performance of the funds where your pension is invested will have a significant impact on how much pension you'll have to retire with. The IGC uses Hymans Robertson to conduct external benchmarking to assess how well your funds are performing compared to other schemes. We have included this analysis on pages 10-14.

Account servicing – fit for purpose

The IGC believes the operation is continuing to perform well and is delivering value for policyholders. The IGC monitors how long it takes for requests to be actioned, the turn-around times for complaints as well as the number of complaints successfully resolved, and service improvements made for policyholders. The IGC has satisfied itself that the operation is working well for policyholders. The proposed migration to a new platform in 2021 carries some risk so we will closely monitor the situation.

Costs, charges and benefits – fit for purpose

As pensions are a long term investments the impact of annual charges can be significant on the overall value of your fund. The new charge of 0.6% for default funds, implemented in January 2019, is a significant improvement for policyholders. Further information on costs and charges is included on pages 13-14.

Appendix 1 provides the full scorecard for your attention

Default Strategy – an update

In the Annual Report for 2019, the IGC reported concerns it had raised with the Provider about the Default Strategy. The Provider listened to these concerns and has agreed to some changes designed to improve member outcomes for those pension policyholders invested in the default strategy.

To recap, the 'Default Strategy' is the way in which payments into your pension will be invested, on your behalf, unless you choose otherwise. It is also known as the 'automatic fund selector' or 'AFS'.

The IGC had asked the Provider to invest payments into a wider range of investment assets to improve long-term investment performance and to better manage investment risks. This improved 'diversification' is a recognised part of sound investment strategy.

The IGC also asked the Provider to review the design of the automatic fund selector in the retirement phase as policyholders approach their chosen retirement date to better reflect the greater flexibility and choice about how you can take your pension.

What happened during 2019?

As previously reported, the joint venture with Aberdeen Standard Investments ('ASI') belatedly received regulatory approval from the FCA in the year (August 2019) and the Provider in the future will be able to offer a broader range of market leading investments.

What happens next?

Recently, details of the proposed redesigned Default Strategy addressing the concerns raised by the IGC have been shared with the IGC. However this is taking longer to put in place than had been expected. The Provider expects to write to policyholders about the changes Q2 2020 and the new Default Strategy seems likely to be introduced towards the end of 2020.

The IGC continues to monitor progress with these changes and encourages the Provider to introduce the new Default Strategy as soon as possible.

A closer look - Fund performance

Comparison of default fund (or 'automatic fund selector') returns

One way of assessing the value for money of your pension is to look at returns over time compared to other schemes available on the market. Again this year, the IGC asked Hymans Robertson LLP to gather information about how the returns of your scheme compare to other pension schemes with similar aims.

Hymans Robertson collected returns from nine providers. Of these, only Virgin Money continues to design their default strategy assuming policyholders will buy an annuity (or a guaranteed income for life). The remaining eight have changed their default strategy to cover the new options available since pensions freedoms were introduced in April 2015: many now offer a full range of investment strategies targeting annuities, cash or flexible income drawdown when a member retires.

Please note: While the other strategies offer a variety of different investment approaches, their purpose is broadly similar: to provide high growth in the early years of your pension savings, followed by a gradual reduction of risk as you approach retirement.

Growth phase returns – retirement is still some way off

In the Virgin Money default strategy your pension is invested 100% in the Virgin Pension Growth Fund until you are ten years away from retirement. The returns during these years are therefore very important to the size of your pension pot.
Globally, stock markets performed well in 2019, after going backwards in 2018. This reversal affected all default funds in the group we surveyed, leading to strong returns in 2019. The UK stock market performed well too, leaving Virgin Money ranked second in the group out of nine for 2019.

For the five years to 31 December 2019, you can see from the table that returns in individual calendar years go up and down a lot, reflecting the nature of stock market investing. That's why the IGC believes it is important to diversify beyond UK shares alone, as it can provide some diversification benefits to smooth returns over time. Over the five years to 31 December 2019, Virgin Money is ranked at the bottom within the survey, due in part we believe to its narrower focus on UK shares. In the five years we have been looking at performance of this fund, it provided a return above the median of its peers in two years.

Over the longer term, shares make up a significant proportion of most pension scheme default investment strategies because of their potential to provide returns in excess of price inflation. Put simply, you want your savings to keep pace with prices over time so that in retirement, you can cover your living expenses.

Over the five years to 31 December 2019, the CPI inflation rate was 1.6% per annum, and therefore the Virgin Money Pension Growth Fund has materially outperformed inflation over this period.

The following table shows how returns vary a lot from year to year. Pensions are a long term investment and five-year returns are more relevant than single calendar year returns.

Returns from growth funds of default pension schemes	1 year to 31 Dec 2015	1 year to 31 Dec 2016 %	1 year to 31 Dec 2017 %	1 year to 31 Dec 2018 %	1 year to 31 Dec 2019 %	5 years to 31 Dec 2019 % per annum
Highest	4.0	22.5%	14.6%	-3.4	23.2	8.1% pa
Median	1.4	18.0%	10.3%	-5.3	16.3	7.5% pa
Lowest	-0.1	12.6%	8.7%	-10.2	13.2	6.6% pa
Virgin Pension Growth Fund	0.2	15.6%	11.9%	-10.2	18.4	6.6% pa
Ranking*	8th/10	9th/13	2nd/10	10th/10	2nd/9	6th/6

Source: Financial Express. Performance of all funds is shown after the deduction of standard charges, but the actual level of fund charges may vary depending on the terms of individual policies

**The number of respondents to the survey varied from year to year. Some schemes have not been going for five years so no data was available for them.*

Returns approaching retirement

Ten years before your planned retirement date, Virgin Money gradually reduces investments in the Virgin Pension Growth Fund and increases investment in the Virgin Money Pension Bond and Gilt Fund (previously called the Income Protector Fund). By the time you reach your final year before retirement, the AFS will put 100% of your retirement pot in the Pension Bond and Gilt Fund.

The period towards retirement is where the Virgin Money default strategy's performance has been least competitive over the five years to 31 December 2019. It reflects the investment strategy selected by Virgin Money of an increased allocation to the Pension Bond and Gilt Fund as your retirement date approaches. However, the number of comparable schemes is small and shrinking, as more providers move their workplace policyholders to newly-designed default strategies that focus on flexible income drawdown options at retirement. In 2019, all schemes in this category produced increases in the value of members' pension pots, with Virgin Money ranked 8th=/9 for the year and 5th/5 for five years.

The table below shows annual returns for policyholders reaching their nominated retirement date on 31 December of 2015, 2016, 2017, 2018, and 2019, and for the five years to 31 December 2019. It is compared with other pension schemes also targeting annuities at retirement. See below for the assumptions used for this comparison. In the five years we have been looking at performance of this fund, it provided a return above the median of its peers in one year (2018).

Returns up to retirement on 31 December from pension schemes targeting annuity purchase	1 year to 31 Dec 2015 %	1 year to 31 Dec 2016 %	1 year to 31 Dec 2017 %	1 year to 31 Dec 2018 %	1 year to 31 Dec 2019 %	5 years to 31 Dec 2019 % per annum
Highest	1.4%	14.4%	7.3%	-0.1	12.3	6.8% pa
Median	-0.1%	13.2%	3.5%	-1.5	9.3	4.9% pa
Lowest	-2.5%	8.1%	1.6%	-5.4	5.0	3.2% pa
Virgin Money Default strategy (AFS)	-0.4%	8.1%	1.6%	-0.5	5.0	3.2% pa
Ranking*	7th/10	10th/10	9th/9	3rd/10	8=/9	5th/5

Source: Financial Express. Performance of all funds is shown after the deduction of standard charges, but the actual level of fund charges may vary depending on the terms of individual policies.

**The number of respondents in the survey varied from year to year. Some schemes have not been going for five years so no data was available for them.*

Member Charges and Transaction Costs

In 2018, regulations came into force requiring investment managers to provide information about transaction costs when these are requested by the IGC.

Transaction costs are generally the costs involved in the buying and selling of investments. Examples of transaction costs include stamp duty, taxes, broker commission and the effect of timing of investment transactions and member switching. Such costs, along with the Annual Management Charge, can reduce the value of your pension savings.

A detailed breakdown of the various components that make up total transactions costs can be found in Appendix 2. A summary of the total transaction costs for the funds comprising the default investment strategy, together with those for the optional investment funds, are shown in the tables below.

The following table shows the total fees you pay and the transaction costs incurred during 2019, compared with 2018. Given that the underlying funds are tracker funds and closely follow a share index, we would generally expect transaction costs to be low and this is the case.

Funds in the Default Strategy				
	Virgin Pension Growth Fund		Virgin Money Pension Bond and Gilt Fund	
Year ending 31 December	2019**	2018	2019**	2018
Total Transaction costs	0.041%	0.053%	0.055%	-0.15%***
Annual Management Charge*	0.6%	1.0%	0.6%	1.0%
Annual Management Charge – Auto-enrolment*	0.6%	0.75%	0.6%	0.75%

*From 25 January 2019, the annual management charge was reduced to 0.6%pa.

** On 28 August 2019, both funds moved to single pricing, whereas previously they were dual priced. This has a slight impact on the way transaction costs are calculated, but in tracker funds this is very small.

*** Based on the regulator's prescribed method of calculating transaction costs in dual priced funds, the timing of investment transactions produced a small positive benefit to members in 2018.

The area of detailed cost disclosure is still developing across the investment industry and comparable data is limited, especially for pension schemes. We are pleased to report that Virgin Money was able to provide a full outline of various costs and charges in a timely fashion this year.

In 2019, transaction costs reduced marginally in the Growth Fund compared with 2018 and increased somewhat in the Bond and Gilt Fund. Transaction costs are expected to vary from year to year, and these costs are low as a % of your fund value. Our adviser, Hymans Robertson, has reviewed the detailed transaction costs reported by Virgin Money for 2019 and concluded that they are reasonable for the type of funds used (i.e. tracker funds).

Other Funds available to Workplace Pension Members						
	Virgin Pension Bond, Gilt and UK Share Fund		**Virgin Pension Bond, Gilt, UK and Overseas Share Fund**		**Virgin Pension Share Fund**	
Year ending 31 December	2019	2018	2019	2018	2019	2018
Total Transaction costs	0.056%	0.032%	0.058%	0.035%	0.092%	0.015%
Annual Management Charge	1%	1%	1%	1%	1%	1%

This year, we are also including the transaction costs for the optional funds available to you from Virgin Money as a workplace pension member. Transaction costs increased across all funds in the range compared with 2018. Transaction costs are expected to vary from year to year. Our adviser, Hymans Robertson, has reviewed the detailed transaction costs reported by Virgin Money for 2019 and concluded that they are reasonable for the type of funds used (i.e. tracker funds).

In February 2020 the FCA published new requirements for providers of workplace pensions to send you an annual communication about costs and charges and to publish such information on a publicly available website (Policy Statement PS20/2). This would include an illustration to show you how costs and charges would build up over time. The first of these reports will be due by 31 July 2021 for the year ending 31 December 2020. The IGC will monitor how Virgin Money meets and communicates these new requirements when they come into force.

Environmental, Social and Governance (ESG)

New rules are being implemented by the FCA from the 6th April 2020, for your IGC to publish in their annual report our opinion on the adequacy and quality of the provider's policies on ESG, any concerns we raise and how the provider has responded to these.

Next year, we will include ESG within the scorecard system for ease of reference, however, until this is implemented we have asked the provider whether sustainability and Environmental, Social and Governance (ESG) responsibilities are considered when selecting the investment funds offered to policyholders.

Virgin Money manages investments on behalf of workplace pension members which in addition to considering how best to invest your money from a return perspective, also requires the consideration of the long term financial risks and opportunities presented by ESG factors.

The funds offered by the workplace pension are index-tracking funds. This means that rather than a fund manager choosing which companies to invest in (and which not), each Fund invests in the companies that are included within each stock market index (i.e. FTSE All Share index, 600+ companies, which the Virgin Money Pension Growth fund invests in).

Whilst the decision whether to invest or not in a company is driven by representation within an index, as owners of these companies, it is the Fund Managers' responsibility to engage with them over ESG issues on your behalf.

Virgin Money has appointed Aberdeen Standard Investments (ASI) as Investment Adviser to the funds within the Virgin Money Stakeholder Pension scheme. ASI is a signatory to the UK Stewardship Code which has recently been updated to reflect the growing importance of ESG factors (including climate change) as material issues for investors to consider when making investment decisions and undertaking Stewardship.

ASI has a policy on their Stewardship approach which details how it integrates Stewardship and ESG factors into investment processes with expertise and analysis of the assets and companies it invests in. Particularly important for funds which aim to track the performance of an index is the role of Engagement and exercising Voting Rights.

By engaging with companies ASI is able to hold them to account on risks and opportunities arising from ESG factors and how they are working to meet the UN Sustainable Development Goals (SDGs). ASI will seek to improve long term value through engagement and has a process of escalation where concerns are found. ASI has voting policies to underpin engagement and emphasise views as a shareholder, information on key voting is disclosed publically on a quarterly basis.

Virgin Money has a Shareholder Engagement Policy which is reviewed on an annual basis. For workplace pension members the only fund directly invested in company shares is the Virgin Pension Growth Fund which is 100% invested in the Virgin UK Index Tracking Trust. On the website, detail is provided of company engagement in action, by showing some of the key votes taken over the previous year, where a vote has been cast against management, with the view to encourage better behaviour / practice, which includes ESG related matters.

Virgin Money is also committed to further work in this area. In 2020 we will be increasing our oversight of ASI's voting and engagement activities and looking to develop our own Responsible Investment Policy which would inform our ongoing approach to Stewardship and ESG Integration.

The below links provide information on the policies from ASI and Virgin Money:

ASI Stewardship Code:

https://uk.virginmoney.com/virgin/assets/pdf/asi-uk-stewardship-code.pdf

Virgin Money Shareholder Engagement Policy:

https://uk.virginmoney.com/virgin/service/investments/investor-engagement-policy/

Your provider's response to this report

Comments from provider

This has been a transformational year for Virgin Money with 50% of the company having being sold to Aberdeen Standard Investments (ASI) on 31 July 2019. The partnership provides a strong set of skills that can be used to transform the existing business including addressing concerns previously raised by the IGC. The partnership is well underway with the development of new products and fund range, including the move to a digital service which will offer benefits to new and existing customer in the future.

Early in 2019 we were pleased to make pricing improvements on the two funds used by our pension default investment strategy for our members. This saw the price of these funds reduced from 1% to 0.60% from late January 2019. We would remind members that the price you pay is an all in price unlike many of our competitors. We don't charge separately for administration or fund fees so the annual management charge is all that you pay. That often makes us look expensive on comparison sites but after taking into consideration typical administration fees we consider that the new charges represent value for money for the service we offer.

Virgin Money is committed to delivering value for money, from this year we are also required to include a statement of value in the annual report and accounts for both the Virgin Stakeholder Pension Scheme and the funds it invests in (you can find these published on our website).

In 2020 we hope to deliver the new digital service which will see some positive changes to the way in which members access their account details but most importantly we hope to deliver a new pension default investment strategy which will provide a modern flexible design more aligned to current retirement choices.

The new default strategy will increase both diversification in the assets and the geographic markets invested in, as well as implementing changes to the design to better align with how our members may access their pension savings given the range of retirement options available to them. We are committed to implementing these changes as quickly as possible whilst keeping the safety of our customer's assets at the heart of everything we do. Members will receive appropriate correspondence over the course of the year.

As always, we would strongly recommend customers to use either the government's free and impartial guidance service 'Pension Wise' or seek independent advice, to consider both the default strategy and options for using their pension savings.

Looking back over 2019, the UK stock market enjoyed its best calendar year in a decade. The Pension Growth Fund, investing in the UK FTSE All-Share Fund, had an impressive annual return of 18.4% after charges. Whilst economic growth around the world was relatively sluggish, UK inflation remains below target and central banks have kept interest rates low which has supported share prices.

The Pension Bond & Gilt Fund returned 5% for the year after charges, a decent return considering the Fund invests in lower risk bonds - Gilts and Corporate Bonds with strong credit ratings (to minimise the risk of any bond issuer not being able to make payments).

Our new products, services and default strategy will provide customers with a new fund range built with the expertise of our partner ASI. As stated in our commitments in relation to Environmental, Social and Governance (ESG) factors we will continue to develop our investment approach with these in mind, with a view to including further in our future development and in our stewardship of the existing funds we manage on behalf of customers.

The IGC's Plan for 2020-21

The IGC will continue to build a collaborative relationship with the provider to continue working in the interests of members.

The main focus of the IGC's work for 2020/21 will be:

- Implementation of the new default strategy
- Reporting obligations introduced by the FCA
- Consider the FCA's new investment pathways
- Monitor evolving practices with regard to ESG, ethical and stewardship policies.
- Closely monitor the migration to the new platform (expected in 2021)
- Monitor the investment returns of your pension
- To encourage members to give their views on the Virgin Money Stakeholder Pension

The Members of the IGC

Sir David Chapman Bt. DL. B.Com. – Independent Chair

Sir David has a Finance and Investment background. He is currently Chair of the Virgin Money Retirement Savings Scheme, having previously been Chair of Northern Rock Pension Scheme and Northern Rock Asset Management Pension Scheme. In addition, he is Chair of North East Finance (Holdco) Limited and has previously held non-executive positions with a number of companies both publicly quoted and private. A former CBI Council member and a director of the London Stock Exchange, in 1995 Sir David was the latter's nominee on a corporate governance committee, the Greenbury Committee on Directors' Remuneration, representing the interests of small shareholders.

Steve Balmont – Independent Member

Steve has acted as a professional pension trustee since 2000. As a trustee executive with BESTrustees Limited he is involved with defined benefit and defined contribution pension schemes of various sizes and complexity and has experience in investment, administration, governance and funding. Steve is a Chartered Accountant by professional background. He is involved with various pensions' bodies including the Association of Professional Pension Trustees, the Pensions Research Accountants Group and PLSA South London. He is company secretary at BESTrustees and has also had a long association on the Board of London South Bank University and, more recently, the subsidiary Lambeth College.

Dianne Day – Independent Member

Dianne is a professional trustee with Independent Trustee Services Limited. She has a wealth of experience in investment, governance and trusteeship in the UK and Australia. She has held senior executive roles with investment firms, including Board accountability for substantial investment portfolios and pension funds. She has been a Pension Trustee since 2007 and has experience serving on both defined benefit and defined contribution schemes.

She is particularly interested in effective member communications and engagement strategies. Dianne holds a BA, MBA (Hons) and a Diploma of Applied Finance & Investment. She is a member of the Association of Professional Pension Trustees and the Pensions Management Institute.

Mark Bowers

Mark is an experienced qualified accountant with over 20 years of experience working in practice and financial services. Mark completed his accountancy training at Ernst & Young, working in external audit with a range of both corporate and pension clients, and is now a fellow of the Association of Chartered Certified Accountants (FCCA). Mark joined Northern Rock plc in 2009 as an assistant director initially responsible for monitoring the operational cost base. In his current role with Virgin Money, Mark is responsible for Strategic Projects within the finance function, ensuring effective delivery and implementation. This has provided significant experience of large scale complex change projects including loan portfolio migration, new business product build and regulatory compliance projects. Mark previously worked for Co-Operative Financial Services as a Strategy & Change finance business partner.

Susan Jamieson, CPA

Susan has extensive experience in Risk, regulatory compliance, and independent assurance through her career, 20 years of which have been spent in UK banking and investment management. She has served as the Client Money Oversight approved person for Virgin Money Unit Trust Managers and was responsible for leading the internal audit coverage of Standard Life Investments. Prior to working in the UK she spent 15 years in a public accounting practice in the USA where she qualified as a Certified Public Accountant. She holds a Bachelor of Arts degree in Economics. Susan left the Company & the IGC in March 2020.

Terms of Reference for the VMUTM IGC

These are the Terms of Reference for the Independent Governance Committee (the "IGC") for workplace personal pension members of the Virgin Stakeholder Pension Scheme (VSPS), available for use by UK based employers as a Group Stakeholder Personal Pension and/or an Automatic enrolment qualifying scheme which is provided and administered by Virgin Money Unit Trust Managers Ltd, an FCA authorised unit trust manager and stakeholder pension operator.

These Terms of Reference have been prepared in line with final rules to be added to the FCA's Conduct of Business Sourcebook (COBS) Pensions supplementary provisions in COBS 19.5 IGCs. Any further amendments to these final rules will be reflected as an update to these Terms of Reference.

When acting in accordance with these Terms of Reference, the IGC will have regard to the relevant FCA guidance contained at Appendix 2 and detailed supporting policies contained in the IGC corporate risk framework.

We note that an update to the terms of reference has been published by the FCA, expanding the IGC remit to include environmental, social and governance (ESG) issues and to oversee the value for money of investment pathway solutions for pension drawdown (pathway solutions). These changes take effect next year and have therefore been excluded from this report.

Definitions	
COBS	the FCA's Conduct of Business Sourcebook as amended from time to time
FCA	the Financial Conduct Authority
IGC	the Independent Governance Committee for the Virgin Stakeholder Pension Scheme provided by VMUTM to whom these Terms of Reference apply
Policyholders	all Virgin Stakeholder Pension customers who are active or deferred members of a workplace personal pension scheme administered by VMUTM (including both group stakeholder and automatic enrolment members)
Scheme	the Virgin Stakeholder Pension Scheme provided by VMUTM
VMUTM	Virgin Money Unit Trust Managers Ltd
VMUTM's governing body	The Board of Directors of Virgin Money Unit Trust Managers Ltd

Terms of Reference (continued)

(1) The IGC will act solely in the interests of Policyholders and manage any conflicts of interest that arise;

(2) The IGC will assess the ongoing value for money for Policyholders delivered by the Scheme particularly, though not exclusively, through assessing:
   a. whether VMUTM's default investment strategies;
      i. are designed and executed in the interests of Policyholders; and
      ii. have a clear statement of aims and objectives appropriate for those Policyholders
   b. whether the characteristics and net performance of investment strategies are regularly reviewed by VMUTM to ensure alignment with the interests of Policyholders and that VMUTM takes action to make any necessary changes;
   c. whether core Scheme financial transactions are processed promptly and accurately;
   d. the levels of charges borne by Policyholders; and
   e. the direct and indirect costs incurred as a result of managing and investing, and activities in connection with the managing and investing of the pension savings of Policyholders, including transaction costs;

(3) the IGC will raise with VMUTM's governing body any concerns it may have in relation to the value for money for Policyholders delivered by the Scheme;

(4) the IGC will escalate concerns as appropriate where VMUTM has not, in the IGC's opinion, addressed those concerns satisfactorily or at all;

(5) the IGC will meet, or otherwise make decisions to discharge its duties, using a quorum of at least three members, with the majority of the quorum being independent;

(6) the Chair of the IGC will be responsible for the production of an annual report setting out:
   a. the IGC's opinion on the value for money delivered by the Scheme, particularly against the matters listed under (2);
   b. how the IGC has considered Policyholders' interests;
   c. any concerns raised by the IGC with VMUTM's governing body and the response received to those concerns,
   d. how the IGC has sufficient expertise, experience and independence to act in Policyholders' interests;
   e. how each independent member of the IGC, together with confirmation that the IGC considers these members to be independent, having taken into account those matters set out at COBS 19.5.12G;
   f. the arrangements put in place by VMUTM to ensure that the views of Policyholders are directly represented to the IGC.

Appendix 1 - Assessing Value for Money - IGC Scorecard

In previous reports your IGC developed a scorecard to assess whether your pension is delivering value for money, which contained a set of objectives aligned to the FCA's Terms of Reference for IGC's. As outlined in FCA Policy Statement 15/3. There is no set definition of "Value for Money" provided in the FCA's final rules, so the IGC has reviewed Value for Money through a number of lenses, summarised in the scorecard. We have maintained the same scoring criteria in this year's scorecard to facilitate comparison with our previous reports.

As a reminder, the colour coded scoring system of Red, Amber and Green is used on the scorecard to demonstrate how your pension has been assessed with regards to value for money for policyholders. The scoring system is our assessment of suitability, not an assessment of regulatory compliance.

Default strategy **IGC objective:** Ensure default investment strategies are designed in the interests of policyholders, with a clear statement of aims, objectives and structure appropriate for policyholders	RAG status April 2019	RAG status April 2020
Summary of progress since last report: The provider has shared with the IGC its proposed redesign of the default strategy. We obtained third party opinions from Hymans Robertson (an independent pensions consulting service). We believe the new design addresses our concerns and we support its implementation. The provider plans to implement this new design at the end of 2020 and your IGC will monitor this closely. We continue to assess the current default strategy as not fit for purpose.	R	R

Additional detail - scoring criteria for the default strategy:

Is the default strategy designed in the interests of policyholders?
The IGC has reported in successive annual reports that it believes the Provider's default strategy requires urgent attention. As a reminder, the IGC believes that scheme policyholders should have access to the greater pension freedoms, introduced in April 2015, rather than the annuity strategy the current default targets. The IGC also believes the default strategy is too concentrated in UK equities and should be more diversified. The new design will address these concerns and you will be informed of all changes via your provider in due course.

Is there a clear statement of aims and objectives?
Yes, aims and objectives for the pension scheme and the default funds are documented, and shared with policyholders in the "Key features" documentation. In the past year the Provider has issued documentation to all policyholders reminding them of the key features and objectives.

Is the default strategy reviewed regularly?

The strategy is reviewed annually for regulatory and compliance purposes. The IGC has regularly challenged the suitability of the default strategy which has led to the current review and proposed changes.

Red indicates that urgent attention is required, **Amber** that there is room for improvement, and **Green** that performance is satisfactory.

Fund Performance and characteristics **IGC objective:** Consider whether the characteristics and net performance of investment strategies are aligned to the interests of policyholders and are regularly reviewed by the Provider, and take action to make changes as appropriate (including non-default strategies / funds)	RAG status April 2019	RAG status April 2020
Summary of progress since last report: The default strategy comprises two funds and based on external benchmarking the performance of these funds is relatively poor.	A	A

Additional detail - scoring criteria for fund performance and characteristics:

How does net performance compare to comparable funds?

The IGC has repeated its independent benchmarking exercise for a fourth year, to compare fund performance to comparable Provider performance. A full breakdown of this analysis has been made available on pages 10-14. As we reported previously, the higher fees and poor default design are making the fund returns less competitive when compared to other funds. The funds are performing within their permitted tolerances.

What are the fund characteristics and are these aligned to member interests?

We have commented previously on the lack of a cash fund as part of the default strategy, to further de-risk your pension when approaching retirement. The IGC believes a cash fund is an essential element of the default strategy in the run up to retirement. The FCA has previously released details of an analysis of the retirement market since the introduction of pensions' freedoms in April 2015. A key finding was the fact that a majority of pension pots are taken in cash, of which 90% are less than £30,000 in value. This reinforces the IGC's view that in schemes such as Virgin Money where the majority of policyholders are likely to have small pots at retirement the default strategy should have a significant allocation to cash at the point of retirement.

Red indicates that urgent attention is required, **Amber** that there is room for improvement, and **Green** that performance is satisfactory.

Account Servicing **IGC objective:** Review timescales and accuracy of transactions undertaken on behalf of policyholders and assess whether these are conducted within acceptable tolerances	RAG status April 2019	RAG status April 2020
Summary of progress since last report: The Provider continues to deliver on its account servicing responsibilities. The Provider shares internal management information with the IGC, which provides further evidence of the efficiencies of the process and service. As a measure of which customer complaints continue to be low.	G	G

Additional detail - scoring criteria for account servicing:

Are processing timescales within acceptable tolerances?

Core transactions generally appear to be processed promptly.

Is processing accuracy within acceptable tolerances?

Core transactions appear to be processed accurately.

Is the accounts servicing operation fit for purpose?

Overall, the operation appears to be fit for purpose. The Provider continues to address operational issues diligently as and when they arise. We will keep matters under close scrutiny as the Provider implements its JV with Aberdeen Standard Investments, to ensure customer service levels are not detrimentally impacted by the move.

Red indicates that urgent attention is required, **Amber** that there is room for improvement, and **Green** that performance is satisfactory.

Costs, charges and benefits **IGC objective:** Weigh up all the benefits and services delivered relative to their cost to policyholders, in the context of an assessment of whether policyholders need and value each benefit or service	**RAG status April 2019**	**RAG status April 2020**
Summary of progress since last report: Last year the Provider reduced fund charges for the two default funds to 0.6%, which is in line with the industry average for comparable, passively managed schemes. There has been no further price movements in this year. We will continue to monitor the fund charge position as the new default scheme is implemented.	G	G

Additional detail - scoring criteria for costs, charges and benefits:
Is the Provider compliant with the AE cap (0.75%)? Yes, at 0.6%.
Are the schemes appropriately governed? The information provided to the IGC appears comprehensive and does not give the Committee concern. Complaint volumes, which are low, continue to be in line with tolerances, and there are no concerns to highlight regarding these or other issues.
Is the administration of services, including member communication, fit for purpose? Policyholders appear to receive appropriate communications, both in terms of the number of statements and content. Day-to-day administration of the scheme appears to be fit for purpose.
Are costs and charges incurred by policyholders fair and transparent? Costs are clearly stated. Research undertaken by the IGC shows that the Annual Management Charge (AMC) for the default fund is in line with the value provided by such funds.
What are the main benefits provided by the scheme? The IGC continues to believe that the simplicity of the charging structure (with 'no nasties' or exit fees) is attractive and compares favourably to peers. The Provider also offers a high degree of flexibility in terms of contributions.

Red indicates that urgent attention is required, **Amber** that there is room for improvement, and **Green** that performance is satisfactory.

Appendix 2 – Transaction Costs

Transaction cost summary – Full Year Results

		2019 (full year)					2018 (full year)				
		Default Funds		Fund of Funds			Default Funds		Fund of Funds		
Transaction Cost	**Notes**	**Virgin Money UK Tracking Trust (Tracker)**	**Virgin Money Bond and Gilt Fund (B&G)**	**Virgin Bond, Gilt and UK Share Fund (VBGUK)**	**Virgin Bond, Gilt, UK and Overseas Share Fund (VBGOS)**	**Virgin Global Share Fund (Global)**	**Virgin Money UK Tracking Trust (Tracker)**	**Virgin Money Bond and Gilt Fund (B&G)**	**Virgin Bond, Gilt and UK Share Fund (VBGUK)**	**Virgin Bond, Gilt, UK and Overseas Share Fund (VBGOS)**	**Virgin Global Share Fund (Global)**
Lending & Borrowing Cost	Costs associated with stock lending - calculated according to COBS 19.8.17R	0.004%	0.002%	0.007%	0.004%	0.001%	0.017%	0.000%	0.000%	0.001%	0.000%
Explicit Taxes	Transaction taxes - such as stamp duty and financial transaction taxes	0.029%	0.000%	0.000%	0.000%	0.000%	0.014%	0.000%	0.000%	0.000%	0.000%
Explicit Fees & Charges	Broker commission and other explicit transaction costs	0.004%	0.000%	0.003%	0.002%	0.004%	0.002%	0.000%	0.005%	0.003%	0.005%
Implicit Costs	Transaction costs calculation for buying and selling transactions *[Slippage Cost]* - calculated according to COBS 19.8.9R - 19.8.16R	0.014%	0.068%	-0.003%	0.010%	0.053%	0.029%	0.010%	0.015%	0.021%	0.007%
Indirect Costs	Transaction costs incurred in an underlying investment vehicle *[Look Through]*	0.011%	0.000%	0.049%	0.042%	0.034%	0.008%	0.000%	0.011%	0.011%	0.003%
Anti-dilution offset (taken away from other costs)	Reduction to total transaction costs, either levy or adjustment for dual price funds* - calculated according to COBS 19.8.21	0.022%	0.014%	0.000%	0.000%	0.000%	0.018%	0.024%	0.000%	0.000%	0.000%
Total Transaction Costs		**0.041%**	**0.055%**	**0.056%**	**0.058%**	**0.092%**	0.053%	-0.015%	0.032%	0.035%	0.015%

AMC %**		0.6%	0.6%	1%	1%	1%	1%	1%	1%	1%	1%

** On 28 August 2019, Virgin Money UK Tracking Trust & Virgin Money Bond and Gilt Fund moved to single pricing, whereas previously they were dual priced.*

***AMC for default funds reduced to 0.6% as at 25.01.19*

Fund Level Commentary:

Fund	Supporting commentary for Total Annual Transaction Cost	Comparison to prior year
Virgin Money UK Tracking Trust (Tracker)	Lending & borrowing costs include securities lending and over draft expenses account fees. Buying and selling of stocks within the fund have generated explicit costs - commission, taxes and implicit trading costs (slippage - see methodology below). There are also indirect (look through) costs generated by investment trusts held by the fund. Total costs have been reduced by the benefit received from offsetting anti-dilution (see methodology below) from dual pricing of the fund up to 28/8 when the fund moved to the more standard single pricing method.	Transaction costs for 2019 are marginally lower than 2018. Costs associated with explicit taxes are higher than prior year, however this is offset by lower costs relating to stock lending and the implicit costs reflecting in the timing of buying and selling transactions.
Virgin Money Bond and Gilt Fund (B&G)	Buying and selling of stocks within the fund have generated implicit trading (slippage) costs. UK market practice is that commission is not charged for buying and selling bond/gilts and costs are recovered by brokers through the spread between bid and offer (buying and selling) prices. Implicit costs reflect the difference in the prices charged for the underlying stocks traded. Total costs have been reduced by the benefit received by offsetting anti-dilution resulting from the dual pricing of the funds up to 28/8 when the funds moved to the more standard single pricing method.	Transaction costs for 2019 are higher due to increased implicit costs. The increase in these costs reflects costs associated with the timing of trading stock. Further investigation is being undertaken to determine the movement in costs from prior year.
Virgin Bond, Gilt and UK Share Fund (VBGUK)	Buying and selling of stocks within the fund have generated explicit costs - commission, taxes. There are also indirect costs which are attributed to the transaction costs generated by the underlying funds which the VBGUK fund invests in. The fund is single priced and only dilution levies will apply to offset other costs. The fund currently has £37m of FUM, therefore less opportunity of economies of scale relating to transaction costs.	Transaction costs for 2019 are higher due to increased indirect costs. The increase in these costs reflects the costs associated with underlying funds invested in.
Virgin Bond, Gilt, UK and Overseas Share Fund (VBGOS)	Buying and selling of stocks within the fund have generated explicit costs - commission, taxes and implicit trading costs (slippage). There are also indirect costs which are attributed to the transaction cost generated by the underlying funds which the VBGOS fund invests in. The fund is single priced and only dilution levies will apply to offset other costs. The fund currently has £87m of FUM, therefore has less opportunity of economies of scale relating to transaction costs.	Transaction costs for 2019 are higher due to increased indirect costs. The increase in these costs reflects the costs associated with underlying funds invested in.
Virgin Global Share Fund (Global)	Buying and selling of stocks within the fund have generated explicit costs - commission, taxes and implicit trading costs (slippage). There are also indirect costs which are attributed to the transaction cost generated by the underlying funds which the Global fund invests in. The fund is single priced and only dilution levies will apply to offset other costs. The fund currently has £114m of FUM, therefore has less opportunity of economies of scale relating to transaction costs.	Transaction costs for 2019 are higher due to increased implicit and indirect costs. The increase in implicit costs reflects costs associated with the timing of trading stock. The increase in indirect costs reflects the costs associated with underlying funds invested in.

Additional Information:

Cost	Fund Accountant Calculation Methodology
Slippage	Calculated in accordance with COBS 19.8.9R - 19.8.16R - using date stamped orders for the arrival and execution price.
Look Through	Individual Funds - transaction costs associated with underlying vehicle (i.e. held within the All Share index we track, which includes CIS and investment trusts). Fund of funds - transactions cost associated with underlying funds related to proportion of fund held [basis used - Morningstar published transaction costs].
Anti-dilution Adjustment	Dual Priced funds [Tracking Trust & Bond and Gilt Fund to 28/8] - adjustment based on the clean mid-price (bid/offer spread). Levy funds [Fund of Funds + Default Funds from 28/8] - Actual levy charged will be used as anti-dilution offset.

Appendix 3- FCA's guidance on Terms of Reference for an IGC.

[Words in italics are defined in the FCA Handbook Glossary.]

(1) An *IGC* is expected to act in the interests of *relevant policyholders* both individually and collectively. Where there is the potential for conflict between individual and collective interests, the *IGC* should manage this conflict effectively. An *IGC* is not expected to deal directly with complaints from individual policyholders.

(2) The primary focus of an *IGC* should be the interests of *relevant policyholders.* Should a firm ask an *IGC* to consider the interests of other members, the firm should provide additional resources and support to the *IGC* such that the *IGC*'s ability to act in the interests of *relevant policyholders* is not compromised.

(3) An *IGC* should assess whether all the investment choices available to *relevant policyholders*, including default options, are regularly reviewed to ensure alignment with the interests of *relevant policyholders*.

(4) Where an *IGC* is unable to obtain from a firm, and ultimately from any other person providing relevant services, the information it requires to assess the matters in COBS 19.5.5R(2), the *IGC* should explain in the annual report why it has been unable to obtain the information and how it will take steps be granted access to that information in the future.

(5) If, having raised concerns with the firm's governing body about the value for money offered to *relevant policyholders* by a *relevant scheme*, the *IGC* is not satisfied with the response of the firm's governing body, the *IGC* Chair may escalate concerns to the FCA if the *IGC* thinks that would be appropriate. The I*GC* may also alert relevant policyholders and employers and make its concerns public.

(6) The *IGC* Chair should raise with the firm's governing body any concerns that the I*GC* has about the information or resources that the firm provides or about the arrangements that the firm puts in place to ensure that the views of *relevant policyholders* are directly represented to the *IGC*. If the *IGC* is not satisfied with the response of the firm's governing body, the *IGC* Chair may escalate its concerns to the FCA, if appropriate. The *IGC* may also make its concerns public.

(7) The *IGC* should make public the names of those members who are employees of the provider firm, unless there are compelling reasons not to do so. The *IGC* should consult employee members as to where there are such reasons.

Relevant extracts from the FCA glossary	
Term	**Definition**
IGC	(in COBS 19.5) an independent governance committee established by a firm with terms of reference which satisfy COBS 19.5.5R with the purpose, in summary, to represent the interests of relevant policyholders in the firm's relevant schemes.
Relevant policyholder	(in COBS 19.5) 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. 'Worker' has the same meaning as in section 88 of the Pensions Act 2008, that is, in summary, an individual who has entered into or works under (a) a contract of employment, or (b) any other contract by which the individual undertakes to do work or perform services personally for another party to the contract.
Relevant scheme	(in COBS 19.5) a personal pension scheme or stakeholder pension scheme in respect of which direct payment arrangements are, or have been, in place, under which contributions have been paid in respect of two or more employees of the same employer. 'Direct payment arrangements' has the same meaning as in section 111A of the Pension Schemes Act 1993, that is, arrangements under which contributions fall to be paid by or on behalf of the employer towards the scheme (a) on the employer's own account (but in respect of the employee); or (b) on behalf of the employee out of deductions from the employee's earnings.

Glossary of terms

As this is a regulatory document we have to use some jargon – to help you with any of the words you may not be familiar with we have provided a glossary below.

AFS – Auto Fund Selector. Referred to in the report as 'Default strategy'.

AMC – Annual Management Charge. Total charges set by the Provider to look after your fund.

Annuity – An annuity is purchased from an insurance company at retirement, using what you have built up in your Virgin Stakeholder Pension to provide you with an income/pension for the rest of your life.

Auto Enrolment – Employers have a legal duty to enrol all eligible employees into a qualifying workplace pension scheme and to make contributions towards their employees' pension.

Benchmarking – comparing your provider to other schemes/providers.

COLL - COLL is a set of regulations, prescribed by the FCA under the rulebook for New Collective Investment Schemes which all managers were required to adopt by February 2007.

Default strategy – the Provider chooses how your pension is invested on your behalf. The Provider refers to the default strategy as Auto Fund Selector or 'AFS'.

Diversified - a wide variety of investment funds.

ESG - a generic term used in capital markets and used by investors to evaluate corporate behaviour and to determine the future financial performance of companies. ESG stands for "environmental, social and governance" considerations, which include climate change.

FCA – Financial Conduct Authority.

IGC - Independent Governance Committee.

Median – The median provider in a rank of all providers is the one in the middle.

PA – Per Annum. Yearly or annually.

Provider – Virgin Money.

RAG status - the colour coded scoring system of Red, Amber and Green is used on the scorecards to demonstrate how your pension has been assessed with regards to value for money for policyholders.

Appendix 4 - List of meetings and work undertaken at each IGC

April 2019	
Virgin Money update to the IGC:	**IGC:**
- VMUTM Board meeting update - IGC Review items - Fund performance & member update - Service update - Service improvements - Regulatory update	- Member Feedback Survey - draft - The IGC's plan and focus for 2019/20

July 2019	
Virgin Money update to the IGC:	**IGC:**
- VMUTM Board meeting update -IGC review items -Fund performance & member update -Service update -Service improvements -Regulatory update	- Member Feedback Survey – Results and Analysis - ESG Considerations for IGC's

November 2019	
Virgin Money update to the IGC:	**IGC:**
- VMUTM Board meeting update - IGC review items - Fund performance & member update - Service update - Service improvement - Regulatory update	- IGC report 2020 planning - Response from VMUTM on the investment design and Projected Returns

February 2020	
Virgin Money update to the IGC:	**IGC:**
- VMUTM Board meeting update	- IGC draft report 2020
- IGC review items– Progress on Joint Venture with ASI	- Transaction costs disclosure
- Investment performance, Strategic asset allocation	
- Member update	
- Service update	
- Service improvements	
- Regulatory update	

We would encourage you to get in touch with any questions or feedback.

You can contact the IGC at **workplacepensionsfeedback@virginmoney.com.**