



ZEDRA

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# Chair's annual report

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## PensionBee Investment Pathways

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

September  
2023



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# Executive summary

**This report on the Investment Pathways policies provided by PensionBee ('the Firm'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') for PensionBee and sets out our assessment of the value delivered to pathway investors and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.**

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices B and C respectively. The GAA works under Terms of Reference, agreed with PensionBee, the latest version of which is dated 24 February 2022 and are publicly available (see Appendix C).

This is our 2nd annual report on Investment Pathways policies provided by the Firm. Investment Pathways were launched by the Firm on to the open market in late December 2020.

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the PensionBee Investment Pathways product. The GAA has conducted a rigorous assessment of the Value for Money ('VfM') delivered to pathway investors over the period 1 January 2022 to 31 December 2022. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to pathway investors against what they pay for those services and investment performance. Further details are set out on page 7.

### A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

	Weighting toward VfM assessment*	Investment Pathways
1. Product strategy design and investment objectives	13%	●
2. Investment performance and risk	13%	●
3. Communication	20%	●
4. Firm governance	3%	●
5. Financial security	7%	●
6. Administration and operations	7%	●
7. Engagement and innovation	7%	●
8. Cost and charge levels	33%	●
<b>Overall Value for Money assessment</b>	<b>100%</b>	<b>●</b>

\* May not add to 100% due to rounding

**Quality and investment features (1-7)**

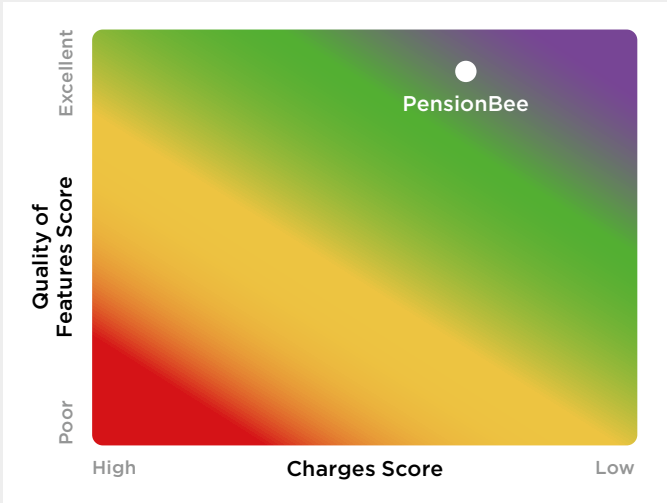
● Excellent   ● Good   ● Satisfactory   ● Poor

**Cost and charge levels (8)**

● Low   ● Moderately Low   ● Moderately High   ● High

The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual Features and the weightings shown in the above table. The Quality of Service and Investment Features combined (i.e., 1 to 7 in the table above) representing two-thirds of the overall score and the Cost and Charge Level (i.e., 8 in the table above) representing one-third of the overall score. It is visually represented by the heatmap below.

### VALUE FOR MONEY SCORING



## The overall conclusion is that the PensionBee Investment Pathway product provides **excellent** value for money.

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

- | Financial security: The GAA continues to recognise that PensionBee is still a relatively young company with budgeted loss making in 2022 and prior years. The GAA will continue to monitor the financial progression of PensionBee over time with breakeven projected for 2023.
- | Administration and operations: The GAA notes that there are no specific targets set for % of email cases resolved within 24hrs and 72hrs due to the issue of how to account for 'back and forth' time with a customer. The GAA looks forward to specific targets for these being set in the future once the underlying data is available.
- | Cost and charge levels: The GAA note there only remains a one-off early withdrawal fee which is payable in limited circumstances. Although this fee was reduced in 2022 the GAA would welcome its removal.

We also concluded that the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship were adequate and well implemented.

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

### Prior year GAA challenge

In our previous report as a challenge, we identified that further improvements could be made on the fixed charges applying on complete withdrawal within 12 months as these fixed charges would result in high charges for members with smaller pots. PensionBee responded to this challenge by reducing charges during 2022 for customers who withdraw funds within 12 months to £150 including VAT. The GAA is pleased to note this, and the GAA will keep this under review.

### Prior year GAA observations

Last year the GAA also made a number of observations and we have set out the improvements observed in relation to these in each section of this report.

We also concluded that the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship were adequate and well implemented and are well documented.

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

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

Details of the numbers of pathway investors and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix E.

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

## Alison Bostock

Chair of the ZEDRA Governance Advisory Arrangement  
for PensionBee Investment Pathways

September 2023



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

PensionBee Investment Committee  
c/o Clare Reilly, Chief Engagement Officer  
PensionBee, 209 Blackfriars Road, London SE1 8NL

[engagement@pensionbee.com](mailto:engagement@pensionbee.com)

[www.pensionbee.com](http://www.pensionbee.com)

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



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# Overview of the value assessment

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

## Our approach

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

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by [pathway investors](#) against the investment performance and quality of services provided to pathway investors.

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

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

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

- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

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

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

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

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

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

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

In addition, there is a section setting out the GAA's views on the adequacy and quality of the Firm's policies on **ESG** financial considerations, non-financial considerations, and stewardship. Whilst this is a largely qualitative assessment the GAA has considered the Firm's policies in comparison to others the GAA has knowledge of.

An assessment has also been made of the net investment performance, quality of communication, quality of the administration service including processing of core financial transactions, and costs and charges relative to a suitable comparator group of pathway investment providers. Comments on the outcome of these assessments is included in the sections for the relevant features. We have also considered whether an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and pathway investment products were determined is set out in Appendix A.



# 1. Product strategy design and investment objectives

Value score:  Excellent  Good  Satisfactory  Poor

## What are we looking for?

We expect to see an investment strategy that is designed and managed taking the characteristics of pathway investors into account, that there is clear rationale for the selection of each fund used to support the investment pathways, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon and age profile of the pathway investors.

We want to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that these objectives link back to the needs of pathway investors.

We are also looking for evidence of a robust ongoing review process for the [pathway investment](#) options, and evidence that the Firm has taken steps to implement changes to the investment options, where appropriate, to ensure alignment with pathway investors' interests.

Whilst policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 24, we expect to see evidence of how these matters are taken into account in the design of the investment pathways strategies and in investment decision making.

## The Firm's approach

PensionBee partnered with State Street Global Advisers ('SSGA') undertaking a robust design process for all four investment pathway solutions. As part of this process PensionBee carried out extensive analysis of member behaviour as well as member surveys, interviews and in-person focus groups with customers to understand their needs and objectives using this to inform the pathways design.

The Pathway 1 design (for customers who have no plans to touch their money in the next 5 years) (Tracker) takes into account the expected young age of customers and objective to deliver growth over a 5-10 year period, leading to a high equity content with a smaller allocation to other asset classes such as bonds for diversification.

The Pathway 2 design (for customers planning to set up a guaranteed income (Pre-Annuity) within the next 5 years) incorporates modelling of outcomes from possible solutions against fixed [annuity](#) rates, leading to investment in long dated corporate bonds.

The Pathway 3 design (for customers who plan to start taking their money as a long-term income over the next 5 years) (4Plus) is intended to support a member who begins with drawing 4% a year from age 65 for their entire life expectancy and incorporates modelling to demonstrate appropriate levels of withdrawal rates being sustainable. This has led to a diversified range of investments that are actively managed using passive 'building blocks', with a stated objective of returning of SONIA plus 4% pa over a 5 year investment timeframe.

The Pathway 4 design (for customers who plan to take all of their money out within the next 5 years) (Preserve) anticipates customers' needs for a low risk approach and to preserve capital in the short term, leading to sterling liquidity cash investments.

## The Firm's strengths

All investment pathways solutions have clear statements of aims and objectives including quantitative investment performance objectives.

PensionBee provided analysis of customer investment and behaviour over 2022 – both pathways customers and the wider customer book. This analysis showed that in 2022 the average age of customers was 60 years old for Pathways 1, 2 and 4 and 61 years old for Pathway 3. 24% of total eligible customers have decided to participate in investment pathways. This analysis showed that customers were also generating fixed annuity quotes using the fixed annuity quotation tool with some customers getting final quotes and completing applications.

PensionBee provided evidence of regular ongoing reviews of the Investment Pathways investment options including face-to-face review meetings with SSGA.

PensionBee have clear ESG policies and in 2022 had its first ESG Materiality Assessment.

This meant identification and prioritisation of the ESG issues most critical to PensionBee and its stakeholders. Working from an initial list of 27 sustainability themes, 5 were selected and narrowed to 15 key ESG topics for impact on revenue, profitability and achievement of mission and vision, and assessed and scored for importance to Stakeholders and Impact on PensionBee. The resulting top ranked topics and actions are a focus to how PensionBee can fulfil its duty to stakeholders in delivering its ESG vision.

ESG screening for the United Nations Global Compact (UNGC) and controversial weapons has been fully embedded across Pathway 1 and Pathway 2. In addition, PensionBee have delegated engagement and stewardship activities to SSGA, who implement an engagement and stewardship programme. Notwithstanding, PensionBee actively seek views from their customer base on ESG matters and feed this on to SSGA to bear in mind when voting. PensionBee has also joined a coalition of investors with ShareAction to influence the voting of investment managers on pooled funds, for example in areas such as fossil fuel financing. PensionBee actively engages with climate reporting and adhering to ESG -related national charters and pledges.

## Improvements since last year

Last year the GAA observation was: The GAA would expect to see continued progress on the integration of ESG financial considerations within the investment pathway options, appreciating that this is a rapidly and constantly evolving area.

We are pleased to have seen a number of improvements in ESG, including embedding screening into Pathways 1 and 2 and a number of broader reporting and stewardship initiatives.

## Areas for improvement

The GAA did not identify any specific areas for improvement.



## 2. Investment performance and risk

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

We would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable and stated benchmark. Performance should be net of fees. In addition to the stated benchmark comparison risk adjusted returns should also be considered.

Where there are any concerns over investment performance, we expect to see evidence of appropriate action being taken, which may include engagement with investment managers and/or implementing changes to fund options. We also expect to see evidence that the strategies are effective and take into account the [pathway investors'](#) attitudes to risk.

### The Firm's approach

The Investment Committee of the Board of PensionBee Directors is responsible for monitoring the performance of the investment pathways product. The Committee is focused on a process of continuous improvement and review. The Committee review investment volatility and [net investment performance](#) against measurable and stated benchmarks and have regular engagement with SSGA.

### The Firm's strengths

PensionBee was able to evidence regular reviews of investment volatility and net performance of the pathways investments during 2022. Investment performance and risk objectives were met over the period for three of the four pathway funds, with Pathway 3 4Plus plan partially achieving its objectives. In 2022 this Pathway 3 4Plus plan fell slightly short of its cash+4%pa objective over the five-year period due to most asset classes declining over 2022, however, this Investment Pathway 3 plan did achieve lower volatility compared to equities.

During 2022 PensionBee continued with its appointment of a third party, AgeWage, to carry out an independent review of their investment pathway product performance for value for money, with the AgeWage scores showing that the plans had performed broadly in line with the rest of the market over various longer time periods.

### Net Investment Performance

The net investment performance of the investment pathways strategies for the 12 months ended 31 December 2022 and the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table.

Investment Pathway	Net Investment Performance	Benchmark/Objective
1	-15.34%	-15.50%
2	-33.42%	-33.38%
3	-8.13%	5.57%*
4	1.40%	1.40%

\*Objective of SONIA Compounded Index 1.40% benchmark + 4% annualised

## Comparator results

We have assessed how the net investment performance provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance when considered against the fund benchmark for the Firm's pathway investors over 2022 and relative to the comparator group for each investment pathway solution is as set out in the table below.

Investment Pathway	
1	Performance <b>below average</b>
2	Performance <b>below average</b>
3	Performance <b>above average</b>
4	Performance <b>average</b>

## Areas for improvement

The GAA did not identify any specific areas for improvement, in the context of a very challenging year for all investment markets.



## 3. Communication

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account [pathway investors'](#) characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications in place suitable for pathway investors, and which enable them to choose the relevant investment pathways.

In a high quality communication service offering we would expect a substantial online offering, with a range of online support materials such as online drawdown modellers to enable personalised calculations with various selectable options. We would expect telephone support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we would expect pathway investors to be able to switch investment pathways online and to have support available if they wish to leave or switch from their current investment pathway. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to ensure there is clear signposting to pathway investors on where they can obtain additional guidance and advice on their drawdown and retirement options.

### The Firm's approach

PensionBee has developed a comprehensive online member journey which was fully demonstrated to the GAA prior to launch. PensionBee confirmed no changes have been made during 2022.

As well as statutory communications, PensionBee provide their customers with newsletters and other updates, including targeted communications. Communications are reviewed annually and take into account customer feedback. PensionBee aim to make communications as understandable as possible and have adopted the Simple Annual Statement.

Pathway investors have full online and mobile app functionality, as well as access to tools to assist with their financial wellbeing including blogs, videos, pensions and drawdown calculators and an integrated retirement planner.

Pathway Investors benefit from personalised support from a 'Beekeeper' with dedicated telephone and e-mail contact details. Pathway Investors can communicate with PensionBee via telephone, live chat or e-mail.

## The Firm's strengths

The online member journey is clear and easy to follow and incorporates appropriate risk warnings and signposting.

PensionBee provided a range of sample communications sent to pathways investors including emails and an annual statement which the GAA considered to be clear, informative and engaging.

Pathway investors benefit from a substantial online offering including mobile app functionality and a wide range of online tools as well as a variety of communication methods with a personalised Beekeeper contact point.

## Comparator results

We have assessed how the communication materials provided to the Firm's pathway investors compare to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

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

## Areas for improvement

The GAA did not identify any specific areas for improvement.

## 4. Firm governance

Value score:

Excellent

Good

Satisfactory

Poor

### What are we looking for?

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

There should be a transparent and documented process for appointing and monitoring service providers, with evidence of regular reviews being undertaken and changes being made as required.

### The Firm's approach

The Firm has a clear and comprehensive governance structure in place comprising the Main Board, Audit and Risk Committee, Remuneration Committee, Investment Committee and Nominations Committee, with each having clear terms of reference, including responsibility for the process of appointing and monitoring external service providers where relevant.

The Investment Committee has oversight of the SSGA appointment, which is reviewed annually and SSGA present to the Committee on a regular basis.

IT services are provided inhouse, are overseen by the Audit and Risk Committee and hold the external ISO 27001 and Cyber Plus certifications.

Administration services are provided in house with regular performance reporting against service standards to the Main Board.

### The Firm's strengths

PensionBee demonstrated a robust governance structure and were able to evidence regular reviews being carried out, including commissioning independent third party reviews such as AgeWage reviewing the investment pathways product performance. Main Board meetings take place 12 times a year and other key committees meet two to four times a year, details of which are published in PensionBee's annual report and accounts. PensionBee was also able to evidence active changes being made as appropriate.

## Improvements since last year

Last year the GAA observation was: Due to the current short lifespan of the investment pathways product, there is only limited evidence of the operation of the governance structure on the pathways products. Whilst the governance structure appears robust, the GAA will continue to seek further evidence over time.

The GAA notes that the Firm have continued to develop investment reviews partnering with SSGA, governance committee and external reviews with independent consultants and own customers.

## Areas for improvement

The GAA did not identify any specific areas for improvement.





## 5. Financial security

**Value score:**  Excellent  Good  Satisfactory  Poor

### What are we looking for?

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

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

We are looking for evidence of a clear process to warn [pathway investors](#) about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

### The Firm's approach

The PensionBee Investment Pathways are structured as a long-term savings contract under a life-wrapper, providing uncapped Financial Services Compensation Scheme protection to pathway investors up to 100% of assets should a money manager fail.

PensionBee places high priority on protecting customers from fraud and scams with a range of controls in place that are reviewed and expanded as appropriate. Transfer communications contain wording alerting customers to scams with signposting to the Scam Smart leaflet and website.

### The Firm's strengths

Since being floated on the Stock Exchange in 2021, PensionBee has evidenced strong revenue growth and predicted that it is on target to report a profit by 2024. The 2022 annual report reported increases from 2021 of revenue by over 38% and assets under administration by over 17% and a stable customer retention rate of 97%.

PensionBee carry out full ID and bank verification checks before making payments. PensionBee has been signed up to make the Pension Regulator's pledge on scams since 2021, and actively monitors for fraudulent activity to identify high risk transactions.

### Improvements since last year

Last year the GAA observation was: The GAA recognises that PensionBee is a relatively young company that is experiencing strong revenue growth and investing in its future and, as such, PensionBee was loss making in 2021. The GAA will continue to monitor the financial progression of PensionBee over time.

The GAA notes that the Firm's 2022 annual report and financial statements recorded strong revenue and customer growth and had graduated to the Premium segment of the London Stock Exchange. PensionBee continues to offer FSCS protection without any £85,000 cap.

## **Areas for improvement**

### **GAA observations**

The GAA recognises that PensionBee is still a relatively young company with budgeted loss making in 2022 and prior years. The GAA will continue to monitor the financial progression of PensionBee over time with breakeven projected by the end of 2023.

## 6. Administration and operations

Value score:



Excellent



Good



Satisfactory



Poor

### What are we looking for?

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

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

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business during the COVID-19 pandemic.

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

### The Firm's approach

In general, core financial transactions are highly automated and switch requests are sent to the asset manager on the same day as requested by **pathway investors**. Service standards for completion of withdrawals and switches being 10 working days. Transfers are processed via Origo where possible.

Other aspects of administration performance such as live chat response waiting time and phone call answer waiting time are constantly monitored and are regularly reported to the Main Board.

PensionBee places high focus on cybersecurity risk. IT services are provided inhouse, are overseen by the Audit and Risk Committee and hold the external ISO27001 certification. PensionBee has a robust cybersecurity policy in place with security penetration testing carried out as part of its annual certification for the Cyber Essentials Plus scheme.

PensionBee has a clear complaints process in place, with complaint outcomes being reported to the Main Board twice-yearly with a thematic assessment being undertaken to identify and act on any areas where long-term solutions can be implemented.

## The Firm's strengths

PensionBee systems are highly automated, reconciling and investing transactions. In general, PensionBee have a 1-day SLA on any amount that enters the bank account to be sent on for payment to a beneficiary or alternative provider. This is monitored on a daily basis through an automatic report that is sent to the CEO and COO. SLA performance, based solely on PensionBee element of time spent on the transaction was 99.9% withdrawals in 10 days or less.

The Firm were able to respond to issues for service delivery. For example, during 2022 recruitment and training delays at the start of the year resulted in customer wait times being longer than normal with an average 29 seconds on live chat (2021 27 seconds) and 115 seconds on the phone (2021 69 seconds). By H2 2022 (the second half of 2022) the live chat average had improved to 27 seconds and the average phone waiting time was 55 seconds, further improvements being recorded in H1 2023.

Vulnerability assessment, security penetration testing and business continuity planning review continued to be carried out in 2022 as part of PensionBee maintaining its ISO27001 and Cyber Essentials Plus certifications.

PensionBee performs thematic assessment on the small number of complaints it receives on a half yearly basis to ensure long-term solutions to customer frustrations are prioritised. PensionBee received no complaints from pathway investors during 2022 and complaint levels across the entire business during 2022 were very low at 0.81 per 1,000 customers. PensionBee encourages customers to leave public reviews on Trustpilot and in 2022 maintained its 4.6 / 5.0 Trustpilot rating.

## Improvements since last year

Last year the GAA observation was: Whilst the administration service performed strongly during 2021 and monitoring of performance by the Main Board was clearly evidenced, the GAA understands that there is no specific service level standard set for phone and live chat response times notwithstanding there is an unofficial expectation this should exceed 90%. The GAA has suggested PensionBee consider putting in place formal service level performance targets for phone and live chat response times.

In 2022 PensionBee monitored an SLA of 90% and achieved 83% on phones and 79% live chat response times, with 90%+ achieved in the second half of the year.

## Comparator results

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's pathway investors compare to other sufficiently similar investment pathway arrangements.

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

## Areas for improvement

### GAA observations

The GAA notes that there are no specific targets set for % of email cases resolved within 24hrs and 72hrs due to the issue of how to account for 'back and forth' time with a customer. The GAA looks forward to specific targets for these being set in the future once the underlying data is available.



## 7. Engagement and innovation

Value score:

Excellent

Good

Satisfactory

Poor

### What are we looking for?

We expect to see evidence that the investment pathways product is reviewed at least annually, with new products or services being developed taking into account [pathway investors'](#) characteristics, needs and objectives.

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

### The Firm's approach

PensionBee demonstrated a robust product review process. Product development occurs through multi-disciplinary teams who can problem solve effectively to evolve existing products and introduce new products that meet customer needs.

PensionBee evidenced that they seek extensive customer engagement and feedback including via Trustpilot, Google reviews, Net Promoter Scores, surveys and focus groups. Feedback sought from customers extends to their views on [ESG](#) issues, which PensionBee then passes on to SSGA to consider when voting in respect of the pooled fund [pathway investment](#) solutions.

### The Firm's strengths

PensionBee continue to demonstrate its commitment to innovate with its Product Steering Committee meeting fortnightly to resolve issues arising with from implementation of existing products. Product innovations applied in 2021 for the benefit of pathway investors, included in-app withdrawals functionality to allow regular withdrawals for drawdown customers, and a retirement planner save feature to help customers make the most of their pension contributions in the run up to the 2022/2023 tax year-end.

PensionBee evidenced extensive customer engagement during 2021 across a wide range of methods to obtain feedback on its product.

### Areas for improvement

The GAA did not identify any specific areas for improvement.

## 8. Cost and charge levels

**Value score:**

Low

Moderately Low

Moderately High

High

### What are we looking for?

The GAA has considered the overall level of charges borne by [pathway investors](#) over the year. This included assessing:

- | the fund annual management charges, administration charges and [transaction costs](#) being borne by pathway investors;
- | any other charges being paid by pathway investors to manage, access and invest their drawdown funds;
- | the process for collecting and monitoring overall member charges, including transaction costs;
- | how the Firm monitors charges;
- | whether the overall level of charges is reasonable, bearing in mind the nature of the investment, level of performance, and degree of risk management; and
- | the distribution of charges across pathway investors.

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

### The Firm's approach

PensionBee has implemented a sliding scale of charges for each investment pathway solution based on pot size. The average pot size for pathway investors during 2022 was towards the lower end of the range.

The Investment Committee monitors costs including transaction costs and raises queries with SSGA if any transactions costs are different to expectations.

PensionBee have no other regular charges for administration or transactions as PensionBee has a one-all fee apart from a one-off early withdrawal fee.

### The Firm's strengths

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

The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including transaction costs.

We observed a range of charges across the investment pathways offered with the average charge applied being as follows:

Investment Pathway	
1	0.50%
2	0.70%
3	0.95%
4	0.50%

The GAA rating reflects the charges applied for the investment pathways made available by the Firm, and we believe that the Firm offers appropriate charges to pathway investors. The GAA considers the charges to be average.

### Improvements since last year from GAA challenge

The GAA acknowledge the response from PensionBee over its 2021 challenge which particularly affected customers with smaller pots. PensionBee reduced charges for customers who withdraw funds within 12 months, and that only a charge of £150 including VAT was applied in 2022 for early withdrawal.

### Comparator results

We have assessed the overall cost and charge levels payable by the Firm's pathway investors in comparison to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider and each investment pathway solution.

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

### Areas for improvement

#### GAA observations

The GAA note there only remains a one-off early withdrawal fee which is payable in limited circumstances. Although this fee was reduced in 2022 the GAA would welcome its removal.



# ESG financial considerations, non-financial matters and stewardship

## What are we looking for?

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

We expect the Firm's policy in relation to these considerations:

- a) sufficiently characterises the relevant risks or opportunities;
- b) seeks to appropriately mitigate those risks and take advantage of those opportunities;
- c) is appropriate in the context of the expected duration of the investment; and
- d) is appropriate in the context of the main characteristics of the actual or expected pathway investors.

We also expect that the firm's processes have been designed to properly take into account the risks or opportunities presented.

Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account, where relevant, when scoring the area of Product Strategy Design and Investment Objectives on page 9, how the Firm has integrated ESG financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

## The Firm's approach

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

In the case of the Investment Pathways investment is via pooled funds and so PensionBee has had to delegate voting to SSGA. However, PensionBee engage regularly with the stewardship team at SSGA to articulate their views and expectations and to drive up levels of accountability and transparency around SSGA's own direct engagement activities and voting record.

ESG principles are fully integrated throughout the investment pathways product.



## The Firm's strengths

PensionBee only work with asset managers who are members of the Net Zero Asset Managers Initiative. PensionBee's approach is asset-based screening complemented by investment stewardship and has worked with SSGA since late 2020 to have ESG screening for violators of the UNGC. The equity and fixed income portions of Pathways Tracker Plan (Pathway 1) and Pre-Annuity Plan (Pathway 2) are screened for these. Pathway 3 4Plus and Pathway 4 Preserve which invest in cash-like instruments and money market short term debt prevent ESG baseline screening and have an active managed component that further prevents screens from being applied.

In 2022 PensionBee announced it had achieved carbon neutrality of Scope 1 and Scope 2 (market-based) emissions in accordance with PAS 2060. It reported under TCFD (Task Force on Climate-Related Financial Disclosures) for the first time. PensionBee continues to report under the Sustainability Accounting Standards Board ('SASB') framework, the Workforce Disclosure Initiative ('WDI') and the Streamlined Energy and Carbon Reporting ('SECR') frameworks.

In 2022 PensionBee secured voting rights through 'Voting Choice' from State Street Global Advisors for two of its investment pathways plans, Tracker and 4Plus, and have chosen the ISS Socially Responsible Investment voting policy which is being applied in 2023.

In 2022 PensionBee introduced its first ESG Materiality Assessment working with ESG data reporting specialist Nossa Data and with all stakeholders to identify the most important topics to stakeholders.

In 2022 PensionBee asked its own Pathways investors for their views on ESG factors and voting with the greatest response being 40% of investors clearly stating 'I think it's important and I'm happy with PensionBee's approach'.

In 2022 PensionBee continued its commitment to national Charters, charitable events, Pledges and Social Impact Initiatives such as the ABI Making Flexible Work Campaign and Charter, ShareAction's Good Work Coalition and worked with local state schools for tailored work experience placements.

## Improvements since last year

Last year the GAA observed that PensionBee policies would be kept under review and: the GAA still considers these policies to be adequate and of good quality.

The GAA notes the extensive work and engagement of PensionBee in this area.

## Areas for improvement

The GAA did not identify any specific areas for improvement.



## Appendix A: Comparison report

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

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

### How the comparators were selected

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

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.

- | Products where Firms provide similar services, for example in the case of a SIPP whether the provider has responsibility for setting and monitoring the investment strategy.
- | Similar membership cohort, for example staff schemes for staff of the provider.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the [pathway investors](#) of the Firm.

### Comparison of Net Investment Performance

We have assessed how the [net investment performance](#) provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance when considered against the fund benchmark for the Firm's pathway investors over 2022 and relative to the comparator group for each investment pathway solution is as set out in the table below:

Investment Pathway	
1	Performance <b>below average</b>
2	Performance <b>below average</b>
3	Performance <b>above average</b>
4	Performance <b>average</b>

## Comparison of Communication provided to pathway investors

We have assessed how the communication materials provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

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

## Comparison of Administration Services

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's pathway investors compares to other sufficiently similar investment pathway arrangements.

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

## Comparison of costs and charges

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

- | [Annual management charge](#)
- | [Transaction costs](#)
- | Other costs and charges

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

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



## Appendix B: GAA activity and regulatory matters

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

### GAA engagement and actions this year

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

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

Members of the GAA had a meeting with representatives of PensionBee to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. In some cases, this meeting was virtual.

Members of the GAA had a meeting with representatives of PensionBee to discuss the GAA's provisional scoring of Value for Money of the in-scope PensionBee [pathway investments](#).

As part of the Value for Money assessment process, PensionBee has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit. In particular, the GAA has seen evidence of ESG integration within PensionBee's investment decision process, and evidence of active dialogue of ESG integration with stakeholders.

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

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

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

The key dates are:

Item	Date
Kick off meeting	09/02/23
Issue data request	13/02/23
Review approach meeting	03/03/23
Site visit	21/03/23
GAA panel review meeting	19/04/23
Discuss provisional scoring	15/06/23
Finalise scoring	01/09/23

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

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

## The arrangements put in place for pathway investors' representation

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

- | The role of the GAA and the opportunity for pathway investors to make representations direct to the GAA has been and will continue to be communicated to pathway investors via email and annual survey. Pathway investors are invited to share any feedback throughout the year via [engagement@pensionbee.com](mailto:engagement@pensionbee.com). PensionBee also has a dedicated section of their website for the GAA containing the terms of reference and reports at [www.pensionbee.com/governance-advisory-arrangement](http://www.pensionbee.com/governance-advisory-arrangement).

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

In addition, the GAA has established a dedicated inbox at [zgl.gaacontact@zedra.com](mailto:zgl.gaacontact@zedra.com) so that pathway investors can make representation to the GAA direct.

PensionBee will include details of this contact e-mail address on its dedicated GAA webpage [www.pensionbee.com/governance-advisory-arrangement](http://www.pensionbee.com/governance-advisory-arrangement) and the e-mail and annual survey to pathway investors.

## Appendix C: ZEDRA GAA credentials

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

- | Act solely in the interests of the [relevant policyholders](#) of those pension plans, and to
- | Assess the 'value for money' delivered by the pension plans to those relevant policyholders.

These requirements were then extended to Firms providing investment pathways in respect of [pathway investors](#) from 1 February 2021.

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

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

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

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

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

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

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

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

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

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

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

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# Appendix D: Glossary

## Active management

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

## Annual management charge (AMC)

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

## Annuity

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

## COBS

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

## Core financial transactions

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

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

## Decumulation

The process of converting pension savings to retirement income.

## Environmental, social and governance (ESG)

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

## Flexible access

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

## Life-styling

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

## Net investment performance

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

## Pathway investor

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

## Pathway investment

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

## Relevant policyholder

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

## Relevant Scheme

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

## Transaction costs

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





## Appendix E: Data table

Investment pathway	Number of customers during 2022	Assets under management as at 31/12/22
1	385	£14.56m
2	45	£0.97m
3	159	£8.19m
4	349	£1.46m
<b>Total</b>	<b>938</b>	<b>£25.18m</b>



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