

PHOENIX INDEPENDENT GOVERNANCE COMMITTEE

Annual Report to Members of Phoenix Workplace Pension Schemes

For the year to 5 April 2017



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We are here solely for you...

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Have your say

We represent your interests, so we are keen to hear from you on what value for money means to you or about any concerns you may have with your Phoenix pension pot. We encourage you to get in touch with us at igc@thephoenixgroup.com

1. Introduction from the Chair



I feel happier knowing someone's looking out for me

Welcome to our second annual report. We were set up in 2015 to act solely in your interest and assess the value for money you are receiving from your workplace pension with Phoenix. We have built on what we described in [last year's report](#) and followed through on what we said we would do.

We have listened to what you have told us and focused on what you said is important. We have worked with Phoenix to make sure that the longer-term value for money solution that they develop is a real improvement for you. As promised last year, we have continued to monitor the costs and charges being deducted from your pension pots and all the other aspects of the value for money you receive.

We are particularly pleased that over 27,000 members (that's more than a quarter of the members we represent) have so far benefited from reduced charges and look forward to the start of the new, longer-term improvements that we have agreed with Phoenix. We are delighted that Phoenix have decided to review the charges again and are aiming to ensure that any ongoing maintenance charge is no more than 1% per annum. At the time of writing, we are still discussing with Phoenix how they can achieve this and exactly what it means for each policy. This will be our key area of focus in 2017, particularly working with Phoenix to get it implemented as soon as possible. In our view, this is a significant concession from Phoenix and we are pleased to have helped secure it for you.

However, we're not resting on our laurels. For one thing, the investment returns achieved on some of the funds your pension pot might be invested in have not been as good as we think you would want and so, on your behalf, we continue to oversee Phoenix's plans for changes. There are a number of other areas of particular focus for us at the moment, and these are described in the following pages.

A complex backdrop

There are a lot of things happening in the pensions world at the moment. The Financial Conduct Authority (FCA), the regulator that oversees how financial services providers treat their customers, has a number of projects on the go that are likely to have implications for pensions. A particular focus for them is the fund management industry (i.e. the people who invest pension pots and other long-term savings funds) and whether the costs charged by them represent good value for you. The FCA has also been

gathering views on how best to improve the transparency of these costs – something that should be of direct benefit to us in our work on your behalf.

There are a number of industry-led development projects underway too, with the aim of improving the information available to you and to us about your pension. Members of your IGC are involved in some of them, as we mention later on in this report.

Finally, work continues across the industry to improve the clarity of the documents that are sent to you about your pension. The Association of British Insurers (the trade body for providers like Phoenix) has published a number of recommendations in their “Making Retirement Choices Easier” paper and we have taken these on board in the way we have written this report.

We hope you find this report easy to understand, helpful and informative. We are always pleased to hear from members.

Do please get in touch - igc@thephoenixgroup.com

A handwritten signature in black ink, appearing to read "David Hare", is written over a horizontal line.

Dr. David Hare (Chair of the IGC)

31st March 2017

2. Who we are and why we are here

The Independent Governance Committee (IGC) exists solely for you, to act in your interests. While set up by Phoenix (in April 2015) in response to regulations, we act independently of the company. Our role is to review the value for money that you are receiving from your Phoenix workplace pension, or “pension pot”, and raise with Phoenix any concerns we might have on any aspect of what they are delivering to you. As described in last year’s report, we take a broad view of value for money. We look not only at the charges you are paying, but also at the quality of the communications, customer service and investment performance that Phoenix provides.

More details on each of the five members of the IGC and our independence from Phoenix is available on our webpage, which can be found in the “About Phoenix Life” section of the [Phoenix Life website](#). Our terms of reference can also be found there, along with other relevant information. Below is a brief introduction to who we are and why we want to be part of your IGC:

- **Dr David Hare (Independent chair)** *“I am an actuary by background and have worked in life insurance for the past 30 years. Having helped oversee the industry review of workplace pension charges several years ago, I was keen to play a part in following up the recommendations made and help ensure that pension savers get treated well.”*
- **Sheila Gunn (Independent member)** *“I am a lawyer by training and worked for over 20 years in the area of employment and pensions. I am passionate that customers are treated fairly, that their opinion is sought and heard, and that they receive communications from Phoenix Life that they can readily understand and act upon.”*
- **Margaret Snowdon OBE (Independent member)** *“I have worked in pensions for nearly 40 years and almost everything I do is about improving peoples’ retirement outcomes through raising the standard of operations, transparency and communication. I care about fairness in workplace pensions, so being a member of the IGC is an ideal way for me to ensure that you get value for money.”*
- **Craig Baker (Phoenix employee)** *“I have been working in Insurance and Investments for over 15 years and I’m responsible for the investment of the assets of Phoenix Life. This means that I’m dedicated to making sure you get the best possible outcome when you come to retire. I sit on the IGC as a provider-nominated member but I am here to act solely in your interests.”*
- **Mike Pennell (Phoenix employee)** *“I am an actuary with over 25 years’ experience and have worked in a variety of areas - product development, finance and have been involved in many one-off projects. This varied background has given me a good understanding of the business and I can use that knowledge to help ensure that Phoenix is working for you.”*

3. Executive Summary

The IGC is here for you as members of the workplace pension schemes operated by Phoenix. We oversee the value for money Phoenix is delivering for over 100,000 members across 44 different pension scheme designs.

In last year's report, we described our initial investigations into what Phoenix delivers and gave ratings of red, amber or green on a number of key aspects of value for money. We had some particular concerns about the level of charges some of you were paying. We thought this needed immediate action by Phoenix – and they did act. We are pleased that, so far, over 27,000 of you who were the members potentially exposed to a level of charge above 1.5% per year have benefited from reductions in charges on your pension pots with Phoenix. The charge reductions continue to apply and will do so until a longer-term solution is implemented by Phoenix. As we mentioned above, we are delighted that Phoenix have decided to review the charges again and are aiming to ensure that any ongoing maintenance charge is no more than 1% per annum.

This year we have continued to monitor Phoenix's performance across the different parts of value for money. We have also followed up the things we said we would look at in the "What are we doing next?" section of last year's report – in summary:

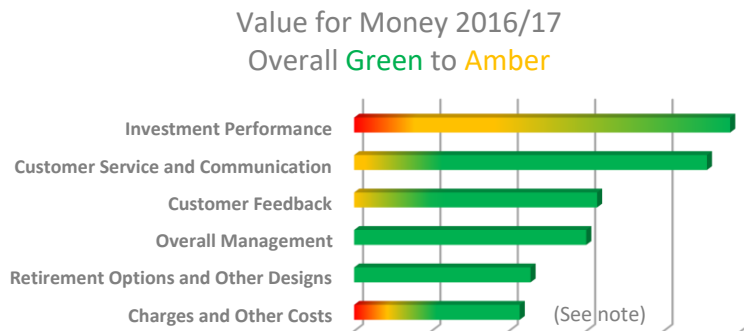
- to listen to you and take on board what you think;
- to agree an appropriate long-term solution with Phoenix;
- to dig deeper into the transaction costs deducted from your pension pots; and
- to develop a deeper understanding of what value for money means to you.

The later sections of this report give you more detail on what we have been doing on your behalf across these different areas, but here's a brief flavour of what we have done and what we have concluded.

We were pleased to learn that you appreciate the IGC being here, to look after your interests, and to tell you plainly what is good about your pension and what could be better. We recognise that, for many of you, what you get back from your pension is what matters most. This depends on how good the investment performance of your pension pot is, as well as what charges you pay. All of this is being looked at closely by us. We have also pushed Phoenix hard on the clarity of their communications to you; we have welcomed a number of improvements made by Phoenix and the plans they have for further improvements.

As well as listening to your views on value for money, we have listened to what others in the industry are saying about it. As a result, we have updated our view of value for money to include a new factor, namely how Phoenix behaves overall.

We have again rated Phoenix on the different aspects of value for money and these are shown in the following chart. The length of each bar reflects our understanding of how important each aspect is to you (the longer the bar, the more important) and the colour shows how well we think Phoenix is doing.



Note - The chart above shows the rating before this year's latest improvement was added. Had the latest agreed changes to charges been put into place, the overall rating would have been GREEN with a hint of AMBER.

Our overall assessment this year remains somewhere between amber and green, but with an improving picture compared to last year. That is why our verdict is "Green to Amber" this year, compared to "Amber to Green" last year. Section 8 of this report gives more detail on what we have seen and why we have given the ratings that we have.

On the whole, we believe that most of you receive good value on your policies, but that some issues remain. Our aim is for Phoenix to achieve green ratings across the board. We will keep monitoring all aspects, but particular attention will be paid by us to the issues that continue to concern us. For example, we want to consider what more Phoenix could be doing to:

- help you understand your pension better;
- make sure that you have good information on your investment choices; and
- make sure that the right things are being done to help you get good ongoing investment returns.

There have been a number of important developments in the world of pensions over the last year and we have been keeping an eye on them for you – indeed, some of the IGC members are actively involved in some of them. For example, Margaret Snowdon is a member of a panel appointed by the Government to advise on the development of an industry-wide approach to letting you see all your pension savings in one place, an idea known as the "pensions dashboard". David Hare is a member of the Independent Advisory Board set up to help the Investment Association improve the transparency of transaction costs and ensure that everything about the cost of investment decisions is disclosed that needs to be.

Going forward, we will continue to help improve things at an industry level. However, even more important to us, is continuing to help improve the value for money you receive from Phoenix on your pension pot.

Do please get in touch with us and tell us what you think we should be focusing on. After all, we are here solely for you.

4. Listening to you

A key part of our role is to listen to you. In our first report last year we told you about the dedicated webpage for the IGC on the Phoenix website and provided a link so that you can get in touch with us direct. The webpage can be found at www.phoenixlife.co.uk/IGC and our e-mail address is igc@thephoenixgroup.com. Please get in touch with any questions or concerns you have with your Phoenix pension or on issues arising in this report. We will respond to you.

In last year's report we also mentioned the customer panel that Phoenix had set up to hear directly from customers. The panel includes workplace pension scheme members and this has helped us ask about and understand your views.

What have you told us since last year's report?

From the feedback we received from the panel on last year's report, we were pleased that you feel that the work of the IGC is transparent and that we make Phoenix feel less anonymous to you. You also told us:

“Sharing the good and the bad shows you are being honest with me”.

This honesty and independence is important and is what we will continue to provide. We are pleased that in the feedback to Phoenix only 4% of customers said they were dissatisfied with the customer service that they receive; but you also told us:

“Phoenix can have the best customer help desk in the world, but if the policy is not performing financially, it's meaningless”.

In other words, what is happening to your pension pot, AND what that will mean for you when you retire, can matter more than how Phoenix handles your calls or letters.

This message was underlined by you in the research we asked for, through telephone interviews with the panel. You can see some of the output from this research on our webpage at www.phoenixlife.co.uk/IGC.

We asked you to let us know what is most important to you when assessing how satisfied you are with your pension. From your feedback, there are two key messages:

1. What pension you get when you retire

You are interested in what pension you get when you retire, and want to know that all the things Phoenix is doing with your pension pot will work together to give you the best possible outcome when you retire.

What have we done?

We have examined what is happening to your pension pot. We have looked at:

Charges taken from your pension pot

Annual management charges are taken from your pension pot. In Section 5 of this report we remind you of Phoenix's immediate proposal (contained in last year's report) to waive ongoing scheme charges for a number of schemes until longer term proposals were prepared, and go on to explain what those longer term proposals are.

The costs of buying and selling investments in your pension pot (known as "transaction costs") and how good the performance is where your money is invested

Transaction costs are in addition to annual management charges. Section 6 below tells you about these, our examination of them as they affect your pension pot and what we have asked Phoenix to do. Section 8 below gives our assessment on how Phoenix is overseeing how your money is invested.

Whether you are receiving value for money

Charges, costs and how well your pension pot is invested are only part of the wider picture of whether you are receiving value for money from Phoenix. Sections 7 and 8 below look more at the various parts of value for money, and how well Phoenix is delivering on these for you.

2. Clearer communications

Your feedback told us that many of you would like more information about your pension. You don't want any surprises and you want information that is given at the right time, that you can understand and that tells you when you need to do something. Some

of you find it difficult to readily understand the letters and statements you have been receiving about your pension and, as a result, many of you feel disengaged from your pension and how it is doing. We take this feedback seriously. We recognise the importance of easy access to understandable information about your pension.

What have we done?

Phoenix is working on a significant project to improve the content of information sent to you. We are taking every opportunity to work with Phoenix, to ensure that future messages are as clear and as focused as possible, giving information in an understandable way for everyone. We will continue this work with Phoenix on your behalf.

What else have we learned?

As well as listening to feedback from a number of you through the panel, we also approached a number of employers who use or have used the schemes offered by Phoenix to provide their staff with a pension. More employers will be approached over the next year. One employer said they were satisfied with the performance of the pension scheme and stated that Phoenix's charges for their particular scheme were low, but also found that their employees have little understanding of the pension itself. They said that providing information in different ways such as an annual visit from Phoenix to explain the pension to staff, or more online services from Phoenix, may benefit staff.

The rest of this report describes how your feedback has been listened to by us and shows what we are doing on your behalf to ensure that your interests are protected.

5. Agreeing a longer term solution for you

One of the key areas of focus for us since we started our work in April 2015 is the level of charges that are taken from your pension pots. Charges can significantly affect the amount of money available to you at retirement. We asked Phoenix to simplify the way they describe charges to us and just express them as a single number or percentage of the pension pot. We have called this the Annual Management Charge (AMC).

When IGCs were first being set up, an industry wide review of workplace pensions (in which our Chair was involved) recommended first of all looking at members who are paying more than 3% in AMC, then at 2% and finally at 1%. In our first year we decided to start at 1.5% rather than the suggested 3%, but we also knew that value for money for members was more than just the charges.

Immediate steps to improve value for money

We worked with Phoenix to take immediate action to make sure no member aged less than 55 would pay more than 1.5% in AMC per year. Phoenix did this by reducing some charges for 27,000 of you with smaller pension pots, where payments were no longer being paid into the pension pot. Phoenix will continue to waive these charges until a longer-term solution is implemented.

Any member aged 55 or over benefits from new pension freedoms which we described in [last year's report](#), allowing you to take your pension immediately. Phoenix is going to write to members in this category to remind you that you can take your pension immediately and in this way potentially reduce or avoid further annual charges.

Longer term improvements

Phoenix took the immediate action described above, to make sure members pay 1.5% AMC or less and has been considering options for a longer-term solution. We are delighted that Phoenix have decided to review the charges again and are aiming to ensure that any ongoing AMC is no more than 1%. At the time of writing, we are still discussing with Phoenix how they can achieve this and exactly what it means for each policy. This will be our key area of focus in 2017, particularly working with Phoenix to get it implemented as soon as possible.

6. Transaction costs and how they affect you

Transaction costs are the costs of buying and selling individual investments and are in addition to the annual management charge (AMC) that you pay. There is a concern that savers cannot see what the buying and selling costs are and therefore whether or not they are paying too much. We and Phoenix are well aware of these concerns.

In last year's report, we described how we had reviewed all the available information on the transaction costs that impact your pension pot, and we have done the same again this year. Of the workplace pensions within the IGC's scope, around 95% are invested through unit trusts that are obliged to publish their transaction costs. We have reviewed the latest published information carefully, and also compared it to the equivalent figures last year.

The table below shows what are referred to as "explicit transaction costs" for different types of investment and compares them to last year. Explicit costs are things like stamp duty (tax) or fees paid to brokers that do the buying and selling. The table does not show what are called "implicit transaction costs", which are things like when the investment manager does a deal to buy or sell at a price that is different to price advertised – the difference can be a hidden cost. Your pension pot incurs both explicit and implicit transaction costs, and this is all included in the performance of the funds you choose.

The transaction costs shown in the table for all types of investment other than property are from the published information. For property, which represents the majority of the 5% investments held directly rather than through unit trusts, we have assessed the expected level of trading and estimated what we would expect the transaction costs to be.

Many of your pension pots are held in a mixture of types of investment so, for comparison, the last line of the table shows the total transaction costs for what we have called a 'Typical Fund'.

Type of Investment	Transaction Costs (%)	
	2016	2015
UK Gilts	Less than 0.01	Less than 0.01
UK Corporate Bonds	Less than 0.01	Less than 0.01
Overseas Bonds	Less than 0.01	Less than 0.01
UK Equity	0.09	0.11
N America Equity	0.03	0.24
Japanese Equity	Less than 0.01	0.02
Asia Pacific Equities	0.31	0.31
European Equity	0.12	0.21
Emerging Markets	0.48	0.49
Global Equity	0.14	0.20
Property (estimated)	1.5	1.5
Tactical Asset Allocation	Less than 0.01	Less than 0.01
Cash	Less than 0.01	Less than 0.01
Typical Fund	0.10 to 0.15	0.18

This table shows that explicit transaction costs have reduced marginally over the year. It is likely that this is due to there being less buying and selling in 2016 than there was in 2015, rather than because the costs of any single trade were lower than the year before.

You'll see that property has much larger transaction costs than any other type of investment and this is mainly due to the level of stamp duty (tax) that is paid when buying a property, in the same way that you pay stamp duty when buying a house. This does not necessarily mean that property is poor value for money – more that the high charges on buying property means that it may need to be held for a long time to begin to make up for the costs. The figures are consistent with other property investments.

Asian Equities and Emerging Markets Equities also have large transaction costs. Although we know that it is a bit more expensive to buy and sell stocks in those regions, we are working with Phoenix to understand this better and try to reduce those costs for you.

To put the figures into context, if, say, the 'Typical Fund' in the table returned 10% in 2016, this would mean that every £100 invested grew by £10 after allowing for 15p transaction costs (rather than 18p at last year's levels). We expect small differences to happen from year to year due to the amount of buying and selling done by the investment managers. What we see from these figures is that the explicit transaction costs being incurred by Phoenix's investment managers are not unreasonable, given the costs of investment transactions elsewhere in the marketplace. For example, typical transaction costs for a UK equity fund are in the range of 0.02%-0.20%, whereas Phoenix's range of costs does not go above 0.11%.

As we said above, around 95% of the workplace pensions we look at are in unit trusts where charges are plainer to see, but that means that 5% of the workplace pensions that we look at are invested directly in other types of investment like property where the transaction costs are not published. We will use our estimate of the transaction costs for property to assess the reasonableness of the actual transaction costs incurred once these figures are made available to us.

Although we have information for most of the funds, we would like to be able to clearly see what transaction costs look like for everything. This is something that the Financial Conduct Authority (FCA) is keen to see too, and they have recently asked the industry for views on proposals to make that happen. We support most of the FCA's proposals and gave our views to them. You can find the full response that we submitted to the FCA [here](#).

7. Developing a better understanding of value for money and what it means to you

When we started thinking about value for money last year, we knew it meant different things to different people. For our first report, we talked to other IGCs to come up with a simple approach to help us work out what aspects of value for money we should think about. This year, by asking you and also by listening to what other professionals have had to say, we have a better idea of what value for money means to you.

We discussed value for money with three different organisations:

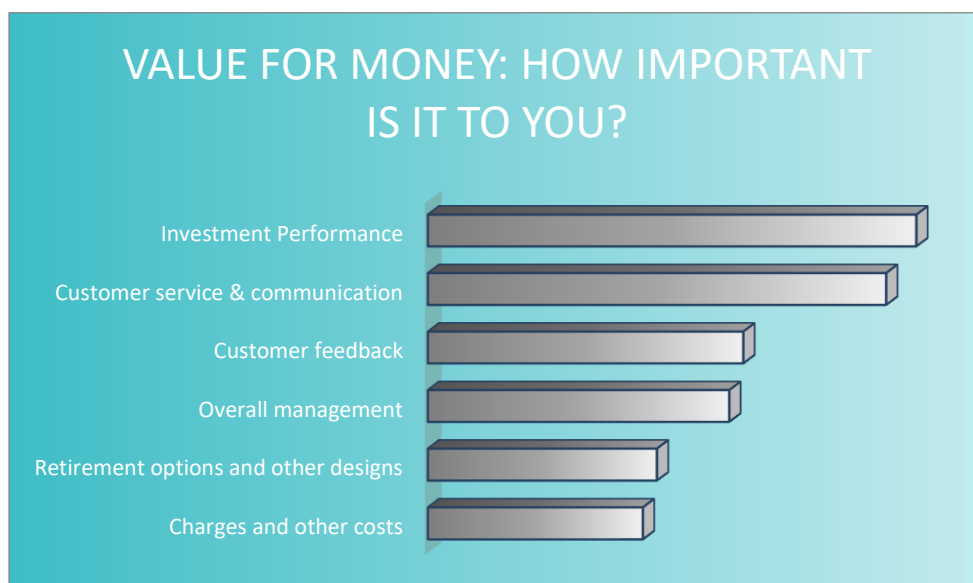
- Firstly, we listened to the Pensions Policy Institute (PPI), a respected independent research charity, who published a helpful paper on value for money and what it means to people. One of our Independent Members is also a Director of the PPI, so this helped increase our awareness of work being done.
- Secondly, we were in early discussions with a wide group of other IGCs led by Sackers, a well-known firm of pension lawyers, who have since gone on to carry out an exercise to compare customer views on value for money across a number of insurance companies. We decided not to be part of this exercise because, to do so, Phoenix would have had to ask all of you to supply your email addresses, and there just wasn't enough time to do this before the benchmarking exercise was due to start. On balance, we also felt that the information we would get would be less valuable than that which we can get by asking you ourselves, or through the Phoenix customer panel we talked about earlier.

- Thirdly, we were part of a project defining value for money with a number of other IGCs, led by an advisory firm Natixis Global. None of this research cost us anything except for our time, so we are confident that it is suitably impartial.

All this research supported what you have told us in your feedback during the last year and allowed us to firm up our definition of value for money. It also helped us to make our model more meaningful by giving extra weight to aspects you told us were more important to you, rather than assuming that all aspects are equally important. We have also added a new aspect (“overall management”) to the definition of value for money, because Phoenix’s culture and approach is also important to the outcomes that customers experience.

Our scores on the value for money you receive from Phoenix have been based on this better knowledge and we hope you find it helpful and in line with what you expect from us.

Taking all this into account, value for money importance looks like this:

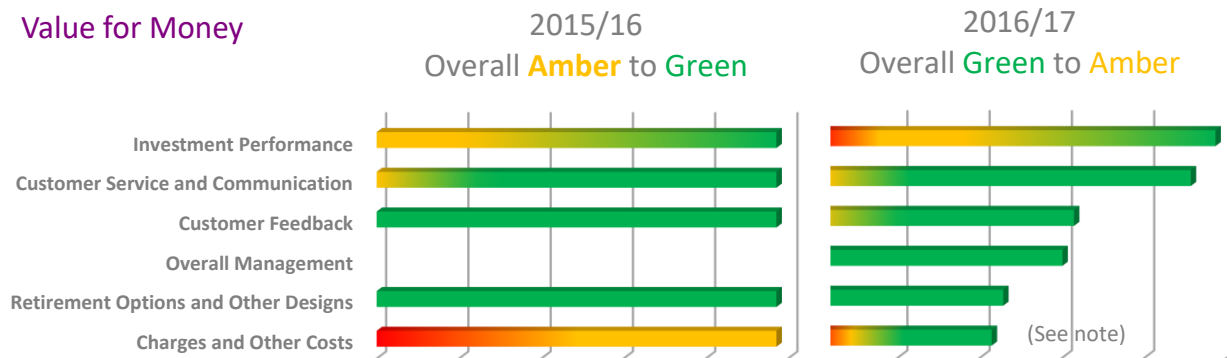


We would be pleased to hear from you on what you think of this, especially if you think some things are more important than we are allowing for. You can contact us at igc@thephoenixgroup.com.

8. Value for money current assessment

Last year we looked at what value for money you receive from your Phoenix pension pots and we rated it as **AMBER** to **GREEN** overall. We were satisfied that, in most areas, you got value for money. However, on a few others, we were concerned that some of you did not. Because some aspects were amber and some red (although not for all of you), we recommended changes that we thought would improve the amber areas and we particularly wanted to find a way to remove the red from the charges paid by some of you. We did this by negotiating an immediate improvement with Phoenix where they would reduce charges to be no more than 1.5% p.a. for pension pots with values below £10,000 (and, for some, below £5,000). This was put into place during the year, so many of you have benefited from this already. However, we did not consider this was “job done” and our aim is for green ratings across all measures, including some more work on charges deducted from your pots. We will do everything in our power to make this happen and have set out above what we have been doing.

Last year’s results are shown below alongside this year’s, so we can all see how things have changed. For this year, the length of the bar reflects our understanding of how important each aspect is to you.



Note - The 2016/17 chart above shows the rating for ‘Charges and Other Costs’ before this year’s latest improvement was added. Had the latest agreed changes to charges been put into place, the overall rating would have been **GREEN** with a hint of **AMBER**.

What the ratings mean:

- GREEN** – no material concerns
- AMBER** – some concerns found that affect some members
- RED** – some concerns found that affect a large number of members or more significant concerns that affect some members

So, how have things changed since last year?

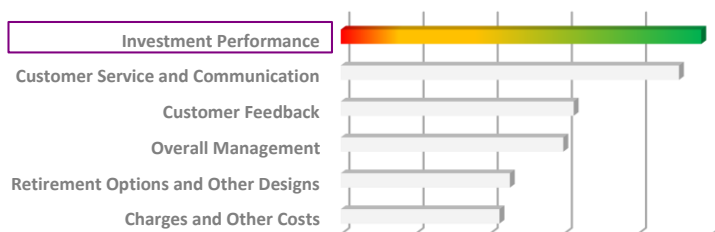
Since last year, as mentioned above, we have added a new aspect (“overall management”) to the definition of value for money, so the charts are now a little bigger. However, the other elements are the same, and so the scores can still be compared to see if things are getting better or worse. We have also reordered the areas so that the most important for you are at the top; and also the more important the area, the longer the bars on the chart.

We have been a little tougher in our assessment this year, which we think you will expect of us. Our review on your behalf has shown that some things have improved over the year, but some have slipped backwards a bit. Overall, the assessment is **GREEN** to **AMBER**, which is a little bit better than last year overall, as you can see from more green in the chart above. However, this is still not good enough and we will continue to work hard on your behalf.

Let’s look at each section of value for money in turn, starting with the most important for you:

Investment Performance 2016/17

(Rated **Amber**)

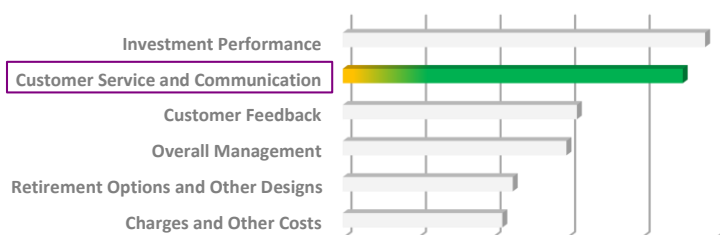


We are happy that Phoenix has good controls and processes to monitor the performance of its investment managers, but we are not happy with the way all the managers perform in certain areas. This is one of the things that helps you get a good outcome because it affects how much you will get back at

retirement, and this is what you tell us is of top importance for you. Some of the investment managers have not been doing well in some areas and this has been going on for too long. We think that the standard time given to investment managers to turn things around is sometimes too long. When things start to go wrong, you need to know that Phoenix takes action to improve things, which may mean ensuring the manager makes changes to their processes or removing the investment managers who are doing badly as soon as possible. Our preference is that investment managers should be given a reasonable time to improve and any decisions should be based on the long term, but we feel that pension providers can give the managers too long before making a change. This is not a Phoenix problem, but an industry one, as most contracts with investment managers look at their performance over the longer term, but we have asked Phoenix to take action quicker where they can and we will seek ways to lobby the industry to change this for everyone. Because of a few poorly performing areas and the time it can take to sort these out, we have rated the area as **AMBER**. We expect better next year.

Customer Service 2016/17

(Rated **Green** with a hint of **Amber**)



You tell us that in the main you like how you are treated by Phoenix and we see from our own work that Phoenix takes your views seriously and puts a lot of effort into doing the right things. During the year, we asked Phoenix to explain their oversight of customer service, especially looking at service

failures. A sample of 30 cases was reviewed covering transfers, retirements and deaths and including 100 phone calls and 182 written communications. We were reassured by the low level of failures shown in the samples tested and reported to us and the responsible way they were handled. We were also encouraged that vulnerable customers were sensitively handled.

To help us understand how Phoenix compares with other companies in handling complaints, we obtained data for 2016 published by the Financial Ombudsman Service (FOS). This showed that the overturn rate (which is a measure of how often FOS disagrees with the decision on your complaint that companies like Phoenix have made) for 2016 was similar to 2015 with Phoenix ranked 3rd out of the 200 companies identified in the report – a good outcome.

Measure	Target 2016	Performance 2016	Performance 2015
Customer satisfaction	90% or above	91%	91%
FOS overturn rate	Less than 30%	18%	18%
Servicing complaints as a percentage of customer transactions	Less than 0.5%	0.3%	0.3%
Speed of claim payouts	Less than 12 days	11 days	11 days

In last year's report we showed how Phoenix had performed across a number of measures during 2015, including the FOS overturn rate. In this table we show how performance in 2016 has compared to 2015 and to the targets Phoenix sets itself. As you can see, the overall performance is broadly

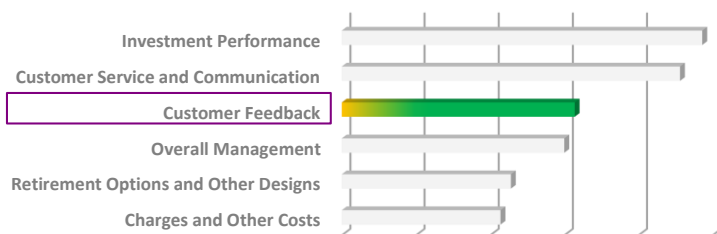
in line with last year, which we noted was better than or in line with our knowledge of good standards in the industry. One thing to note is that Phoenix measures 'customer satisfaction' by asking its customers how satisfied they are on a scale of 1 to 5. The table above shows the percentage who answered 4 or 5 ('satisfied' or 'very satisfied'). In last year's report we showed a higher score of 96% for 2015, but this included customers who answered 3 ('fairly satisfied'). In other words, Phoenix now looks for a higher score when it measures the level of customer satisfaction. We consider this to be a better measure.

We have encouraged Phoenix to look at models of guidance for customers provided through impartial external organisations and hope to see some changes as a result. Phoenix has also stepped up to help develop the new national pensions dashboard, which will enable consumers to see what savings they have. The pensions dashboard is a government and industry initiative that aims to create a website where people can find details of all their pension pots with different providers in one place. We believe this could be a really useful development and are pleased that Phoenix is supporting it. As mentioned earlier, one of our members, Margaret Snowdon, has an important role in advising the industry project working on it. Phoenix has also recently joined the Pensions Liberation Industry Group, a voluntary body that writes the Code of Good Practice on Combating Pensions Scams, to better protect its customers from harm.

Your pension savings are important, and we would like to see more from Phoenix during 2017 to improve letters and statements, so that they tell you the important stuff plainly. That way, you can easily work out what you need to think about. Letters and statements have been simplified a bit, but, because there is more to do to help you understand your pension, we have rated this **GREEN** with a hint of **AMBER**.

Customer Feedback 2016/17

(Rated **Green** with a hint of **Amber**)

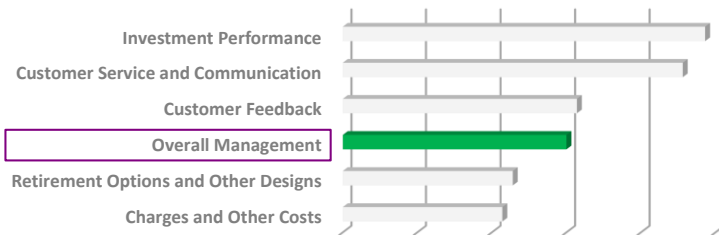


We have increased our contact with IGC policyholders during the year through Phoenix’s customer panel, where policyholders, including customers like you, are asked questions in telephone interviews about their policy and experience of Phoenix. We find these interviews very helpful in understanding what you like and

dislike and what you would like to see done differently. We asked Phoenix to ask you what you thought about our first report last year and the findings were very interesting. We were pleased to see that you appreciated our work on your behalf, liked the easy to follow report and took comfort that we are here solely for you. Findings are covered in more detail above, but you said that you would like Phoenix to give you more help as you decide what you should do for the best. We agree but we need to work with Phoenix to see what more can be done by them, given the regulatory restrictions around the giving of personal investment advice. We are happy that the Phoenix feedback process is working, but, because there is more to do to meet your needs, we have rated the Phoenix feedback process as **GREEN** with a hint of **AMBER**.

Overall Management 2016/17

(Rated **Green**)

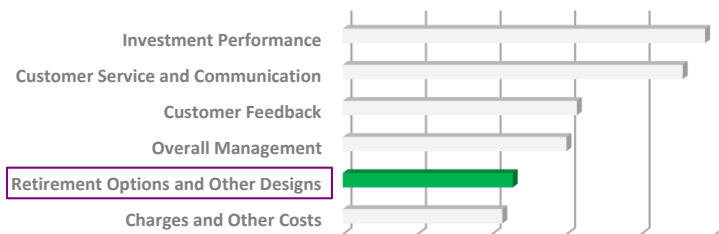


This is a new category for value for money and we have included it because we believe that the overall quality of the management at Phoenix has a bearing on the value for money you receive. We work with various management levels at Phoenix and discuss our thoughts and findings with them.

We are pleased to report that they listen to our ideas and challenges with genuine interest and accommodate our wishes and suggestions wherever possible. This does not mean we always agree. In fact, we argue robustly and they put their views to us strongly too. However, we believe we are trying to achieve the same things and we are pleased to observe that, in practice as well as in what it says, Phoenix puts the customer at the heart of their business. Without this culture, our task would be so much more difficult. We therefore rate overall management as **GREEN**.

Retirement Options 2016/17

(Rated **Green**)

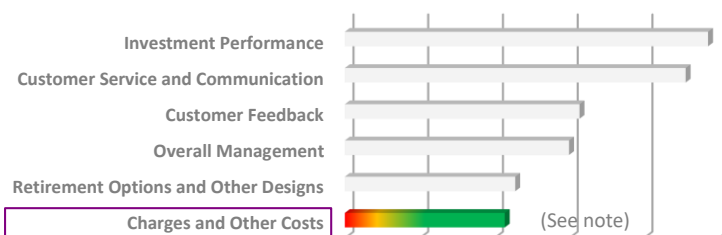


We are satisfied that Phoenix has taken steps to ensure you have choice when you come to retirement age. They have introduced a service from Just Retirement to help you shop around and to take advantage of pension freedoms. They have also streamlined the steps you need to take to be able to take

your small benefits as cash where the law permits. Prior to this change, you told us that it was frustrating having to jump through hoops to get your money out. We pushed Phoenix very hard and supported them in taking a common-sense approach. We have rated retirement options as **GREEN**.

Charges and Other Costs 2016/17

(Rated **Green to Amber**)



The work we did last year to agree reduced charges for smaller pots was put in place during the year and helped improve things on that score. As mentioned above, we have worked closely with Phoenix on the next stage of this work and we have agreed a solution for the

was added. Had the latest agreed changes to charges been put into place, the overall rating would have been **GREEN** with a hint of **AMBER**.

longer term. Phoenix have agreed to make whatever changes are necessary in order to ensure no workplace pension scheme member bears an AMC of more than 1% on their pension pot with Phoenix. While you did not rate this aspect of value for money as particularly important (perhaps because very little is understood about how charges work), we have continued to focus on it on your behalf in order that the value for money you receive keeps pace with developments in the marketplace. We will continue to monitor levels of costs and charges across the market, particularly developments relating to transaction costs, and follow up with Phoenix should there be any implications for the value for money you are receiving. We have rated this GREEN to AMBER because the revised charges that we have agreed with Phoenix have yet to be implemented for your pension pots.

Conclusions on value for money 2016/17

Value for money is hard to define to suit everyone. It means different things to people at different times in their lives. We have set out our assessment of value for money and, on the whole, we believe you will be receiving good value on your pension pots once Phoenix have implemented the further changes that have been agreed. Some issues still remain, however, and we will focus on them for next year:

- ensuring you understand your pension pot from Phoenix's communications to you and are clear on what is important; and
- how the investments for your pension pots are doing.

Our aim is for Phoenix to be rated green across the board. We will be honest with you, but we will also tell you where we think Phoenix goes the extra mile on your behalf.

9. Plans for 2017/2018

We feel we have made good progress with Phoenix on your behalf. However, we are not complacent. We've already mentioned a number of areas where we think more could be done by Phoenix, and these will continue to be a particular focus for our work on your behalf.

We'll keep reviewing all aspects of value for money. We will make sure that those areas that we currently rate green remain so, while encouraging Phoenix to address the issues that are stopping a green assessment overall.

The following table sets out what we will be aiming to achieve for you over the next 12 months. If there is any area that you feel we should be paying more attention to, please let us know at igc@thephoenixgroup.com. We are always pleased to hear from you.

Customer feedback	<ul style="list-style-type: none"> • Gaining a more detailed understanding of what concerns you, building on the research we did with some of you last year.
Customer service and communications	<ul style="list-style-type: none"> • Better understanding Phoenix's plan and timescales for reviewing its communications, helping to make sure they are as clear as possible and monitoring the progress being made. • Ensuring service levels continue to be on target and compare well with the rest of the industry.
Charges and other costs	<ul style="list-style-type: none"> • How new rules to disclose transaction costs are put in place and how we use that to improve the way we monitor those costs on your behalf. • Making sure that the longer term solutions that Phoenix has agreed are implemented in a timely manner. • Monitoring how new rules to reduce exit charges that come in at the end of March 2017 have been implemented and what that means for you.
Investment performance	<ul style="list-style-type: none"> • Monitoring how well Phoenix improves its investment performance relative to 2016. • Reviewing what action you take if Phoenix writes to you about funds that are performing poorly and whether they can do more to help you make the right decisions.
Retirement options	<ul style="list-style-type: none"> • How new rules to make companies like Phoenix tell you about shopping around for the best deal if you want to take a regular income are brought in. • Making sure that we remain comfortable that Phoenix is helping you make the right choices.