PHOENIX LIFE

PHOENIX INDEPENDENT GOVERNANCE COMMITTEE

ANNUAL REPORT TO MEMBERS FOR THE YEAR TO 5 APRIL 2016

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INTRODUCTION FROM CHAIR

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We are here solely for you…

31 March 2016

Dear Workplace Pension Scheme Member,

As chair of your Independent Governance Committee (IGC), I am delighted to introduce this, our first annual report explaining what we have been doing on your behalf.

WHAT IS THE IGC AND WHAT IS IT DOING?

The IGC (set up by Phoenix in April 2015) is independent of Phoenix. The IGC exists solely for you, to act in your interests. 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 for you. Like all insurance companies providing workplace pensions, Phoenix was required by regulation to establish the IGC.

Who are the IGC members?

There are five members of the IGC:

- Dr. David Hare (Independent Chair)
- Sheila Gunn (Independent Member)
- Margaret Snowdon, OBE (Independent Member)
- Craig Baker, Head of Investment Office (Phoenix Employee)
- Mike Pennell, Head of Financial Performance and Reporting (Phoenix Employee)

More details on each of us 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, www.phoenixlife.co.uk and in the more detailed part of this report.

What have we done so far?

In looking at value for money, we have considered:

- feedback that Phoenix has received from customers
- the standard of customer service and quality of communications provided to you by Phoenix
- the charges and other costs that apply to your pension pot
- how the investments that your money has been put into have done (called "investment performance")
- the options that Phoenix offers you at retirement.

We have paid particular attention to three areas:

SERVICE STANDARDS

How service standards have been met by Phoenix, particularly during times of peak demand, like when the Government introduced "Pension Freedoms", giving greater flexibility from April 2015 around how retirement benefits could be taken

INVESTMENT PERFORMANCE

How Phoenix deals with investment performance that is below the targets expected

CHARGES

The charges that you pay

OUR MAIN FINDINGS SO FAR

What is working well?

We are pleased to report that most of the workplace pension scheme designs operated by Phoenix are working well for their members.

In respect of our review of service through peak demand, and our review of how Phoenix addresses below-target investment performance levels, on the whole we are comfortable that what Phoenix is delivering for you is reasonable and in line with what they have led you to expect. If we had identified any significant issues in either of these areas, we would certainly have raised them with the company on your behalf.

Where have we suggested improvements?

We have raised concerns with the company around the level of charges that some of you are experiencing on your pension pots. The more detailed sections of our report that follow give additional detail of our concerns and how Phoenix has responded to them. In the main, our concerns relate to the impact of policy fees that are deducted from pension pots, particularly where the size of the pension pot is below certain levels that we have identified and where contributions are no longer being made.

We have encouraged Phoenix to explore ways of simplifying some aspects of the process members have to follow to access their pension pots. We have also challenged the company on the clarity of some of its communications to members and suggested ways in which they could be improved.

Outcomes so far

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We are pleased that Phoenix has responded to our concerns and is temporarily stopping those charges that caused us most concern.

In addition, Phoenix is seeking to develop a longer-term solution that will ensure you experience ongoing value for money on your pension pots. We look forward to seeing what longer-term options they offer.

Phoenix has been happy to take on board our suggestions regarding customer service and member communications and we are monitoring the pace of progress of their implementation.

Our call for greater transparency

We believe that the lack of clear information on fees and charges generally throughout financial services is a serious weakness and we are therefore calling for greater transparency in the industry to help us to better compare the value on offer. One of our members has joined the Transparency Task Force to campaign for greater transparency.

Our VfM assessment (before the changes agreed with Phoenix)

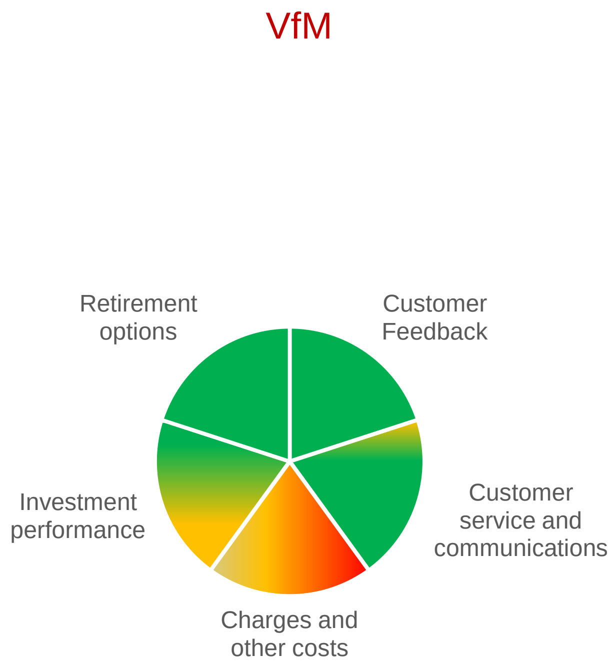
The chart below shows the IGC's high level assessment of each area we have considered under VfM before actions described in this report were taken. The definition of green, amber and red are the subjective view of the IGC and intended as a simple guide for readers.

Green - no material concerns found

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

Overall, we have rated the Value for Money members receive from their Phoenix pension pots as AMBER to GREEN.



THE YEAR AHEAD

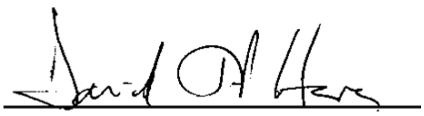
On your behalf, we will:

- continue to monitor the value for money you receive on your workplace pensions
- dig deeper into a number of areas, building on our initial investigations in 2015, and
- monitor closely the work that Phoenix does to develop longer-term solutions to improve value for money.

For full details on the work we have done so far and our plans for the coming year, please see the following pages.

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.



Dr David Hare, Chairman of the IGC

WHY WE'RE HERE

The IGC was set up in April 2015 to represent members of Phoenix workplace pension schemes. This was in response to the Financial Conduct Authority (the industry regulator) wanting to give workplace pension scheme members a louder voice in ensuring that their interests are taken seriously by requiring all companies such as Phoenix to set up additional governance arrangements except where there are trustees already in place.

As can be seen from our details on the Phoenix website (www.phoenixlife.co.uk), all five of us are experienced in financial services and the relevant types of pension contracts in particular. Three of the members are totally independent of Phoenix and, while remunerated for their IGC work, are unfettered in their exercise of judgement and discretion. Two of the members are employed by Phoenix, but have been specifically asked to take on this IGC role and have been assured that their actions as IGC members will in no way be taken into account in the performance assessment process within Phoenix.

The chair of your IGC has previously acted in an independent capacity concerning Phoenix, but in a different context. The IGC is comfortable that this previous activity in no way impacts his ability to act solely in your interests as part of the IGC.

We are therefore here solely for you and our role is to review the ongoing value for money that you are receiving from your Phoenix workplace pension pot and to raise any concerns we might have with Phoenix on any aspect of what they are delivering for you.

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We have taken a wide-ranging approach to assessing value for money, looking not just at what charges apply to your pension pot, but also at what you are getting in return

OUR SCOPE

Our scope is workplace pension schemes operated by Phoenix. Over the years, Phoenix has acquired a number of life insurance companies, including names like Scottish Mutual, London Life, Pearl, Sun Alliance, Britannic Assurance and Alba Life. As a result, Phoenix now manages 44 different workplace pension scheme designs, covering 56,429 employers and over 100,000 members.

The workplace pension schemes that Phoenix manages have many variations, for example, in the investment choices available to members and the benefits and charges that apply.

The table and information below summarizes the profile of members as at December 2015:

	Number of Members	Average Pension Pot Size (£)
Members paying contributions	10,841	£24,004
Members not paying contributions	92,902	£7,120
Total	103,743	£8,885

What the table above shows is that the vast majority of members:

- no longer pay contributions to their pension pots, and
- only paid into those pension pots for less than 5 years.

From our investigations, the size of your pension pot is the single biggest factor in getting value for money. **The longer you pay in and the more money you pay in, the bigger your pension pot, and the lower the impact of charges on your savings**.

The following table gives a more detailed breakdown of membership by pension pot size and member age:

Pot Size	Active Members			Non-Active Members			Total
	Under Age 40	Age 40-55	Over Age 55	Under Age 40	Age 40-55	Over Age 55	
Less than £2,000	86	126	32	8,400	18,560	4,822	**32,026**
£2,000 - £10,000	693	1,534	696	7,326	27,823	7,207	**45,279**

Pot Size	Active Members			Non-Active Members			Total
	Under Age 40	Age 40-55	Over Age 55	Under Age 40	Age 40-55	Over Age 55	
£10,000 – £30,000	630	3,093	1,384	1,099	10,714	3,575	**20,495**
Over £30,000	113	1,512	942	100	2,119	1,157	**5,943**
Total	**1,522**	**6,265**	**3,054**	**16,925**	**59,216**	**16,761**	**103,743**

Age affects the impacts of charges too, because the older you are the less time you have to build up your pension pot. Almost 20% of members of the Phoenix workplace pension schemes are now over age 55, and are able to access their pension under "Pension Freedoms" (described below). Less than 20% of members are currently under age 40.

TOTAL NUMBER OF MEMBERS: 103,743

TOTAL FUNDS: £922 million

AVERAGE POT SIZE: £8,885

20% OF MEMBERS ARE OVER AGE 55

PENSION FREEDOMS

In this report we refer to "Pension Freedoms" which was a major change in the pensions market introduced by the Government in April 2015 and coincided with the IGC being formed. The introduction of Pension Freedoms means that members:

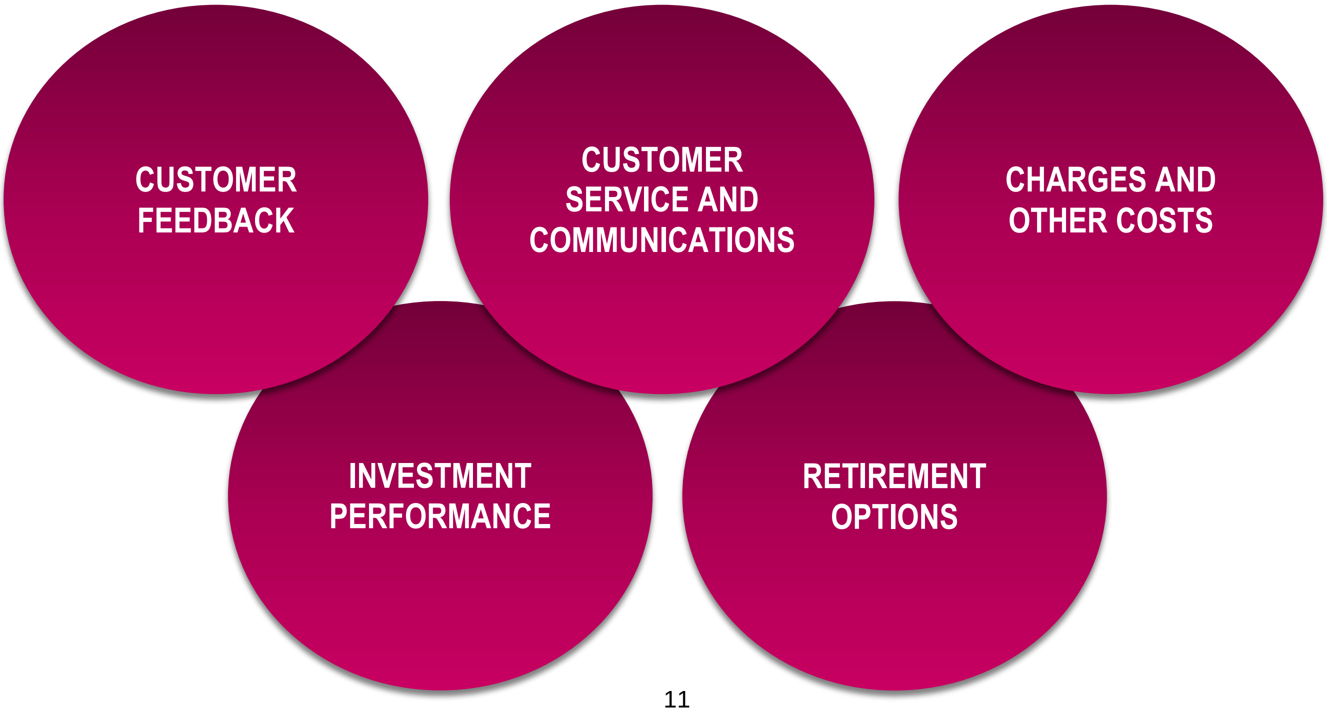
- can access their pension pots from age 55
- are no longer limited to taking only 25% of their pension pot as a (tax-free) lump sum with the remainder having to be taken as an annuity (or "lifelong regular income")
- can still opt for a lifelong regular income, but, if they wish, can take the whole of their pot as a lump sum in one go, subject to tax and fees, or leave their money in a pension pot and take lump sums from it when they need it.

This means that members have much more flexibility in how they take their benefits, but it can make deciding what to do more complicated and increase the risk that they make the wrong choice. Companies like Phoenix have received many more telephone calls than normal from members as a direct result of Pension Freedoms. It has been a significant event in the market and we have monitored and assessed how this affects you and how Phoenix has dealt with the changes.

"VALUE FOR MONEY"

The term "value for money" (VfM) is not defined in regulation and can mean different things to different people. We therefore felt that it was important to work with other IGCs to develop a consistent approach to assessing VfM, and this is reflected in what we describe below.

VfM is not just about charges and costs, but covers other features of the pension schemes, including the extent to which members are using the various options available and what you think of them. We have assessed VfM by looking at the following:



CUSTOMER FEEDBACK

We have sought to listen to you by ensuring that you can get in touch with us via our own link on the Phoenix website (igc@thephoenixgroup.com). The webpage also gives you some further background on who we are.

We have listened to calls from members to the Phoenix customer contact centre and have taken steps to understand the complaints procedures, as well as the level and nature of complaints. We have also received the first batch of feedback from the "customer panel" set up by Phoenix to hear directly from members and, at the time of writing, are working through the responses. All these interactions help us to understand what VfM means to you and how you currently rate Phoenix in providing this.

This feedback will also be invaluable in shaping what we will do in 2016. We set out our high-level 2016 plans later in this report.

We are working with Phoenix to introduce some new ways to let you know more about us and to make it easier for you to get in touch with us, for example, by adding an information box on your annual statements.

We have also asked to meet with employers to understand their experience of Phoenix and Phoenix agreed to set this up during 2016.

We have rated Customer Feedback as GREEN.

CUSTOMER SERVICE AND COMMUNICATIONS

As already mentioned, VfM is not just about cost. It is also about what you experience, and that includes the quality of the service you receive from Phoenix, how Phoenix communicates with you, how easy it is to get in touch with them and how they treat you if you complain or if things go wrong.

Customer service is therefore a key part of our review and we have worked with Phoenix on this from the outset. We have focused on:

- clear, understandable and timely information
- customer contact options
- efficient and effective administration
- service standards and how they are measured
- complaint handling.

We have been in regular discussion with Phoenix, and have examined sample communications and processes in detail. As mentioned above, we have also listened to calls from the Phoenix customer contact centre in order to satisfy ourselves that what is intended is being put into practice. We have found no material service delivery issues.

On customer service, we have made enquiries about the levels of calls received by Phoenix in the period immediately following the introduction of Pension Freedoms in April 2015. Phoenix demonstrated that extra resources were committed to receiving and dealing with these calls. Despite the significant spike in call numbers, Phoenix was able to ensure that normal service standards were achieved within weeks of the change. Based on our understanding of industry experience, this was no mean achievement.

Phoenix decided that the most effective and appropriate way to assist members in understanding and exercising their Pension Freedoms was by telephone, rather than by initially asking members to complete and return paperwork. We asked about the content and quality of these calls, and were given access to a selection of recorded calls. As the information that must be given to any member who telephones to access Pension Freedoms is set out in regulations, the content of these calls can be unduly lengthy and sometimes feel inappropriate for the individual member, given the small size of many of the pension pots. We recognise the difficult balance between making it easy for members to make their choices and complying with regulations. We have encouraged Phoenix to continue to look at ways to improve this process, while still complying with regulations, and we will work further with them on this in 2016.

We found that letters to members concerning underperformance of their investment funds were unduly complex and our offer to work with Phoenix to improve them was readily accepted.

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We looked and listened, and we are satisfied that the culture of Phoenix is one of improving what you experience and managing your expectations. We have been impressed with Phoenix’s commitment to customer care.

Phoenix has a robust “Customer Oversight Framework” that it applies to ensure that its processes and procedures relating to customer service are appropriate and being followed. Feedback from individuals and customer focus groups is used by Phoenix to design and test effective communications that will help you to understand what you need to do and when you need to do it. We recognise that workplace pensions may not be the most interesting subject for members, but Phoenix has shown us that it is committed to making it as easy and simple as possible for you without overdoing it.

Communications with you from Phoenix cover both routine and one-off contacts, and can be written, verbal or online. Most customer communications are delivered on behalf of Phoenix by specialist service companies and Phoenix has demonstrated to us that it manages those providers effectively.

Complaints happen, but how they are managed is very important. We are satisfied that Phoenix runs good processes to investigate, explain and learn from mistakes and to treat you with respect if you need to raise an issue.

We collected information on the service levels measured and the performance levels achieved. A summary is shown in the table below.

MEASURE	ACTUAL	TARGET
Customer Satisfaction	96%	90% or above
FOS overturn rate	18%	less than 33%
Servicing complaints as a percentage of customer transactions	0.3%	less than 0.5%
Speed of claim pay outs	11 days	less than 12 days

These targets and results are better than or in line with our knowledge of good standards in the industry.

We have rated Customer Service and Communications as GREEN with a hint of AMBER.

CHARGES AND OTHER COSTS

What charges and costs are for

Scheme charges represent what companies like Phoenix deduct from contributions received from you or from the value of your pension pot over time. Scheme charges are used to cover the costs of administering the scheme and paying investment managers to invest the funds, as well as providing providers, like Phoenix, with a level of profit.

The workplace pension schemes market has changed over time and with it the type and level of charges and the manner in which pensions have been bought and sold. Below, we give some background on charges and set expectations for our review of charges as part of our overall VfM assessment.

The introduction of “Stakeholder” pensions in 2001 marked a sea change in pension scheme design in the UK. Before then, there had been a huge variety in the design of charging structures seen across the industry. Afterwards, however, the design of charging structures became much simpler, with most new schemes having just an “annual management charge” (or “AMC”) deducted from the member’s pension pot. This was a reflection of the maximum charge cap or limit of 1% per annum that was one of the key features of Stakeholder pensions.

In 2004, this maximum cap was increased to 1.5% per annum for the early years of a Stakeholder pension scheme, to help ensure commercial success. More recently, workplace pension schemes that are used for “automatic enrolment” (whereby employers are required to automatically put their employees into a scheme unless the employee specifically opts out) have a charge cap of 0.75% per annum for default options.

Prior to IGCs being established, the Association of British Insurers (ABI), which is the industry body representing insurance companies such as Phoenix, set up an ‘Independent Project Board’ (IPB) to conduct an industry study into workplace pension scheme charges and to recommend action to be taken. The chair of your IGC was a member of the IPB and so we have a good understanding of what the IPB were looking to achieve.

In order to be able to compare workplace pension scheme VfM across all the different charging structures that exist (particularly in workplace schemes that were first set up before 2001), the IPB considered the AMC that was equivalent to the aggregate impact of each scheme’s range of charges between now and a member’s retirement. The IPB analysis recommended that the initial focus for change should be on schemes where members are exposed to the highest charges, which they set at those equivalent to an AMC of 3% per annum. This therefore gave us a “range of reasonableness” for charges somewhere between 3% and 0.75% per annum and we used this measure in our review and discussions with Phoenix.

In addition to the charges described above, certain additional costs called “transaction costs” need to be considered. Transaction costs are incurred as a result of the buying and selling of the investments that your pension pot is put into, and our findings on these are covered later in this section of the report. There are also charges, known as “exit charges”, which may be deducted from a pension pot that is taken earlier than the selected retirement age. Whether or not exit charges are applied depends on the particular pension scheme contract design.

It is important to understand that, in addition to the range above, we have based our judgment on the VfM of charges at Phoenix on common sense and our experience, rather than simply by comparing against what other companies do. This is because there is no industry template or benchmark against which to test. We believe this to be a weakness and we are therefore calling for greater transparency in the industry to help us make this important assessment on your behalf. A member of your IGC has agreed to join the Transparency Task Force, a campaigning community looking to increase the level of transparency in financial services for the benefit of the consumer, and looking to create a template that all providers will be able to use to benchmark and raise standards on charges paid by members.

Charges and Costs at Phoenix

Each of the 44 scheme designs covered by the IGC have different types and levels of charges. Phoenix provided us with detailed information on each of the scheme designs and also representative examples that show how scheme charges affect the potential benefits for members. For example, the effect of scheme charges differs depending on the size of the member's pension pot, whether they (or their employer) are still paying into the scheme, and the age of the member. In line with the IPB's approach, these different impacts were expressed in terms of the AMC which, if deducted from a member's pension pot from now until retirement, would have the same effect as the aggregate of all the different ongoing charges that actually apply.

Thus, during the last year, we received detailed information from Phoenix to show:

- the type and level of scheme charges applied
- how those scheme charges affect what members will receive at retirement, expressed as an equivalent AMC (to facilitate comparison), and
- how this varies depending on the circumstances of each member.

Our initial conclusion is that it is not possible to categorise a whole scheme design as "good" or "poor" VfM based on scheme charges alone, because VfM also depends on the level of service and quality of communication to members, as outlined above. Additionally, certain schemes offer "loyalty bonuses" if members continue paying until retirement and some schemes that invest in with-profits funds may (but are not guaranteed to) receive extra money from Phoenix. However, we have used our judgement on the information available to make a broad and fair assessment on your behalf.

What we found and what Phoenix is doing

Exit charges

As part of our work, we learned that over 85% of Phoenix members can choose to leave their scheme at any time before their planned retirement age without any early exit charge being deducted. As exit charges are therefore not relevant to the majority of members and are currently part of a review by the industry regulator, we decided not to prioritise spending time on this aspect of VfM in this first year, but to focus instead on the ongoing charges that you pay.

Ongoing charges

Based on our analysis, our initial priority has been to assess situations where the ongoing charge on a pension pot is expected to be greater than the equivalent of 1.5% per annum. We have not concluded that 1.5% is appropriate in the long term, nor that it necessarily represents good VfM, but, during our first year, we agreed with Phoenix that this was an appropriate level to ensure that action is taken for members exposed to higher levels of scheme charge.

Of the 44 scheme designs operated by Phoenix, we have currently identified and agreed that, potentially, 21 have members who are likely to incur scheme charges exceeding the equivalent of 1.5% per annum. In general this is where:

- the pension pot size is less than a certain amount – at least £5,000 (because of the impact of policy fees on pension pots below this size) but, for some schemes, the appropriate limit is £10,000; and/or
- the member and/or employer no longer pays premiums (because the pension pot will grow at a slower rate compared to cases where premiums are still being paid, so policy fees will have a larger impact over time).

(A "policy fee" is an amount of money taken from a pension pot, usually monthly, irrespective of the size of the pension pot. They were typically included in pre-2001 pension scheme designs and set at an amount to cover the ongoing administration costs of in-force pension plans.)

Transaction Costs

We also reviewed transaction costs which, as noted above, are the costs of buying and selling stocks or bonds and therefore affect the total amount of money you get from the investment.

To understand the transaction costs, we looked at how the funds are invested - either directly in the investment markets or indirectly via unit trusts, which, in turn, invest in the investment markets. We assessed transaction costs over the last 12 months of both the direct and indirect investments, to give a full picture of the total transaction costs for each of the funds.

At less than 0.2% per annum, the transaction costs generally looked reasonable for the investment strategies which we are treating as if they were default options (as explained in the Investment Performance section below). However, as we mentioned above, there is currently no industry standard to allow us to compare the level of charges to those of other companies. Transparency of transaction costs continues to be a developing area across the industry, and so we will continue to monitor the position as better information becomes available.

Initial Proposal on Charges from Phoenix

Both we and Phoenix are keen to ensure that members at risk of being disadvantaged by higher charges are given a specific "call to action" by a written communication, highlighting the need for them to consider the situation carefully and to consider whether independent advice may be useful.

However, both parties are aware that this can be a difficult subject for many members and that it may not necessarily lead to action being taken, or that action would be appropriate or achievable. We therefore encouraged Phoenix to develop proposals to address these concerns. Whilst it continues to develop these, Phoenix has in the meantime **proposed an initial action to waive ongoing scheme charges for the next 12 months** for the 21 scheme designs where:

- neither the member nor their employer is paying into the pension pot
- the pension pot size is lower than a certain level (all pension pots of £5,000 or less, but, for some schemes, the limit is £10,000), and
- the member is less than age 54. This reflects the fact that the pension rules allow members to access their benefits at age 55 and therefore members who are or are approaching age 55 have the option to take their benefits.

This initial action alleviates the risk of poor VfM in the short term, while Phoenix considers potential options to improve value for money on a longer-term basis. **We are comfortable that this proposed initial action is appropriate and addresses the issue of potential poor VfM for those members most at risk, at least for the time being.** At the time of writing, some of the changes have already been implemented, and we understand that Phoenix expect the rest to be implemented by the end of June. We will continue to review the position in 2016 and consider the longer-term proposals that will be made by Phoenix.

While a GREEN rating would be appropriate for many members, we have rated Charges and Other Costs as AMBER to RED in order to highlight the importance of resolving the situation for the smaller pots identified above.

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We are calling for greater transparency in the industry to help us make this important assessment on your behalf

INVESTMENT PERFORMANCE

Investment performance (how well your fund does) is key to delivering a good outcome, as it is one of the main aspects of your pension that ensures your pension pot grows over time.

The workplace pension schemes have a variety of investment options from which members may choose, but the most popular choices tend to be either "managed funds" and, where permitted, "with–profits funds". A managed fund is an investment fund that typically holds a mix of assets (such as shares, property and bonds) chosen by the investment managers to meet particular risk objectives. A with-profits fund may invest in similar assets to managed funds, but typically smooth out at least some of the fluctuations in the investment returns that members receive (i.e. holding back some amounts when the assets do particularly well to help boost payouts when investment returns are not so good).

Management of Investment Performance

We reviewed the investment performance of Phoenix workplace pension schemes. On the whole we were comfortable with the performance of the majority of the funds. However, there are funds that are falling below what we believe members would expect, and in respect of these funds, we asked Phoenix to explain what they do to improve performance.

Phoenix uses other companies ("fund managers") to manage the investments and gave us a presentation on its management and monitoring of how well the funds and fund managers perform. We learned that Phoenix checks the performance of funds regularly. We looked at the process for assessing how good fund managers are at meeting their targets, as well as the process for improving performance or replacing fund managers who are not doing well.

We were taken through an example of Phoenix asking a fund manager to do better and then monitoring the situation to see if there was an improvement. The example showed us that the actions taken by the fund manager did indeed improve performance and we were comfortable that the process was robust. Phoenix advised us that, if the actions taken by the manager had not improved performance, the fund manager would ultimately have been replaced. We were given a further example of where this had indeed happened.

"Default Investment Strategies"

Default investment strategies are the investment fund or funds that will be selected automatically for a member joining a pension scheme unless the member chooses an alternative. Where they apply, IGCs are expected to pay particular attention to them, and how they are chosen, communicated and managed.

Phoenix, on the whole, does not have default investment strategies for its workplace pension schemes. However, we found that certain funds were typically selected by members, so we agreed to treat these funds as if they were default investment strategies, in order to understand how the strategies were reviewed and kept up-to-date.

We were informed that the asset mix and risk level of the funds are reviewed regularly. Phoenix explained that how well the funds do was also looked at regularly and that, as part of their review, they take into account any new assets that should be included. To demonstrate this, Phoenix took us through some examples of where a new asset type had been introduced as part of a review. This gave us comfort that processes are in place to ensure that the investments remain fit for purpose to deliver VfM to members.

Where default investment strategies apply, we noted that these would have been selected before Pension Freedoms came in and, therefore, at a time when members could only take up to 25% of their pension pot as a lump sum and from age 60. We noted Phoenix's intention to draw this to the attention of members during 2016 as part of their annual statement, so that members may consider whether their investment strategy remains right for them. We will continue to monitor how members respond to this during 2016.

While we would assign a GREEN rating to the Investment management processes within Phoenix, because not all funds are performing in line with the targets, we have rated Investment Performance VfM overall as GREEN to AMBER.

RETIREMENT OPTIONS

The ultimate objective of pension saving is to provide for financial security in retirement and this has been central to our consideration of VfM. As we reviewed the Phoenix workplace pension schemes, we kept focused on whether those schemes have the *capacity* to meet the objective of financial security in retirement in whole or in part.

As described above, the introduction of Pension Freedoms has made more options available to members at retirement. Being able to access those options is important for members. Phoenix demonstrated to us that they introduced a number of changes following the introduction of Pension Freedoms. Key to this was the extension of its partnership with Just Retirement, which gives Phoenix members access to all of the options now available when making their retirement income choices. As part of the arrangement with Just Retirement, the minimum fee for advice is £100 and is only charged once a customer decides to take it up.

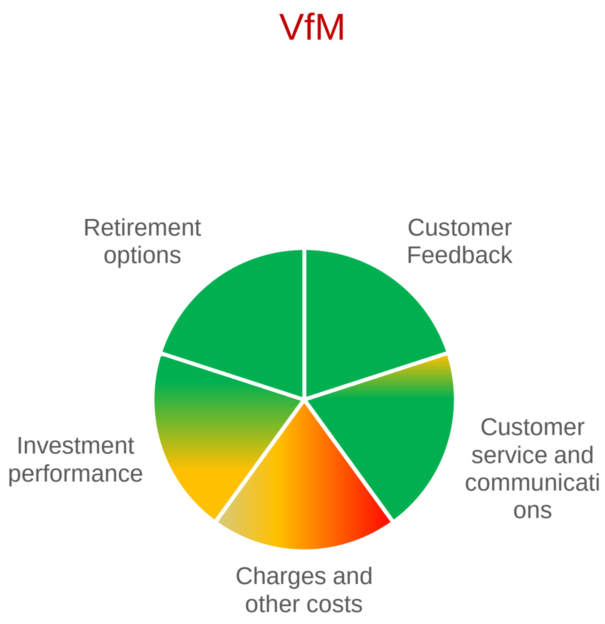
In addition, Phoenix is exploring ways to help make it easier for members to "shop around" for a better lifelong regular income deal when they come to retire and we will work with them on this in the months ahead.

We found that the options available to members reaching retirement age met the current standards, were easily accessible, and appeared to be good VfM.

We have rated Retirement Options as GREEN.

VFM ASSESSMENT (BEFORE THE CHANGES AGREED WITH PHOENIX)

Our overall VfM assessment of what we found and, in particular, before the changes to charges that Phoenix have agreed to implement, is shown in the chart below.



As noted earlier, we are pleased that Phoenix has responded to our concerns and is temporarily stopping those charges that caused us most concern. In addition, Phoenix is seeking to develop a longer-term solution that will ensure you experience ongoing value for money on your pension pots. We look forward to seeing what longer-term options they offer.

Phoenix has been happy to take on board our suggestions regarding customer service and member communications and we are monitoring the pace of progress of their implementation.

WHAT ARE WE DOING NEXT?

During 2016 we will build on the knowledge gained in our first year and specifically:

- work with Phoenix on member engagement i.e. how we can do more to listen to you so that we receive and understand your views?
- reach agreement on longer-term solutions regarding ongoing charges
- continue to listen to you via direct feedback
- further our understanding of transaction costs of similar schemes and drive a better understanding of VfM
- monitor how other changes in the pensions market might affect you and consider how Phoenix responds to those changes
- review more deeply the accuracy and timeliness of the processing of core transactions and their impact on members
- review the clarity and relevance of Phoenix investment management contracts for members
- continue to work with other IGCs to share views and best practice
- agree with Phoenix what Management Information on various aspects of VFM they will report to us on a regular basis, so that we may see how things change over time
- consider how to benchmark value for money factors against other IGCs, to help members compare how we are doing relative to others.