



Virgin Stakeholder Pension

# Independent Governance Committee Report

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Virgin Money Independent Governance Committee Chair's Report  
For the year ending 31 December 2022

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# Independent Chair's annual report



**Dianne Day**  
Independent Chair

Welcome to the 2022 report on your Virgin Stakeholder Pension scheme from the Independent Governance Committee (IGC).

**Our role is to assess whether your Virgin Money pension provided value for money in 2022. We do this with your sole interests in mind, and independently of Virgin Money. We report to you on what went well, what could be improved and how your pension compares to other workplace pensions available on the market. Our conclusion is that we found your pension to be well-managed and had no new concerns to raise with Virgin Money.**

**As a reminder, we expect that later in 2023, policyholders in the Virgin Stakeholder Pension will move to a personal pension plan, with a modern digital service platform, and the Virgin Stakeholder Pension Scheme will be closed. While we await this transfer, which disappointingly has suffered extensive delays, we assess value for money in line with similar legacy workplace pension plans.**

## **A challenging year for pensions**

2022 was a difficult year for the financial markets in which your pension invests. Rates of return were poor in all types of investments, including UK and overseas shares and fixed income. As a result, the values of most pension pots fell or failed to keep up with inflation, which is at its highest for decades. In October 2022, interest rates increased suddenly, which produced short-term losses for investors in fixed income investments. In these turbulent times, it's even more important that we monitor your pension provider to ensure they follow a diversified, long-term investment strategy suitable for policyholders, and make changes when appropriate.

## **Value for money**

We found that your Virgin Stakeholder Pension provided value for policyholders in 2022:

- Investment returns were in line with other leading providers, in the context of a difficult year in investment markets.

- Administration has been reliable, and transactions have been processed promptly and accurately. Service levels fell at times during 2022 but recovered by the end of the year – other providers had similar experiences.
- Communications were fit for purpose, easy to read and accessible.
- Costs and charges were in line with similar-sized workplace pensions, although at the higher end.

## **Areas where we think value for money could be improved are:**

- Better online policyholder support, including digital services and communications, which are available from leading pensions providers. We would like to see more help for non-advised policyholders to engage during their savings journey and plan for their retirement.
- Access to a regular income drawdown at retirement, including Investment Pathways options.

- Speedier and more extensive implementation of responsible investment policies, including investment stewardship, which lag other providers. Policyholders could benefit more from the expertise and skills of abrdn, your scheme's appointed investment adviser in this area.

## **Key events in 2022**

We welcomed Virgin Money's announcement to reduce charges so that standard and auto-enrolment policyholders pay the same from January 2023. We think this is fair because the service and returns they receive are the same. Costs and charges have also reduced for some self-select funds from the same date, a further fee improvement for policyholders.

Virgin Money, together with investment adviser abrdn, closely monitor the performance of the Glidepath default investment strategy to ensure it continues to perform in line with objectives. From mid-2022, the Defensive Fund, which forms part of the Glidepath as policyholders get closer to retirement,



was kept under especially close watch as interest rates rose significantly. Virgin Money, in consultation with abrdn, made a conscious decision to make no immediate changes to investment strategy, believing the design still fit for purpose. Returns, while negative, were within tolerances given the extreme shift in interest rates.

Importantly, we note that Virgin Money and abrdn are due to conduct a detailed, three-yearly review of the Glidepath default design in the second half of 2023. We will scrutinise this review closely, to ensure that it is conducted with policyholders' interests in mind, taking into consideration changed economic and market expectations.

We were pleased that Virgin Money formally approved its Responsible Investment Policy in September 2022. Your provider then began to align investments with its policy, starting with the self-select Virgin Money Bond Fund in November 2022. We look forward to this work being extended to the funds in the Glidepath default strategy in 2023.

### **Future developments**

Later in 2023, Virgin Money plans to move all policyholders from the Virgin Stakeholder Pension to a self-invested personal pension (SIPP) and the Virgin Stakeholder Pension Scheme will then be closed. We continue to press the Virgin Money team to complete this transition to a modern digital service platform. The delays have been disappointing and we are growing more concerned that policyholders are paying for promised enhancements that are yet to be delivered. The IGC acknowledges that keeping policyholders' money safe is paramount and that during the long wait, investment returns and core service levels have been robust.

However, the further the transition slips, the more Virgin Money's competitors develop their relative value for money propositions. We have seen advanced versions of Virgin Money's new digital services, such as the online app, and are pleased to report that they are shaping up to offer what we expect from a modern

pension. Once the transfer is completed, the current charges will be in line with other personal pensions. Virgin Money's commitment to ongoing policyholder communication ahead of the transition to the new platform is welcomed.

Virgin Money have kept us informed of their actions to comply with the new Consumer Duty regulations as required by the Financial Conduct Authority (FCA) from 31 July 2023. We welcome this development which we think will enhance value for money for policyholders. The new Consumer Duty encourages pension providers to help you make informed decisions even if you do not take professional financial advice (which is strongly recommended, especially at retirement).

Once the transition to a personal pension is complete, there will be a change of role for the IGC. Virgin Money has shared its plans for a new income drawdown service to be made available to SIPP policyholders accessing their benefits which will include Investment Pathways options. We will

continue to act independently and solely in policyholders' interests as we assess the investment design, service, and communications of the new Investment Pathways options ahead of launch.

### **Any questions?**

We would love you to get in touch with your feedback on our report or questions about your Virgin Stakeholder Pension. Accessing your pension may be close or some way off, but your long-term financial future will be better if you regularly check on your pension to see that it meets your needs. You can contact the IGC directly at **[workplacepensionsfeedback@virginmoney.com](mailto:workplacepensionsfeedback@virginmoney.com)**

### **Dianne Day**












Chair, Virgin Money Independent Governance Committee

# Value for Money – Our assessment at a glance



Each year, the IGC provides a report on how we believe your pension provider, Virgin Money, is managing your pension. Our report contains feedback on the things we like about your pension, the way it's managed, as well as areas where they could improve. This is our eighth report and gives an update for the calendar year 2022.

**The IGC found that Virgin Money provided value for money to its stakeholder pension policyholders in 2022.**

Value for money factors	IGC Rating 2022	IGC Rating 2021
<p><b>1. Investment returns</b></p> <ul style="list-style-type: none"> <li>• Glidepath default strategy has been in place for two years and performance has been satisfactory, given market conditions.</li> <li>• Performance of the Glidepath default investment strategy compares favourably with leading workplace pension providers at both growth and pre-retirement phases.</li> </ul>		
<p><b>2. Quality of services</b></p> <ul style="list-style-type: none"> <li>• Processing of core financial transactions and other administrative services has been satisfactory, although a fall in service levels in the first half of the year is noted, in line with other providers.</li> <li>• Communications are fit for purpose and take account of policyholders' needs; they're ahead of the market in using accessible language.</li> <li>• Digital access, servicing and policyholder support lag other providers but is expected to improve with the new personal pension later in 2023.</li> <li>• Investment oversight of default and self-select funds is sound, objectives are clearly set out, and performance and risk closely monitored.</li> <li>• Flexible access income drawdown is not available, unlike other providers; this would enhance value for money for policyholders if they could remain with Virgin Money through to retirement.</li> </ul>	     	
<p><b>3. Costs and charges</b></p> <ul style="list-style-type: none"> <li>• Costs and charges are at the higher end for a workplace pension, reflecting the relatively smaller size of the Virgin Stakeholder Pension.</li> <li>• Fees were lowered for some policyholders and several self-select funds from January 2023 and are better value for money, especially once the promised digital platform transition is delivered.</li> <li>• Transaction fees are acceptable and within industry tolerances for each fund type.</li> </ul>		

The IGC uses a colour coded scoring system of Red, Amber and Green on the scorecard. This shows how your pension has been assessed in terms of 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's room for improvement. And Green means 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](mailto:workplacepensionsfeedback@virginmoney.com)



# Virgin Money's response



2022 was a tough year for pension savers as investment markets around the world fell while governments dealt with the aftermath of the COVID-19 pandemic and the invasion of Ukraine. Rising interest rates and an uncertain economic outlook impacted the value of bonds and shares, and affected the performance of our pension funds too.



**Jonathan Byrne**  
CEO Virgin Money  
Investments

As the independent review of performance in this report shows, while it is always disappointing for returns to be negative in any one year, losses were experienced by all sampled pension providers over the course of the year, and we have confidence we'll deliver good results over the longer term.

We continue to look at the value offered by our funds and will make changes if we consider value could be improved.

- In 2022, we assessed that the default Glidepath strategy had performed relatively well since launch in 2020, considering market conditions last year.
- In December 2022, we made changes to the Virgin Money Bond Fund, one of our self-select funds, to improve the value offered and to incorporate responsible investing.

- In January 2023, we reduced the cost of Virgin Money Growth Fund 3 within the Glidepath to bring in consistent charging for all members.
- In 2023, we're kickstarting a three-year review of the Glidepath strategy to make sure it continues to meet the needs of members throughout their pension saving journey.

Responsible investing is a key priority. Over the long term we believe that responsible companies will provide better returns for members, while also considering their effect on people and the planet. We're in the process of implementing changes across our funds to incorporate responsible investing. The funds in the Glidepath are being updated with Virgin Money Growth Fund 3 changes made in January 2023 and the Defensive Fund to be made in

September 2023. For more information on our approach, you can visit our Investing Responsibly page <https://uk.virginmoney.com/investments/responsible-investing/>

We continue to focus on service and are pleased that the IGC recognise our continued high levels of customer satisfaction. The contact centre has now returned to a fully in-office model having utilised homeworking and hybrid working models through the pandemic.

As a business, we're frustrated that we haven't been able to migrate members to our new proposition as quickly as we would have liked. But these delays are in our customers' best interests. We launched the new proposition for ISA customers in 2023 and are positively learning from that experience ahead of the pension launch. Once migrated, you'll benefit from stronger

digital features, with in-retirement solutions following on. Your IGC has been working with us on the communication plans to ensure that you have adequate and clear notice of these changes.

The IGC has seen a change in personnel during the last calendar year and we're pleased with the professionalism and challenge presented by your revised team. The Committee acts strongly on your behalf and holds us to account. The report outlines how the IGC will change in nature in the near future and we look forward to working collaboratively with them for a smooth and effective transition.





# How your Independent Governance Committee assesses value for money



## The FCA regulates the Virgin Stakeholder Pension scheme and sets out how it expects IGCs to assess value for money.

### We focus on a combination of three key things:

1. **Investment returns**
2. **Quality of services – administration, communications, policyholder support and default investment strategy governance**
3. **Costs and charges – what you pay and how that impacts your savings**

To assess these things, we meet regularly throughout the year and review a variety of information and reports from Virgin Money on all three areas above, as well as any policyholder feedback. We ask questions, seek further insights, and challenge the Virgin Money executive team (where necessary) to make sure our assessment is thorough and evidence-based.

The FCA also requires the IGC to assess value for money in all three areas compared to similar pension plans. For this purpose, we engaged pensions consultants Hymans Robertson LLC (Hymans Robertson) as advisers, to benchmark the Virgin Stakeholder Pension with other pension schemes. Throughout our report, you'll see reference to this study where we found its findings relevant and helpful.

Since policyholders' costs and charges do not vary by employer, we treat the Virgin Stakeholder Pension as a single scheme without the need for analysis of different employer cohorts.

The Virgin Stakeholder Pension is relatively small, with low average pot sizes and most policyholders no longer making regular contributions because they have left their employer. The scheme's value for money has been benchmarked to other schemes in this context.

Another requirement from the FCA is to tell your employers if, in the IGC's opinion, better value may be available from alternative workplace pension providers. However, your IGC is unable to fulfil this duty, and the FCA is aware, given the status of the Virgin Stakeholder Pension. In 2018, Virgin Money decided that it would no longer offer the Virgin Stakeholder Pension as a workplace pension.

The Provider wrote to all participating employers, who then put new pension providers in place for their staff. There is no ongoing relationship between the Virgin Stakeholder Pension, your IGC and your previously participating employer.

#### **The future of your pension**

Later in 2023, Virgin Money plans to transition all policyholders from the Virgin Stakeholder Pension to a self-invested personal pension (SIPP) and the Virgin Stakeholder Pension scheme will then be closed. The FCA has permitted this as a non-consented transfer and policyholders will be informed of the details once the new digital platform is ready.





# Value for Money report in detail





## 1. Investment returns

### 1.1 Investment returns

2022 was a tough year for investment performance. Glidepath returns were negative for the year, impacted by increases in inflation (caused by energy and commodity price shocks) and interest rates which reduced the value of both bonds and shares. While falling pension values in 2022 were unwelcome news, especially for policyholders closer to retirement, returns for the Glidepath were well within an acceptable range when compared to other leading pensions providers.

89% of policyholders invest in the default Glidepath investment strategy. Glidepath performance for policyholders for 2022 and 2021 was:

Period remaining to retirement	Year to 31/12/22	Year to 31/12/21
30 years to retirement	-8.80%	14.35%
5 years to retirement	-9.08%	9.91%
1 year to retirement	-9.25%	7.12%



# Comparative performance of Virgin Money Glidepath strategy with that of other providers.

In the following charts, Hymans Robertson have compared investment performance of the default Glidepath investment strategy with that of seven broadly similar workplace pensions providers (labelled A to G).

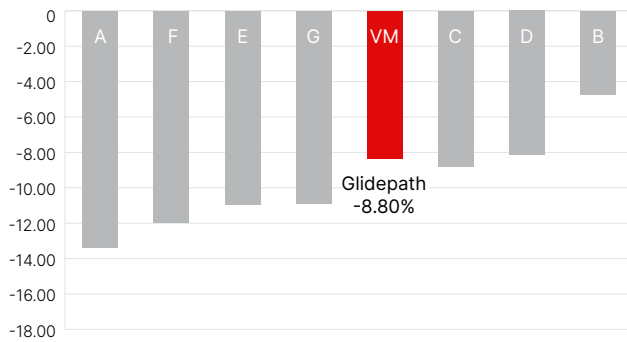
The investment strategies used by these other providers will differ from the Virgin Money Glidepath strategy, so caution is needed when comparing performance. Over longer time

periods, providers with lower risk strategies typically report more stable returns and those with higher risk strategies typically report more volatile returns.

However, 2022 was an exceptional year when “low risk” investments such as government bonds produced significantly negative investment returns, and higher risk investments also performed poorly.

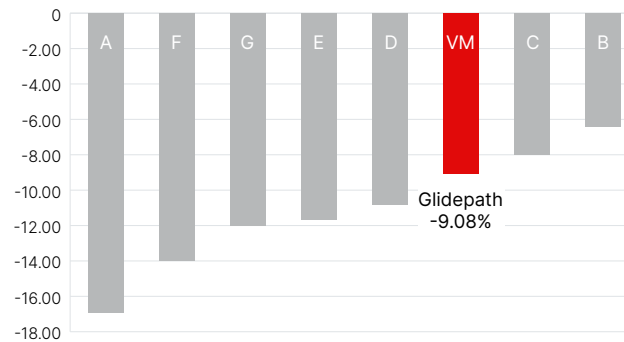
## Annual Investment Returns to 31 Dec 2022 for policyholders who are:

### 30 years from expected retirement age



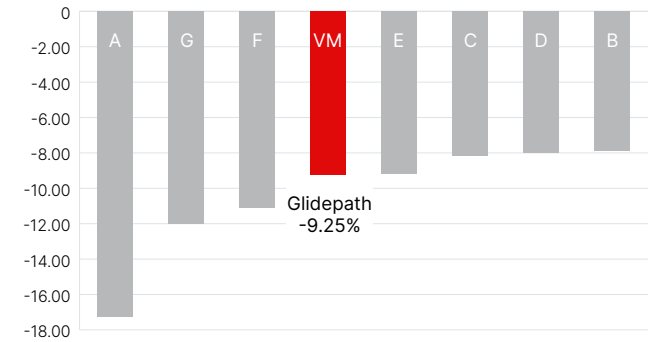
Source: Hymans Robertson, 2023

### 5 years from expected retirement age



Source: Hymans Robertson, 2023

### 1 year from expected retirement age

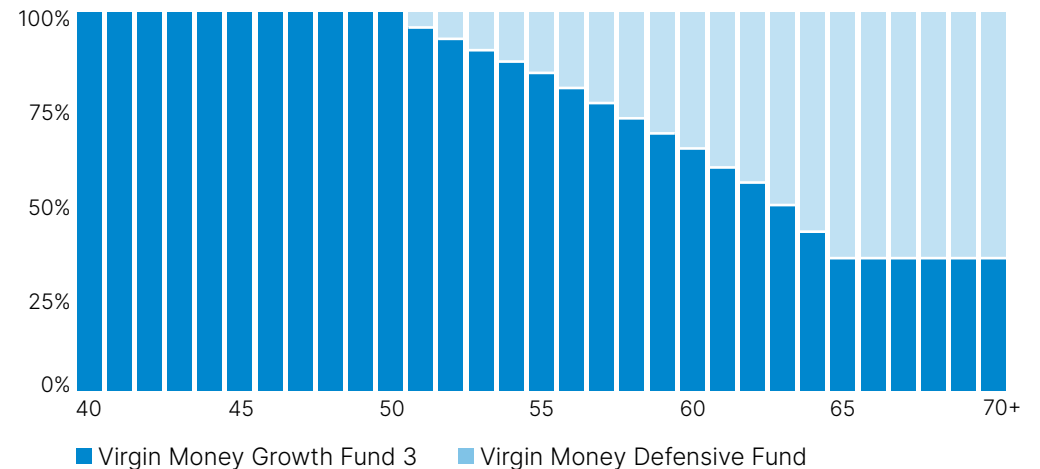


Source: Hymans Robertson, 2023

## Glidepath: Virgin Money's new default investment since November 2020

Glidepath targets income drawdown at retirement and has two phases. In the initial stages, until policyholders reach age 50, Glidepath invests in the Virgin Money Growth Fund 3. From age 51 funds move gradually into the lower risk Virgin Money Defensive Fund. By the time policyholders reach age 65, 36% of funds are invested in the Virgin Money Growth Fund 3 and 64% are invested in the Virgin Money Defensive Fund.

Glidepath has been in place since November 2020. Hymans Robertson noted that the Glidepath strategy implies a suitable level of volatility at different stages of the retirement journey. However, more detailed assessment of the risk associated with the volatility of investment funds is not practical for short periods of less than, typically, three years. Any comparison of volatility with other providers is also not practical. The IGC expects to be able to comment more on risk and volatility in the Annual Report for next year, once enough data is available to make comparisons.



## 2. Quality of services

### 2.1 Administration

Virgin Money has performed very well across its administration tasks with 99.7% processed within service level agreements, which outscores the Hymans Robertson comparator group average which was 98%. Our conclusion is that core transactions were processed in an accurate and timely fashion, and complaint levels were low.

Virgin Money's telephony performance was below expected levels in early 2022 with the volume of calls not answered particularly high in January 2022 at 27%. This was due to a challenging recruitment period for administration staff, which was seen across many call centres as COVID measures were unwound. Call centre performance improved throughout the second half of the year.

There are 'peak' periods of calls, such as the end of tax year, during which we would expect Virgin Money to be more resilient and make sure their service levels are more consistent. Virgin Money's opening hours for the call centre are excellent with availability for customers 6 days per week, until 9pm on weekdays. There is currently no webchat functionality available which most financial services organisations offer, but this in the planning.

Satisfaction scores received over the year by Virgin Money were in the top 25% of the industry, suggesting that policyholders were generally happy with the service they received throughout 2022. The volume of complaints (33 per 100,000 customers) through the period in question shouldn't give policyholders any major concerns. There were some delays in resolving complaints, but this was rectified quickly through additional recruitment.

Virgin Money highlighted an issue with debit card payments online. Due to security regulations, since March 2022, customers have needed to contact the call centre to make debit card payments. Extra customer service staff were brought in for this purpose. The IGC would like to see payment methods made easier for policyholders in future.

### 2.2 Communications

Overall, the IGC found the communication materials provided to policyholders to be fit for purpose and take account of policyholders' needs, especially in the use of Plain English to deliver accessible messages and enhance understanding. The IGC likes the freshness and simplicity of correspondence, particularly the unique branding that Virgin Money gives. However, Virgin Money is behind in terms of digital communication offerings.

The IGC's review of communications found that a few documents still had the 'old style' legacy branding.

Virgin Money needs to introduce more ways for policyholders to get in touch about their pension – such as live chat.

Given the significant market and economic pressures, the IGC would have liked to see enhanced communications beyond the current regular 6-monthly pension statements. Some competitors offer a broader range of support across different media, including video statements and newsletters, which are being considered by Virgin Money.



### **2.3 Policyholder support**

Many policyholders do not take personal financial advice at retirement, and so the support that pensions providers can give online in making important decisions has become increasingly vital. The current website is easy to navigate and includes lots of helpful educational material. However, Virgin Stakeholder Pension policyholders would benefit from a wider range of decision-making tools and support from Virgin Money to help plan their retirement. Similarly, Hymans Robertson noted that Virgin Money's digital services were lagging those of leading pensions providers. Virgin Money does not offer an app solution for policyholders, but this is due to launch later in 2023.

### **2.4 Investment oversight of the default Glidepath strategy**

A formal, annual review of the adequacy, quality and suitability of the default investment strategy is conducted by a sub-committee from Virgin Money and abrdn.

The review considers the continued suitability of the target asset allocation and the performance target or benchmark, the mix of multi-asset funds, comparisons with peer groups, the fee basis including comparison with similar strategies and responsible investment criteria. More fundamental investment principles are also reviewed, such as the merits of active or passive investing or any geographic or asset limits to be applied.

If any changes to strategy or to fund composition are proposed which are in keeping with the overriding investment parameters set by Virgin Money, the details are considered and constructively challenged before any agreed changes are made.

Agreed changes to default investment strategy or fund composition are first submitted to the Virgin Money Board for final approval. The IGC are also consulted. Once FCA approval has been obtained, strategy changes are implemented.

During the year, quarterly reports on investment performance, risk and asset allocation, together with commentary on performance attribution, are made available to the IGC.

The IGC concluded that the characteristics and net performance of the default investment strategy are regularly reviewed by Virgin Money and are aligned with the interests of policyholders. We also concluded that arrangements were in place in 2022 for Virgin Money to take action to make necessary changes where appropriate.

### 3. **A** Costs and charges – what you pay and how that impacts your savings

The IGC reviewed the ongoing charges you pay, and the transaction costs incurred when buying and selling investments. We compared the 2022 charges against the charges and costs in 2021 and reviewed the benchmarking provided from Hymans Robertson. We found that costs and charges are at the higher end (although not the highest) of the contract-based workplace pension market, reflecting the relatively smaller size of the Virgin Money Stakeholder Pension. This matches our findings last year.

We welcome Virgin Money's announcement to reduce ongoing charges on Virgin Money Growth Fund 3 (which forms part of the Glidepath

default strategy) from 9 January 2023 to make sure both standard and auto-enrolment policyholders pay the same annual management charge of 0.75%. We feel this is appropriate and reflects that the services and returns policyholders receive are the same. Costs and charges will also reduce for some self-select funds from that date. The level of transaction costs is considered reasonable and within industry tolerances for each fund type.

However, given this assessment is in relation to 2022, we have assessed value for money in relation to costs and charges as Amber, which means there's room for improvement. The Virgin Stakeholder Pension is a relatively small workplace pension, which limits the competitiveness of fees achievable in the market. We consider the current charges will become competitive by

comparison once the transfer to a personal pension takes place because of the additional value to policyholders from the new features, online tools and digital services that will be available.

Let's look at the ongoing fees and charges you pay, along with the transaction costs, in line with FCA guidance.

#### 3.1 What you pay – ongoing charges

##### 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 Growth Fund 3 and the Virgin Money Defensive Fund. Each one is dynamically managed, in terms of what assets they invest in (based on the

manager's expectations of future returns and risks) but both maintain a mix of assets in keeping with their risk profile; Virgin Money Growth Fund 3 is a high return / high risk fund (adventurous) whilst the Virgin Money Defensive Fund will always seek more stable returns, hence why it is used more as age increases. 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 0.75% means you pay £75 per year in ongoing charges for every £10,000 in your account.

#### Ongoing charges for the Glidepath

	Virgin Money Growth Fund 3	Virgin Money Defensive Fund
	2022	2022
Annual Management Charge – Standard*	0.85%	0.7%
Annual Management Charge – Auto-enrolment	0.75%	0.7%

\*From January 2023, the Annual Management Charge for Standard policyholders was reduced to 0.75% in line with the auto-enrolment policyholders.

#### The annual ongoing charges are shown for each year of the Glidepath:

	Up to 50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65+
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%

\*From January 2023, the Annual Management Charge for Standard policyholders was reduced to 0.75% in line with the auto-enrolment policyholders. See your benefits statement for details of which charges column applied to you during 2022.

## Costs and charges – what you pay and how that impacts your savings (continued)

### Other funds – for policyholders to make their own fund choices:

Policyholders who want 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. From 9 January 2023, the annual management charge on optional funds Virgin Money Growth Funds 1 and 2, and the Virgin Global Share Fund, will reduce again from 0.85%p.a. to 0.75%p.a. This brings the self-select fund range to a more competitive fee level, which we welcome.

#### Other Funds available to Policyholders – Year ending 31 December 2022

	Virgin Money Growth Fund 1*		Virgin Money Growth Fund 2*		Virgin Global Share Fund*		Virgin UK Index Tracking Trust		Virgin Money Bond Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Annual Management Charge	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.6%	0.6%	0.6%	0.6%

\*From January 2023, the Annual Management Charge was reduced to 0.75%.

### 3.2 Transaction costs

We're happy to report that Virgin Money gave prompt and full detail of transaction costs once again this year. Transaction costs vary from year to year. Our consultant, Hymans Robertson, reviewed the detailed transaction costs reported by Virgin Money for 2022 and concluded that they're reasonable for the type of funds offered. Transaction costs are generally the costs of buying and selling investments within your pension. Examples of these include stamp duty, taxes, broker commission and the effect of timing of investment transactions and policyholder switching. These costs, along with the annual management charge, reduce the value of your pension savings. Appendix 1 gives detailed breakdown of all transaction costs for the funds in the default investment strategy (Glidepath) and the five optional funds.



#### Transaction costs for funds in the Glidepath default investment strategy:

In 2022, transaction costs were higher than in 2021 for the Virgin Money Growth Fund 3 and lower for the Virgin Money Defensive Fund. The total impact depends on where you are on the Glidepath. Overall, these costs are reasonable and within industry tolerances for actively managed funds.

Fund	2022	2021
Virgin Money Growth Fund 3	0.068%	0.033%
Virgin Money Defensive Fund	0.044%	0.079%

#### Transaction costs for the five optional funds:

In 2022, transaction costs were higher than in 2021 for the Virgin UK Index Tracking Trust and the Virgin Money Bond Fund, where costs are largely driven by implicit costs that represent the timing of when the trade is carried out. The increase was due to market conditions and additional trading respectively. Transaction costs for the Virgin Global Share Fund were in line with the prior year, reflecting market conditions. There were no significant additional trading activities during the year and costs are driven by the underlying fund's routine trading. Transaction costs for Virgin Money Growth Funds 1 and 2 reduced from 2021 due to relatively lower trading activity compared to 2021.

Fund	2022	2021
Virgin Money Growth Fund 1	0.058%	0.135%
Virgin Money Growth Fund 2	0.080%	0.125%
Virgin Global Share Fund	0.050%	0.041%
Virgin UK Index Tracking Trust	0.159%	0.104%
Virgin Money Bond Fund	0.174%	0.022%

### 3.3 How costs and charges impact your pension pot (costs & charges illustrations)

Value for money in pensions means policyholders paying costs that are in line with the investment strategy design and the mix of assets used to achieve their retirement goals. Looking at these 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 on these as part of our value-for-money assessment. Firstly, we show the impact of ongoing and transaction costs might have if you're invested in the default strategy (Glidepath). Secondly, we show an illustration of the two most popular optional funds – the Virgin UK Index Tracking Trust and the Virgin Money Bond Fund.

### Projected pension pot in today's money\*

Years	Glidepath (Default Arrangement)		Virgin UK Index Tracking Trust		Virgin Money Bond Fund	
	Before charges + costs deducted	After all charges + costs deducted	Before charges + costs deducted	After all charges + costs deducted	Before charges + costs deducted	After all charges + costs deducted
1	£13,226	£13,110	£13,252	£13,156	£12,797	£12,700
3	£20,319	£19,865	£20,420	£20,043	£18,672	£18,310
5	£28,343	£27,384	£28,558	£27,758	£24,934	£24,211
10	£53,163	£50,003	£53,888	£51,223	£42,423	£40,318
15	£86,341	£79,120	£88,031	£81,879	£62,805	£58,532
20	£130,271	£116,280	£133,612	£121,572	£86,457	£79,086
25	£187,998	£163,371	£193,998	£172,590	£113,803	£102,237
30	£263,194	£222,633	£273,510	£237,774	£145,316	£128,272
35	£355,660	£295,275	£377,687	£320,641	£181,524	£157,503
40	£462,513	£382,029	£513,625	£425,547	£223,019	£190,281

\*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 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) – Virgin Money Growth Fund 3: 4.8%, Virgin Money Defensive Fund: 2.12%
  - Virgin UK Index Tracking Trust: 5%
  - Virgin Money Bond 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

# Review of Virgin Money's responsible investment policies





## The IGC considered the adequacy and quality of Virgin Money's responsible investment policies and progress made in developing these over 2022.

Responsible investing includes the provider's integration of environmental, social and governance (ESG) considerations when choosing investments, together with policies on engagement with the companies they invest in and voting at company meetings (also referred to as stewardship). This is a rapidly developing area for pension product providers. We concluded that Virgin Money is still falling behind the market in formally documenting and implementing their policies, although their investment adviser, abrdn does take ESG factors into account in their stewardship approach.

### Responsible Investment Policy

The Virgin Money Board agreed a responsible investment policy in September 2022. The policy scope is based around Virgin Money achieving the first phase of changes to its fund range to integrate ESG considerations and building fundamental ESG capabilities in areas such as oversight, reporting and disclosure. The ongoing implementation of Responsible Investment across the full suite of Virgin Money Funds and embedding it into the business will need significant evolution of the policy. The current policy is deliberately not aspirational, focusing on minimum standards. It doesn't cover ESG or stewardship priorities, or climate targets for the funds offered to policyholders, which is becoming standard practice amongst pension providers.

### Implementation

Incorporation of responsible investing principles into the Virgin Money Growth Funds commenced during the latter part of 2022. Your provider then began to align investments with its policy, starting with the self-select Virgin Money Bond

Fund in November 2022. Initially this has been through allocations to the abrdn Sustainable Index World Equity fund for Virgin Money Growth Funds 1 and 2. Although approved for inclusion in the Virgin Money Growth Fund 3 (the fund used in the default Glidepath offering) there was no allocation to this sustainable fund made during 2022.

Other underlying funds used in the Glidepath and the self-select funds during 2022 were generally index-tracking funds, which make no explicit consideration of ESG or responsible investment matters.

Allocations to a wider range of responsible investment funds were implemented in early 2023 within the Virgin Money Growth Funds and within the Virgin Money Defensive Fund later in 2023.

Virgin Money have planned a working group with abrdn to progress the implementation of their Responsible Investment policy.

Key areas for development include building responsible investment factors into the fund oversight process and in disclosures to policyholders relating to the funds being offered.

### Stewardship

Virgin Money's intention is to establish a collaborative stewardship approach with the Investment Adviser (abrdn), as a basis for Virgin Money Unit Trust Managers' ability to comply with the FRC Stewardship Code. The Responsible Investment policy sets out the foundation for Virgin Money's stewardship approach – however, it's not clear to the IGC how and when compliance with the FRC Stewardship Code will happen. During 2022, the setting of stewardship priorities and voting activities in relation to the funds offered by Virgin Money were effectively fully delegated to abrdn.

## **abrdn's approach to engagement and voting**

abrdn believe in being active and engaged owners of their investment assets. 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 might cover areas such as strategy and performance, risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery, and corruption.

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, including climate change, employment practices, human rights, and corporate lobbying.

In 2022, abrdn undertook 2,484 ESG related engagements with companies and voted on 75,578 resolutions, with approximately 2% of those votes relating to environmental and social matters.

## **Responsible investment summary**

Overall for 2022, the IGC have concluded that Virgin Money remain behind the market on their policies, implementation and engagement with policyholders on ESG considerations. Virgin Money made some progress over 2022, but there's a significant gap between Virgin Money's responsible investment position and that of many other workplace pension providers.

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

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





# Independent Governance Committee members and their role







**Dianne Day**  
Independent Chair



**Steve Balmont**  
Independent Member



**Anne Sander**  
Independent Member



**Ben Broome**  
Virgin Money Appointed Member



**Susan Thom**  
Virgin Money Appointed Member

As the name suggests, the Virgin Money IGC is completely independent of Virgin Money and acts solely in the interests of pension policyholders like you. The IGC is established under the rules of the FCA, which regulates all stakeholder pension plans. [We have clear terms of reference.](#) Our primary responsibility is to assess whether you get value for money from your Virgin Stakeholder Pension, and to raise any concerns or areas for improvement with its Provider, Virgin Money. You can find a summary of our meetings and agendas for the year on page 29.

Your IGC has five members, with a majority being wholly independent members, including the Chair. The terms of appointment of affiliated members nominated by Virgin Money include the duty to act solely in the interests of policyholders. This overrides any obligations to their employer or shareholders. All IGC members are independent in character and judgement. Virgin Money pays all costs associated with the IGC, including the fees of the

independent members. The IGC believes that it receives appropriate resources from Virgin Money to carry out its duties. The IGC considers that it has enough expertise, experience, and independence to act in policyholders' interests.

**Investment pathways**

We want to remind you that Virgin Money does not currently offer flexible income drawdown in the Stakeholder Pension, which means 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.

**Dianne Day  
Independent Chair**

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.

**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 and the Pensions Research Accountants Group. He is company secretary at BESTrustees and teaches in the Business School at London South Bank University.

**Anne Sander  
Independent Member  
since November 2022**

Anne is a professional pension trustee with Zedra Governance Limited and has worked in a variety of financial services organisations around the world for over 35 years. As a professional trustee since 2021, Anne has worked with defined benefit schemes and defined contribution schemes and is a member of the Zedra Governance Advisory Arrangement panel, which undertakes Value for Money assessments on smaller contract-based workplace pension arrangements. Anne is also a Member Nominated Trustee for a large UK hybrid pension scheme. Anne has extensive experience in pensions, investment, risk management and governance. Her career spans both pensions and investment consulting firms and senior positions in multi-national insurance companies. Anne completed the Actuarial Fellowship qualification in Australia and has a Masters in Management from London Business School.

**Ben Broome**  
**Virgin Money Virgin Money Appointed Member since July 2022**

Ben has over 20 years' experience in Financial Services, predominantly in Wealth Management and Mortgage distribution and more latterly Operations. He started his career as a Financial Advisor and has the Diploma in Financial Planning which gives him an excellent foundation of knowledge when supporting members of the IGC. In his current role, Ben heads up both the Direct Mortgage and Mortgage Operations for the Virgin Money brand which essentially supports customers right through the mortgage journey from enquiry to completion. He is passionate about providing a unique and first class service to Virgin's customers and is a huge advocate for simplicity and transparency.

**Susan Thom**  
**Virgin Money Appointed Member since March 2023**

Susan joined Virgin Money in 2016, after 10 years at Standard Life, where she undertook her Chartered Accountancy qualification and performed a number of

roles within Finance, latterly focusing on Risk Management disclosures. Her roles at Virgin Money have retained this focus on external disclosure, as well as covering internal governance reporting, strategic risk oversight, key elements of enterprise risk management such as the RMF, the PMF and the RAS, and the operational activity required to run the function such as budgeting, forecasting, OD, comms and engagement. Susan is a CA, with a degree in English Language, a Diploma in International Financial Reporting Standards and a Certificate in Risk Management in Financial Services.

**Sir David Chapman Bt. DL. B. Com.**  
**Independent Chair to 1 October 2022**

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.

**Robert Jefferson**  
**Virgin Money Appointed Member to September 2022**

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.

**Jason Sinclair**  
**Virgin Money Appointed Member to December 2022**

Jason is an experienced pensions professional having worked for over 30 years at ASI. 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 Head of Pensions and Benefits. Jason also chairs the ASI Group Flexible Retirement Plan forum. This forum aims to help colleagues understand and engage in their pension arrangements.

# The IGC's future plans

**Your IGC is committed to building on our positive relationship with Virgin Money, but won't hesitate to challenge constructively when necessary in order to improve value for money for policyholders like you.**

**In 2023, our priorities will be:**

- Evaluating the provider's formal three-year review of the default investment strategy (Glidepath) and its outcomes.
- Tracking progress of the provider's responsible investment policies as they are implemented.
- Monitoring ongoing service levels until the transition to the new SIPP.
- Examining the delivery of enhanced digital services and communications.
- Assessing the provider's plans for retirement solutions and the design of the Investment Pathways offering.
- Encouraging policyholders to engage with the Provider, which the IGC believes would benefit everyone.



# Appendix 1

## Transaction cost summary

Fund Classification	Fund Name	Transaction Cost						2022	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%	0.067%	0.000%	0.068%	0.033%	0.052%
	Virgin Money Defensive Fund (DEF)	0.000%	0.000%	0.000%	0.000%	0.039%	0.000%	0.044%	0.079%	0.047%
Single Funds	Virgin UK Index Tracking Trust	0.005%	0.029%	0.000%	0.114%	0.011%	0.000%	0.159%	0.104%	-0.150%
	Virgin Money Bond Fund (Bond)*	0.011%	0.000%	0.000%	0.162%	0.000%	0.000%	0.174%	0.022%	0.048%
Fund of Funds	Virgin Money Growth Fund 1 (GF1)	0.000%	0.000%	0.000%	0.000%	0.056%	0.000%	0.058%	0.135%	0.286%
	Virgin Money Growth Fund 2 (GF2)	0.000%	0.000%	0.000%	0.000%	0.076%	0.000%	0.080%	0.125%	0.349%
	Virgin Global Share Fund (Global)	0.000%	0.000%	0.000%	0.000%	0.049%	0.000%	0.050%	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

\*Virgin Money Bond and Gilt Fund – updated to Virgin Money Bond Fund – 1 December 2022

\*\*Totals may not add up due to rounding.



## Appendix 1: Transaction cost summary – Commentary

Fund Classification	Fund Name	Commentary
Glidepath Funds (Fund of Funds)	Virgin Money Growth Fund 3 (GF3)	No significant additional trading activities during the year. Costs driven from look through to underlying fund routine trading. Cost marginally higher than prior year, reflecting market conditions.
	Virgin Money Defensive Fund (DEF)	No significant additional trading activities during the year. Costs driven from look through to underlying fund routine trading. Cost marginally lower than prior year, reflecting market conditions.
Single Funds	Virgin UK Index Tracking Trust	2022 costs largely driven by implicit costs which represent the timing of when trading is carried out. Costs are marginally higher than prior year, reflecting market conditions.
	Virgin Money Bond Fund (Bond)**	Change to mandate in December 2022. Costs largely driven by implicit costs which represent the timing of when trading is carried out. Costs are higher than prior year due to additional trading.
Fund of Funds	Virgin Money Growth Fund 1 (GF1)	No significant additional trading activities during the year. Costs driven from look through to underlying fund routine trading. Cost lower than prior year, during which there was additional trading.
	Virgin Money Growth Fund 2 (GF2)	No significant additional trading activities during the year. Costs driven from look through to underlying fund routine trading. Cost lower than prior year, during which there was additional trading.
	Virgin Global Share Fund (Global)	No significant additional trading activities during the year. Costs driven from look through to underlying fund routine trading. Costs are in line with prior year, reflecting market conditions.

# Appendix 2

## List of Meetings and work undertaken

### February 2022

#### Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- On-line debit card payment measures
- Update on Investment Pathways
- Fund Performance
- Service and Administration Update
- Communications Update
- Update on plan for vulnerable customers
- ESG & Responsible Investment Policy
- IGC Effectiveness Review

#### IGC:

- IGC draft report 2021
- Updated IGC Terms of Reference

### May 2022

#### Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- Update on Responsible Investment Policy
- Update on Investment Pathways timetable
- Fund Performance
- Service and Administration Update
- Communications Update

#### IGC:

- VFM Benchmarking Report
- Updated IGC Terms of Reference
- Annual Report Planning

### July 2022

#### Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- Bond Fund Mandate Changes
- Fund Performance
- Service and Administration Update
- Implementation of Responsible Investment Policy
- Communications Update

#### IGC:

- Annual Report
- IGC's role and obligations on transition from Stakeholder to Personal Pension

### November 2022

#### Virgin Money update to the IGC:

- VMUTM Quarterly Update
- Transformation Programme Update
- Fund Performance Update
- Deep Dive – Consumer Duty
- Fund Performance Update
- Strategic Asset Allocation
- Service and Administration Update
- Update on Responsible Investment Policy Implementation
- Communications Update

#### IGC:

- IGC report 2021 learnings
- 2022 Annual Report Planning
- IGC Priorities for 2023
- Launch and content of BoardEffect Governance Portal