Virgin Stakeholder Pension IGC Report

Published September 2022

Independent Governance Committee Chair's Report
For the year ending 31 December 2021

At a glance – value for money in your Virgin Money workplace pension

The IGC believes that the Provider improved value for money to its stakeholder pension policyholders in 2021.

Value for money factors	IGC Rating 2021
Investment performance • The new Glidepath default strategy has been in place for a year and performance has been acceptable on a risk/return basis • The performance of the default strategy is broadly in line with leading workplace pensions at both growth and pre-retirement glidepath phases	G
Costs and charges • Costs and charges are at the higher end for a workplace pension, reflecting the relatively smaller size of the Virgin Stakeholder Pension • Current fees will be better value for money once the promised digital platform services are delivered • Transaction fees are acceptable and within industry tolerances for each fund type	A
Quality of services • Processing of core financial transactions and other administrative services has been satisfactory despite the ongoing challenges of Covid • Communications are fit for purpose and take account of members' needs; they are ahead of the market in use of plain English and accessible language • Digital access and servicing lags other providers but is expected to improve when the new digital platform is delivered • Investment oversight of default and self-select funds is sound, and objectives are clearly set out • Flexible access income drawdown is not available, unlike other providers, and would enhance value for money for policyholders as a retirement option • Policies on ESG (Environmental, Social and Governance), stewardship and other investment matters lag the market, although the investment manager – abrdn - take some account of these issues in current investment strategies	G

The IGC uses a colour coded scoring system of **Red**, **Amber** and **Green** on the scorecard. This shows how your pension has been assessed with regards to value for money for policyholders.

The scoring system is our assessment of suitability, not an assessment of regulatory compliance. **Red** indicates that urgent attention is required. **Amber** means that there is room for improvement, and **Green** that performance is satisfactory.

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

What does the IGC do?

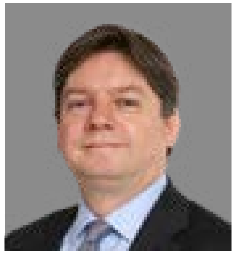
Each year the IGC produces a report on how we believe your pension Provider is managing your pension. Our report contains feedback on things we like about your pension, the way it is managed, as well as areas where the Provider can make improvements. This is our seventh report and provides an update for the calendar year 2021.

As the name suggests, the IGC is completely independent of Virgin Money and acts solely in the interests of pension policyholders. The IGC has clear terms of reference. The primary responsibility of the IGC is to assess whether you receive value for money from your pension, and to raise any concerns we identify with the Provider, Virgin Money.

Your IGC has five members, with a majority of wholly independent members, including the Chair. The terms of appointment of Company nominated members include the duty to act solely in the interests of policyholders. This overrides any obligations to their employer or shareholders. All members are independent in character and judgement. The Provider pays all costs associated with the IGC, including the fees of the independent members. The IGC believes that it receives appropriate resources from the Provider to carry out its duties. The IGC considers that it has enough expertise, experience, and independence to act in policyholders' interests.

Future oversight
We want to remind you that Virgin Money does not currently offer flexible income drawdown in the Stakeholder Pension, and therefore the IGC has no Investment Pathways to oversee. However, Virgin Money plans to introduce retirement income options in the new personal pension which will include Investment Pathways. Your IGC's role and terms of reference will be amended to reflect this change.

Sir David Chapman
Chairman



Steve Balmont
Independent Member

Dianne Day
Independent Member

Robert Jefferson
Virgin Money Appointed Member

Jason Sinclair
Virgin Money Appointed Member

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

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

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

Jason Sinclair
Jason is an experienced pensions professional having worked for over 30 years at abrdn. Jason has professional diplomas in Management, Financial Management and Investment Management. During his career, he has worked in a number of client facing roles covering defined benefit and defined contribution pension arrangements. In his current role with ASI, Jason is responsible for the pension and benefit arrangements for all colleagues as Global Head of Pensions and Benefits. Jason also chairs the abrdn Group Flexible Retirement Plan forum. This forum aims to help colleagues understand and engage in their pension arrangements.

Robert Jefferson
Robert has over 20 years' experience in Financial Services – mainly across digital and marketing roles. He is a huge advocate of simplicity and transparency. Robert's personal mission is to help customers understand their financial products and feel confident in making decisions. In his current role with Virgin Money, Robert heads up all marketing for mortgage, insurance, investments and pensions customers. He is also an active member of the bank's extended leadership team. Robert holds an MBA from Newcastle Business School

Need help with your Virgin Money pension?

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

You can contact Virgin Money directly with any questions you have about your pension on **03456 10 20 30**.

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

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

Virgin Money has a pension calculator on its website, which you can use. You can find the calculator at the following address: **http://uk.virginmoney.com/virgin/pension/personal/pension-calculator.jsp**

Can I contact the IGC?

The IGC is there for your benefit. We encourage you to contact us with any queries you have about this report or on our assessment of your pension scheme. Feedback is always welcome.

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

Chair's Statement

I'm delighted to present my Chair's report for the calendar year ended December 2021, dated September 2022. I'm pleased to say that the changes implemented in late 2020 have now put your default investment strategy on a sound footing for the future.

In October 2021, the Financial Conduct Authority (FCA), our regulator, changed the deadline for IGC annual reporting from 31 July to 30 September. At the same time, they also changed the way IGCs assess value for money. Our main role remains the same and we are committed to acting solely in the interests of Virgin Stakeholder Pension policyholders. We are here to hold Virgin Money to account so that policyholders receive value for money from their workplace pension plan.

To do this, we focus on three core elements: – costs and charges, investment performance, and quality of services. As an input to our assessment, we now compare Virgin Money with other schemes across all three elements.

Looking after your pension through the 2021 pandemic

For the second year running the Covid pandemic had a major influence on operations and inevitably service levels suffered, as we all continued to live and work under challenging circumstances. However, it was encouraging that this did not result in an increase in customer complaints or present any serious service issues.

The joint venture with Standard Life Aberdeen, which was rebranded to abrdn in July 2021, is now well established and there has been an improvement in investment performance since their appointment. Investment returns are comparable to those of other providers, especially in the default investment strategy, even after just one year.

Unfortunately, the proposed migration pathway to the new digital platform, which was planned to commence in November 2021, has been delayed, continuing a pattern of delayed – or abandoned – projects over the past few years. However, I'm pleased to report that unlike on previous occasions, your IGC was kept fully informed about the technological and other problems encountered in preparing the new digital platform to meet Virgin Money's specific requirements and exacting standards.

Despite this setback we believe the move will ultimately benefit Virgin Money members because of its greater digital capability. This should deliver the experience that Virgin Money hope to provide to policyholders and thereby justify the current level of costs and charges, which we regard as on the high side for workplace pensions but competitive in the personal pension market.

Communicating with members

The FCA is now paying close attention to how providers communicate with their members, with a special emphasis on non-advised and vulnerable customers. We totally support the FCA's approach, as good communications are important in embracing pensions confidence, engagement and driving appropriate pensions behaviour.

Your IGC has always focussed on member communications, and it is now a standard item on our agendas. In 2020 we were closely involved with the communications strategy in the run up to the investment transition to abrdn. A detailed strategy has been prepared to assist with the eventual migration to the new digital platform. In the meantime, we found ongoing communications from Virgin Money to be easy to understand, with a welcome focus on Plain English and fit-for-purpose.

Responsible investing

The IGC has a responsibility to examine the extent to which decisions on how your money is invested is driven by ESG (Environmental, Social and Governance) and Stewardship considerations. Unfortunately, at the end of 2021, Virgin Money had still not produced a definitive policy and this is disappointing. Nevertheless, it should be emphasised that Virgin Money's primary aim is to deliver good member outcomes at retirement and there is a balance to be struck between responsible investment and delivering maximum returns, for which abrdn, the investment manager, is accountable. We comment on this and other aspects of value for money in our report. We note that Virgin Money is well advanced in developing its responsible investing approach.

Your IGC's effectiveness

Following last year's FCA IGC Effectiveness Review, from which we came out well, Virgin Money and the IGC have worked closely together to see how we could improve matters even further. We have refreshed our meeting agendas to take account of the changed remit of the IGCs and have shifted priorities. This has led to more in-depth discussions on individual topics with a particular focus on customer communications, together with pressing for a more urgent commitment from your Provider to develop and embed ESG policies, an area we believe Virgin Money is currently lagging the market and policyholders' expectations.

Areas for future focus

It is disappointing that to date Virgin Money, unlike most other providers, has yet to develop options for policyholders in retirement including flexible access drawdown and Investment Pathways. As a result, policyholders reaching retirement must move their funds elsewhere. We are hopeful that this will be addressed in the coming year as clearly the situation is not ideal for either the policyholders or the provider. This is another area that the FCA is concentrating on as it wishes to help inexperienced investors avoid costly investment mistakes. Accordingly, we strongly urge members approaching retirement to take investment advice before committing to a particular course of action. A good source of advice is Moneyhelper, a service set up by the Government in 2015, which offers free and impartial guidance on pension and retirement matters from its Pension Wise service.

Reflections on the Virgin Money IGC

This will be my final report as I am retiring. It has been a privilege to chair the Virgin Money IGC since its inception in 2015, supported throughout by excellent colleagues. We have always fought hard on your behalf, albeit not always as successfully as we would have liked. Looking back, my biggest regret was the delay in addressing the concerns of your IGC regarding the suitability of the then Default Strategy and the Scheme's disappointing investment performance. Unfortunately, the FCA failed to take Virgin Money to task, even when in December 2017 we formally escalated our concerns to the Regulator. Nevertheless, the changes implemented in late 2020 have now put the default investment strategy on a sound footing for the future.

I also regret that our annual report, addressed specifically to policyholders, has received so little feedback from policyholders – good or bad! Most employees assume, quite reasonably, that their employer continues to monitor the pension they selected on their behalf. Regardless of whether individual savers read our report or are even aware of our work, I believe IGCs will continue to play an important role in holding providers to account on their behalf, acting as we do in the sole interests of policyholders. I would strongly urge policyholders to be more proactive in engaging with their IGC or pension provider, as it is in everyone's interests that they do so.

In closing, I believe the joint venture with abrdn, which already appears to be working well, together with the intended migration to FNZ, will result in a more positive era for policyholders and they can look forward to the future with confidence. In addition, I am certain that despite differences in the past, and a number of challenges, relations with the Provider will continue to remain cordial and constructive. We particularly appreciated the more open dialogue which has occurred this year. It is beneficial to all parties.

Sir David Chapman

Your provider's response to this report

We believe that your IGC continues to be appropriately challenging, and acts strongly on your behalf.

Comments from Virgin Money.

2021 saw the continuation of the global COVID-19 pandemic which continued to have an impact on the performance of our funds and operational matters, with key suppliers and stakeholders operating on a working from home model.

In November 2020, we made some significant changes to your pension service, when we launched new funds and the new Glidepath. We have been delighted with the performance of these new funds and our Glidepath returns through 2021 and were pleased that this was recognised by your IGC. As a reminder, the Glidepath gives members increased diversity of the fund selection and a longer phase of movement from growth assets to defensive assets as members approach the statutory retirement age. We have continued to make improvements to our funds into 2022 also.

Our focus on service and ensuring continuous access to telephone help and support has remained robust during a period in which the office working model has been replaced almost entirely by home working. Whilst service levels have been below historic norms we have been pleased with the performance during these challenging times and are working hard with our partners to restore normal service levels through 2022.

Whilst your IGC note that we didn't have a fully signed off ESG policy by the end of 2021, this is now in place and the business has ambitious plans to ensure all of our funds are built on sound sustainable principles. We look forward to sharing our exciting plans in this area shortly.

As a business, we are disappointed that our migration plans have not progressed as quickly as we would have liked. However, we are committed to ensuring that the new proposition, which will deliver enhanced digital capabilities and in retirement solutions, is robust and fully tested ahead of your use. We firmly believe we will be able to migrate your pension to our new proposition in 2023 and look forward to subsequently offering in retirement services including drawdown and Investment Pathways. Your IGC have been working with us on the communication plans to ensure that you have adequate and clear notice of these changes.

We believe that your IGC continues to be appropriately challenging and acts strongly on your behalf. We are continuously seeking to refine our ways of working to deliver incremental improvements to how we work collectively. We note that the Chair of your IGC will be standing down in 2022, and would like thank Sir David Chapman for his leadership over the last seven years. We are confident that the strength of the IGC will continue. The relationship remains strong, transparent, and progressive.

Value for money – in detail

Changes to how we assess value for money policies

In October 2021, the FCA changed the way in which it expects IGCs to assess value for money. The new value-for-money framework focuses on a combination of three key considerations: investment returns, costs & charges, and quality of service. In this year's report, we have aligned our assessment to this new approach.

In addition, the FCA now requires IGCs to assess value for money in all three areas in comparison to similar employer schemes or cohorts on the market. To satisfy this new requirement, your IGC needed to develop a practical basis for comparison that is useful for policyholders – in other words, a former workplace pension awaiting transfer to a personal pension.

For this purpose, we engaged pensions consultants, Hymans Robertson LLC (Hymans) as advisers, to undertake a benchmarking study, comparing where valid, the Virgin Stakeholder Pension with other pension schemes - both workplace and personal. Throughout this year's report, you will see reference to this study where we found its findings relevant and insightful. Since all policyholders' costs and charges have always been the same for each employer, we can treat the Virgin Stakeholder Pension as a single employer scheme without the need for cohort analysis – the only difference being the auto-enrolment group who are subject to the 0.75%pa charge cap by law.

Another new requirement from the FCA this year is to inform employers if, in the IGC's opinion, better value may be available elsewhere. Due to the circumstances of the Virgin Stakeholder Pension, your IGC is unable to fulfil this duty, of which the FCA is aware. There is no ongoing relationship between the Virgin Stakeholder Pension, your IGC and previously participating employers.

Policyholders will soon move to a personal pension

In 2018, Virgin Money decided that it would no longer offer a workplace pension and wrote to all applicable employers, who have put alternative arrangements in place. Since then, all remaining policyholders are deferred, with no employer contributions being made and no new employers joining.

Virgin Money plans to transition customers from the Virgin Stakeholder Pension to a new self-invested personal pension (SIPP). The FCA has endorsed this as a non-consented transfer and policyholders will be informed of the details once the new digital platform, powered by FNZ, is ready.

1. Investment Performance

G satisfactory

While we only have one year's performance to look at, our conclusion so far is that the new default Glidepath provides value for money in terms of returns and the IGC have rated this as Green, satisfactory.

The key features of investments markets in 2021 were rising inflation and rising interest rates as central banks address Covid-related spending.

Equity markets have been volatile, but most ended the year with positive returns in Sterling (GBP) terms. Global equities (up 23%) performed better than UK equities (up 18%). Emerging Market equities performed poorly (down 1.6%) largely due to falls in Chinese Bonds and fixed interest markets had a challenging year, declining by 5.2% due to rising interest rates.

Investment Fund performance to 31 December 2021

In the context of 2021 investment market returns, the performance of the two funds used within the default strategy ("Glidepath") provided satisfactory returns.

The Virgin Money Defensive Fund returned 1.8% for the year to 31 December 2021, while the Virgin Money Growth Fund 3 returned 14.4%. These new Glidepath funds were introduced from November 2020. Both funds follow well-diversified, multi asset strategies designed with members' needs in mind, with the mix adjusted as members approach retirement.

Of the non-Glidepath funds, two funds had a change of strategy and name. The Virgin Bond, Gilt and UK Share Fund became the Virgin Money Growth Fund 1. The Virgin Bond, Gilt, UK and Overseas Share Fund became the Virgin Money Growth Fund 2. In July 2021, Virgin Money wrote to pension members in those funds to tell them about the improvements. The change to the new strategies took place in October 2021. The IGC was pleased to see these improvements delivered as part of the regular review of fund suitability by Virgin Money.

1.2 Benchmarking Performance

Hymans have compared investment performance of the Virgin Money default strategy (Glidepath) with seven broadly similar workplace pensions providers. The investment strategies used by these other providers may differ from the Virgin Money strategy, so caution is needed when comparing performance.

Glidepath targets income drawdown at retirement and has two distinct phases. In the initial growth phase, Policyholders invest wholly in the Virgin Money Growth Fund 3. In the pre-retirement phase – from age 51, some of the money is gradually moved into the lower risk Virgin Money Defensive Fund. This happens every year until the Policyholder is 65. At 65 and beyond the Policyholder will have 36% of their money in the growth fund and 64% in the defensive fund.

Hymans observed that performance in the growth phase of the Glidepath Strategy has been broadly in line with that of most other providers when 30 years away from retirement. As might be expected, providers with lower risk strategies provided lower returns and those with a higher allocation to riskier investments provided higher returns.

In the pre-retirement phase, Glidepath has provided returns in line with the highest performing providers for Policyholders who are five years away from retirement. For Policyholders who were only one year from retirement age – it has provided returns in line with other providers.

Glidepath has been in place since November 2020. Any assessment of the risk associated with the volatility of investment funds is not practical for short periods of less than, typically, three years. So, a comparison of volatility between the stakeholder pension strategy and that of other providers is not practical. Hymans observed that the Virgin Money strategy implies a suitable level of volatility at different stages on the retirement journey. The IGC plan to comment more on risk and volatility in future reports, once enough data is available to make comparisons.

2 Costs and Charges – A room for improvement

In this section we look at the ongoing charges you pay and the transaction costs incurred when buying and selling investments. We compare 2021 against the charges and costs in 2020.

Based on benchmarking undertaken by Hymans, we have found that the ongoing charges within the Virgin Stakeholder Pension are towards the higher end (but not the highest) when compared with other contract-based workplace pensions. This is consistent with our findings last year and that is why we have assessed your scheme as **Amber** on costs and charges in 2021. This means that the IGC believes that there is room for improvement. The Virgin Stakeholder Pension is a relatively small workplace pension, which limits the competitiveness of fees achievable in the market. Transaction fees are acceptable and within industry tolerances for each fund type.

We consider the current charges will become competitive by comparison once you transfer to a personal pension, and gain access to its additional features and digital services.

In this section we have set out the ongoing fees and charges that you will pay, along with the transaction costs – in line with FCA guidance.

2.1 Ongoing Policyholder charges

2.1.1 The Glidepath default strategy – where most policyholders are invested

The Glidepath default strategy introduced in late 2020 blends two funds depending on how far away you are from retirement. These are the Virgin Money Pension Growth Fund 3 and the Virgin Money Pension Defensive Fund. Each fund is actively managed, based on the manager's expectations of future returns and risks. Virgin Money believes that these sophisticated funds, combined in a well-designed Glidepath strategy, offer potential for good risk-adjusted returns over the life of your pension.

The ongoing fees for each fund are shown in the following table. Turning percentages into pounds, an annual fee of 0.7% means you pay £70 per year in ongoing charges for every £10,000 in your pension account with Virgin Money. An annual fee of 0.85% means you pay £85 per year in ongoing charges for every £10,000 in your account.

Funds in the Glidepath

	Virgin Money Pension Growth Fund 3	Virgin Money Pension Defensive Fund
	2021	2021
Annual Management Charge – Standard	0.85%	0.7%
Annual Management Charge – Auto-enrolment	0.75%	0.7%

To see how the Glidepath gradually moves your money over the 15 years to retirement, look at the table below. The annual ongoing charges are also shown for each year.

	Up to 50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65+
Growth Component Growth Fund 3 (GF3)	100%	97%	94%	91%	88%	85%	81%	77%	73%	69%	65%	60%	55%	50%	43%	36%
Defensive Component Defensive Fund (DEF)	0%	3%	6%	9%	12%	15%	19%	23%	27%	31%	35%	40%	45%	50%	57%	64%
Charges Standard Class*	0.85%	0.85%	0.84%	0.84%	0.83%	0.83%	0.82%	0.82%	0.81%	0.80%	0.80%	0.79%	0.78%	0.78%	0.76%	0.75%
Charges Auto-enrolment Class*	0.75%	0.75%	0.75%	0.75%	0.74%	0.74%	0.74%	0.74%	0.74%	0.73%	0.73%	0.73%	0.73%	0.73%	0.72%	0.72%

*See your benefits statement for details of which charges column applies to you.

2.1.2 Other funds – for policyholders to make their own fund choices

Policyholders who wish to select their own funds can mix and match the two funds shown on the previous page with the five other funds in the table below. The ongoing annual charges were reduced in 2020 and now sit at a reasonable level.

Other Funds available to Workplace Pension Policyholders – Year ending 31 December 2021

	Virgin Pension Growth Fund 1		Virgin Pension Growth Fund 2		Virgin Pension Global Share Fund		Virgin UK Index Tracking Trust		Virgin Money Bond & Gilt Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Annual Management Charge	0.85%	1%	0.85%	1%	0.85%	1%	0.6%	0.6%	0.6%	0.6%

Virgin Money Growth Fund 1 = repurposed Virgin Bond, Gilt and UK Share Fund from 15 October 2021
Virgin Money Growth Fund 2 = repurposed Virgin Bond, Gilt, UK and Overseas Share Fund from 15 October 2021

2.2 Transaction costs

We are pleased to report that Virgin Money provided full detail of transactions costs in a timely fashion once again this year. Transaction costs vary from year to year. Our consultant, Hymans, has reviewed the detailed transaction costs reported by Virgin Money for 2021 and concluded that they are reasonable for the type of funds offered.

Transaction costs are generally the costs involved in the buying and selling of investments within your pension. Examples of these include stamp duty, taxes, broker commission and the effect of timing of investment transactions and policyholder switching. Such costs, along with the annual management charge, reduce the value of your pension savings.

A detailed breakdown of all transaction costs for the funds in the default investment strategy (Glidepath) and the five optional funds can be found in Appendix 1.

2.2.1 Transaction costs for funds in Glidepath default strategy

In 2021, the transaction costs were lower than in 2020 for the Growth Fund 3 and higher for the Defensive Fund. The total impact depends on your position on Glidepath. Overall, these costs are reasonable and within industry tolerances for actively managed funds.

Fund	2021	2020
Virgin Money Growth Fund 3	0.033%	0.052%
Virgin Money Defensive Fund	0.079%	0.047%

2.2.2 Transaction costs for five optional funds:

In 2021, transaction costs were lower than in 2020 for all optional funds except the Virgin UK Tracking Trust. This fund's costs were negative in 2020, meaning that they added a small amount of value through timing. This was an unusual result of the calculation methodology which uses 'implicit costs'. The results in 2021 are more usual and within industry tolerances.

Fund	2021	2020
Virgin Money Growth Fund 1	0.135%	0.286%
Virgin Money Growth Fund 2	0.125%	0.349%
Virgin Global Share Fund	0.041%	0.081%
Virgin UK Tracking Trust	0.104%	-0.150%
Virgin Money Bond & Gilt Fund	0.022%	0.048%

2.3 How ongoing and transaction costs could impact the size of your pension pot over time

Value for money in pensions means policyholders paying costs that are in line with the investment strategy design and mix used to achieve their retirement goals. Examining fees is important as over the course of many years, they reduce pension savings.

The table on the next page shows the impact that both ongoing annual charges and transaction costs can have on your pension over the years you are invested. The first column shows the value before charges are deducted and the second shows the value after fees and transaction costs.

This is not a promise of a return and your outcome will be different. But it illustrates why it's important to consider fees and why the IGC focuses heavily on these as part of our value-for-money assessment.

Firstly, we show the impact of ongoing and transaction costs could have if you are invested in the default strategy (Glidepath).

Secondly, we have provided an illustration of the two most popular optional funds – the Virgin UK Index Tracker Fund and the Virgin Money Bond & Gilt Fund.

Projected pension pot in today's money*

Years	Glidepath (Default Arrangement)	
	Before charges + costs deducted	After all charges + costs deducted
1	£12,921	£12,813
3	£19,378	£18,958
5	£26,732	£25,854
10	£49,733	£46,871
15	£80,903	£74,383
20	£122,672	£110,033
25	£178,151	£155,849
30	£251,119	£214,266
35	£341,737	£286,798
40	£447,592	£374,552

Years	Virgin UK Index Tracker		Virgin Money Bond and Gilt tracker	
	Before charges + costs deducted	After all charges + costs deducted	Before charges + costs deducted	After all charges + costs deducted
1	£12,946	£12,860	£12,502	£12,426
3	£19,476	£19,140	£17,792	£17,512
5	£26,938	£26,232	£23,480	£22,926
10	£50,418	£48,093	£39,608	£38,011
15	£82,492	£77,141	£58,793	£55,556
20	£125,813	£115,332	£81,507	£75,903
25	£183,800	£165,114	£108,283	£99,442
30	£260,859	£229,550	£139,736	£126,611
35	£362,663	£312,468	£176,560	£157,908
40	£496,500	£418,643	£219,554	£193,899

*Glidepath funds – Virgin Money Growth Fund 3 and Virgin Money Defensive Fund

Assumption Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £10,000.
3. Inflation is assumed to be 2% each year.
4. Annual contributions are made at 8% of salary based on an average salary of £29k (source: ONS.gov.uk).
5. Contributions are assumed from age 22 to 68 and increase in line with assumed earnings inflation of 2.5% each year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rate for each fund (based on COBS 13 Annex 2 method – mid inflation adjusted):
   - Glidepath (Default Arrangement) – Growth Fund 3: 4.8%, Defensive Fund: 2.12%
   - UK Index Tracker: 5%
   - Bond and Gilt Fund: 1.4%

The above tables meet the requirement under COBS 19.5.13 R (4) for an illustration of the compounding effect of the administration charges and transaction costs. The Illustration summary was prepared in accordance with COBS 19.5.15 G.

3 Quality of services
G satisfactory

In this section we look at the quality of services you receive. Where possible we compared 2021 against the quality of services in 2020.

Based on benchmarking undertaken by Hymans, we have rated this section as **Green** – satisfactory. Core services such as transaction processing, administration and account communication are fit for purpose, with investment oversight being sound, and funds having clear objectives. The IGC felt that these were the most important service factors for members.

There are some areas for improvement – policies on ESG (Environmental, Social and Governance), stewardship and other investment matters lag the market, and digital access, and tools are behind comparable providers. Virgin Money have plans to address these areas in the future, but the IGC acknowledge that members didn't benefit from these during 2021.

Virgin Money do not currently offer a flexible access income drawdown, unlike other providers. This would enhance value for money for policyholders as a retirement option.

3.1 Account Service and Communications

3.1.1 Account service

As the country emerged from the pandemic working practices have changed for many organisations. We spoke to Virgin Money regularly throughout 2021 to understand the impacts and trends on the level of service that they offered you. Our role is to challenge if we feel performance is slipping and suggest areas for improvement.

Virgin Money report that 99.81% of transactions were processed accurately for the year – slightly higher than 2020, and above the Hyman's benchmark peer group average of 95%. One area that continued to be placed under stress was the telephone helpline. Over the course of the full year, 89.2% of calls were answered. Although this is an improvement on 2020, the IGC were disappointed to see the service level deteriorate and drop below 80% for the last two months of the year. However, although the answer rate was below the peer group average, telephone satisfaction rates were in line with comparable providers in the market.

A measure of service that the IGC monitors is the volume of complaints. We were pleased to see overall pension complaints drop by 34% versus 2020 (185 received, compared to 281 in 2020).

3.1.2 Communications

We regularly liaise with Virgin Money on planned member communications, giving feedback on the content and clarity. Generally, we find Virgin Money receptive to feedback. In our interactions with Virgin Money, the IGC have observed a clear communications framework, and a commitment to using plain English and encourage member understanding. This has played a key role in our assessment for communications being fit for purpose.

During 2021 we felt that there was an appropriate level of collaboration with Virgin Money and the IGC on the member communications as Virgin Money plan to migrate to a more modern digital platform. This migration has been delayed, but Virgin Money advise that they expect this to happen in 2023. The IGC feel that the new digital platform will enable members to make better decisions about their pension, and that the planned migration communications are fit for purpose.

The Hyman's benchmarking exercise does highlight room for improvement in terms of enhanced features such as webchat, video statements and regular member newsletters.

3.1.3 Looking Forwards

A key focus for the IGC is for Virgin Money to maintain service standards for members in the lead up to, during and then after the migration to its new servicing platform. We will continue to challenge and represent you throughout this period.

3.2 Investment governance

3.2.1 Glidepath – the default scheme

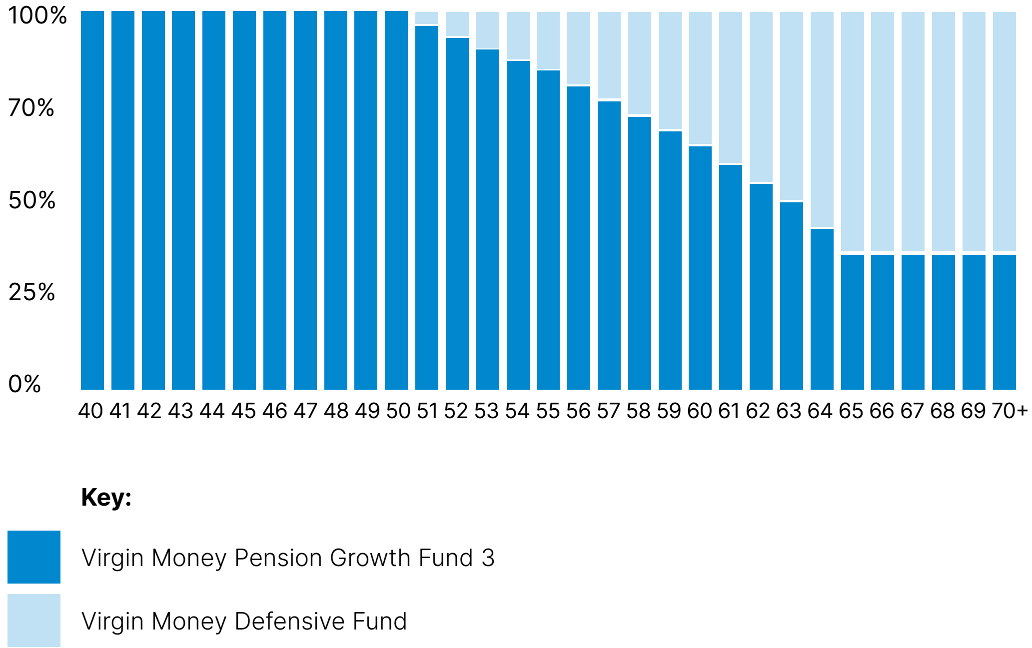
In November 2020, Virgin Money introduced the Glidepath as its new default investment strategy for policyholders in the Virgin Stakeholder Pension. Your IGC welcomed this new default strategy as being fit for purpose, with clear objectives in terms of risk and return outcomes. The strategy is made up from a blend of funds that is designed to achieve outcomes in the interests of policyholders, and how they are expected to access their benefits at retirement.

As a reminder, Glidepath uses a mix of two funds, developed in partnership with abrdn. Glidepath moves policyholders from a growth fund to a more defensive fund as policyholders approach retirement age. This happens over an extended time so that policyholders stay invested in growth for longer. In fact, even after policyholders reach 65, a third of their pension pot is in Virgin Money's Growth Fund 3. See chart opposite for how this works.

The new Glidepath funds are invested across global investment markets. This diversification means that policyholders benefit from lower expected risk compared to investing in a single market and or investment class.

All policyholders using the old AFS (automatic fund selector) are now on the new Glidepath, unless they opted out.

How the Glidepath moves your money over the years



3.2.2 Regular reviews

Having set a new course for the default strategy, ongoing monitoring and review of its suitability continues to be important in overseeing policyholders' outcomes. Investment markets change constantly and the recent change in direction of both interest rates and inflation marks a distinctive change in trends compared to the past two decades.

Your IGC has observed that Virgin Money continues to monitor the strategy and its performance on a regular basis, providing quarterly performance reports both to its internal governance bodies and to your IGC. This includes examining risk and volatility and comparing them to investment market indices and to relevant peers.

On a more strategic basis, Virgin Money reviews the value added by abrdn, its investment manager, to see if its active management decisions have enhanced returns and/or managed risk. On an annual basis, the mix of funds and the asset allocation within each fund is reviewed, which is especially important for forward-looking investment strategy design and decisions.

Virgin Money calls on the investment design expertise of abrdn but also consults from time to time with third party pension investment consultants, such as Hymans Robertson, as a useful sounding board. We encourage this openness of thought and input into the governance of the pension funds design as good practice.

Overall we are comfortable with Virgin Money's approach to investment governance and its oversight of the default arrangement.

3.2.3 Optional funds

In terms of the optional funds, we note that these have also been reviewed on an ongoing basis under the same investment governance processes outlined above. We note the change in name of two funds from 15 October 2021: Virgin Money Growth Fund 1 was previously the Virgin Bond, Gilt and UK Share Fund, and the Virgin Money Growth Fund 2 was previously the Virgin Bond, Gilt, UK and Overseas Share Fund. Both funds have seen their risk and return objectives clarified and their investment strategy modified to a more actively-managed, dynamic approach. The new design gives abrdn a greater ability to adjust investments according to market conditions. We welcome Virgin Money's ongoing review and monitoring of the optional funds, and expect the same process to be applied to the remaining funds in the range during 2022.

3.3 Investment Policies

For 2021, the IGC considered the adequacy and quality of Virgin Money's investment policies. These include the provider's integration of environmental, social and governance (ESG) considerations when selecting investments, together with policies on voting at company meetings (also referred to as stewardship). We conclude that Virgin Money are behind the market in formally documenting and implementing their policies, although their investment partner, abrdn, do take some of these factors into account in their current investment management approach.

3.3.1 Approach to ESG

abrdn integrate the consideration of ESG risks and opportunities into their decision-making and have ESG experts embedded across their investment teams. In addition, their Sustainability Group provides detailed global research and insight on stewardship and ESG issues that can be used across all asset classes.

abrdn bring these experts together to identify issues and drive change in the areas of climate change, human rights, modern slavery, and diversity and inclusion. These groups link up with Virgin Money's investment experts to make sure there is oversight of the handling of the key issues.

3.3.2 Engagement

abrdn believe in being active and engaged owners of the assets in which they invest. They aim to enhance the value of their investments by engaging with the companies and organisations they invest in - sharing insights from their ownership experiences across geographies and asset classes to improve financial resilience and performance. Where abrdn believe that things need to change, they talk to the company. These discussions may cover areas like strategy and performance, risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery and corruption.

3.3.3 Voting on Environmental and Social Resolutions

For equity ownership, abrdn exercise their voting rights including voting in relation to environmental and social resolutions tabled at company meetings. These cover a wide range of topics such as, climate change, employment practices, human rights and corporate lobbying. In 2021, abrdn voted on 280 such resolutions.

3.3.4 ESG Summary

Overall for 2021, the IGC have concluded that Virgin Money are behind the market on their policies, implementation and engagement with members on ESG considerations. This was also the conclusion of Hymans report which compares Virgin Money against the wider marketplace.

Looking forward, we are confident with the work Virgin Money are doing in this area and the developments which they plan to implement during the next 12 months.

Also, as part of the transition to a new platform, Virgin Money plans to make their Climate Change Fund available to pension policyholders for the first time. This will offer an important additional sustainability investment option.

The IGC's future plans

Your IGC is committed to continuing our positive relationship with the Provider, but will not hesitate to challenge or engage in constructive criticism when considered necessary.

As before, our focus will be to ensure that policyholders continue to receive value for money. We will do this by:

- Monitoring the Default strategy and abrdn's investment management of your pension funds
- Monitoring current services levels until the migration to the new digital platform takes place
- Monitoring the migration and the delivery of promised, enhanced digital features post migration
- Pressing Virgin Money to finalise and implement their Responsible Investment policy
- Encouraging Virgin Money to introduce at-retirement solutions for policyholders, including Investment Pathways
- Encouraging policyholders to engage with the Provider, which the IGC believes would be mutually beneficial

Appendices

Appendix 1: Transaction Cost Reporting for 2021

Fund Classification	Fund Name	Transaction Cost						2021	2020
		Lending & Borrowing Costs	Explicit Taxes	Explicit Taxes & Charges	Implicit Costs	Indirect Costs	Anti-dilution offset (taken away from other costs)	Total Transaction Costs	
Glidepath Funds (Fund of Funds)	Virgin Money Growth Fund 3 (GF3)	0.000%	0.000%	0.000%	0.000%	0.033%	0.000%	0.033%	0.052%
	Virgin Money Defensive Fund (DEF)	0.000%	0.000%	0.000%	0.000%	0.077%	0.000%	0.079%	0.047%
Single Funds	Virgin UK Tracking Trust (Tracker)	0.007%	0.015%	0.000%	0.068%	0.014%	0.000%	0.104%	-0.150%
	Virgin Money Bond and Gilt Fund (B&G)	0.004%	0.000%	0.000%	0.017%	0.000%	0.000%	0.022%	0.048%
Fund of Funds	Virgin Money Growth Fund 1 (GF1)*	0.000%	0.000%	0.007%	0.048%	0.080%	0.000%	0.135%	0.286%
	Virgin Money Growth Fund 2 (GF2)**	0.000%	0.000%	0.014%	0.015%	0.096%	0.000%	0.125%	0.349%
	Virgin Global Share Fund (Global)	0.000%	0.000%	0.000%	0,000%	0.041%	0.000%	0.041%	0.081%

Transaction Cost Description (FCA COBS 19.8)	Costs associated with stock lending	Transaction taxes – such as stamp duty and financial transaction tax	Broker commission and other explicit transaction costs	Transaction costs calculation for buying and selling transactions [Slippage Cost]	Transaction costs incurred in an underlying investment vehicle [Look Through]	Reduction to total transaction costs, either levy or adjustment for dual price funds

Calculated according to FCA rules and guidance.

Appendix 1: Transaction Cost Reporting for 2021 – Commentary

Fund Classification	Fund Name	Commentary
Glidepath Funds (Fund of Funds)	Virgin Money Growth Fund 3 (GF3)	First full year of transaction cost for GF3 used as the growth component of Glidepath and benefits from economics of scale from £1.1bn funds under management.
	Virgin Money Defensive Fund (DEF)	First full year of transaction costs for DEF used as the defensive component of Glidepath.
Single Funds	Virgin UK Tracking Trust (Tracker)	2021 costs driven by implicit costs which represent the timing of when trading is carried out. Costs are higher than prior year, due to negative implicit costs in 2020, which offset all other costs resulting in a negative position for the year.
	Virgin Money Bond and Gilt Fund (B&G)	2021 costs driven by implicit costs which represent the timing of when trading is carried out. Costs are lower than prior year due to lower implicit costs.
Fund of Funds	Virgin Money Growth Fund 1 (GF1)*	Fund repurposed in October 2021. Costs in the year driven by timing of trading, implicit costs and trading in underlying funds. Costs are lower than prior year, reflecting market conditions.
	Virgin Money Growth Fund 2 (GF2)**	Fund repurposed in October 2021. Costs in the year driven by trading in underlying funds. Costs are lower than prior year, reflecting market conditions.
	Virgin Global Share Fund (Global)	Costs are lower than prior year, reflecting market conditions.

*Virgin Money Growth Fund 1 – repurposed Virgin Bond, Gilt and UK Share Fund – 15th October 2021.

**Virgin Money Growth Fund 2 – repurposed Virgin Bond, Gilt, UK and Overseas Share Fund – 15th October 2021.

Calculated according to FCA rules and guidance.

Appendix 2
List of Meetings and work undertaken at each IGC

February 2021

Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Glidepath Implementation Summary
- Transformation Programme Plan
- FNZ Due Diligence
- Communications Strategy
- ESG Policies
- Transaction Costs
- Investment Pathways
- IGC Effective Review and Self-assessment

IGC:

- IGC draft report 2020

February 2021

Deep Dive on Communications and Effectiveness

May 2021

Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- Update on ESG Activity
- Communications
- Deep Dive on Transaction Data

IGC:

- Content, format and areas of focus for future Virgin Money reporting
- COBs related training requirements
- Progressing the IGC's 2021 priorities

July 2021

Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- Deep Dive on Migration Communications Strategy
- Deep Dive on ESG / Responsible Investing Policy

IGC:

- Annual Report
- Communications feedback

October 2021

- FCA rules changes – Value for Money (VFM)

November 2021

Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- Follow up with leavers
- FCA VFM rules changes – follow up
- Communications to migrating customers
- IGC Governance Portal requirements
- Annual Report
- Deep dive – ESG and Responsible Investment

IGC:

- IGC report 2021 planning

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