CONDUCT OF BUSINESS (VALUE FOR MONEY FRAMEWORK) INSTRUMENT 202X

Powers exercised

A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):

(1) section 137A (The FCA’s general rules);
(2) section 137T (General supplementary powers); and
(3) section 139A (Power of the FCA to give guidance).

B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. Part 2 of Annex C of this instrument comes into force on [*date*].

D. All other parts of this instrument come into force on [*date*].

[*Editor’s note*: It is proposed that Part 2 of Annex C will come into force 1 year after all other parts of this instrument.]

Amendments to the Handbook

E. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Principles for Businesses (PRIN)	Annex B
Conduct of Business sourcebook (COBS)	Annex C

Notes

F. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor’s note*:”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

G. This instrument may be cited as the Conduct of Business (Value for Money Framework) Instrument 202X.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definitions in the appropriate alphabetical position. All the text is new and is not underlined.

central data repository	the electronic database referred to in sections 12 (Publication etc of metric data) and 19 (Sharing of database where FCA makes corresponding rules) of the Pension Schemes Act 2026 that is made available to *firms* for the disclosure and publication of metrics and information that *firms* must prepare in accordance with *COBS* 19.5A.
commercial market comparator group	a group of pension arrangements, made up of *firm-designed in-scope arrangements*, including pension arrangements of relevant pension schemes prescribed under section 11 (Relevant schemes: value for money) of the Pension Schemes Act 2026, where each arrangement in the group is: (a) wholly open to and commercially available for use by employers new to the provider of the pension arrangement without restriction by reference to industry sector; and (b) used by more than one employer.
commercial market comparator sub-group	a group of 4 or more pension arrangements within the *commercial market comparator group* with the same *decumulation aim* unless that aim is a *decumulation aim* other than those in (a) to (c) of the definition of *decumulation aim*.
decumulation aim	in relation to a pension arrangement, the solution which the arrangement is intended to provide to a member in decumulation of: (a) a *drawdown pension*; (b) an annuity; (c) *cash*; or (d) a solution other than those in (a) to (c).
firm-designed in-scope arrangement	an *in-scope arrangement* designed by a *firm* which is used by an employer without any variation to that design being made for that employer.
in-scope active saver	a member of a *relevant scheme* who:

(a) has pension contributions already invested in an *in-scope arrangement* in that *relevant scheme*; and

(b) is currently having contributions made on their behalf by their employer, regardless of whether they are themselves contributing, to that *relevant scheme* to be invested in the *in-scope arrangement*.

in-scope arrangement — an arrangement that is used for accumulation within a *relevant scheme* and is either an *in-scope default arrangement*, an *in-scope legacy arrangement* or an *in-scope transferred-member arrangement*.

in-scope default arrangement — a *default arrangement* which has:

(a) at least 1,000 members; or

(b) fewer than 1,000 members and is the largest, or only, *default arrangement* provided by a *firm*, within the particular *qualifying scheme*.

in-scope deferred saver — a member of a *relevant scheme* who:

(a) has pension contributions already invested in an *in-scope arrangement* in that *relevant scheme*;

(b) is not currently having contributions made on their behalf by an employer into the *in-scope arrangement* in (a), regardless of whether they are themselves contributing to that *relevant scheme*; and

(c) is not receiving, and has not received, payment of any pension or other benefits from that *relevant scheme* in respect of the *in-scope arrangement* in which the member is invested.

in-scope legacy arrangement — an arrangement:

(a) which:

(i) is offered within a *relevant scheme* which is not a *qualifying scheme*; or

(ii) was at any time offered within a *relevant scheme* which was not a *qualifying scheme*, regardless of whether it is now offered within a *qualifying scheme*;

(b) which, at 31 December [*Editor's note*: year to be inserted]:

(i) is not a multi-employer *in-scope arrangement* and at least 80% current or past workers of an employer still have contributions invested in the *relevant scheme* which are invested in the arrangement; or

(ii) is a multi-employer *in-scope arrangement* which has:

(A) 50 or more current or past workers of at least one employer who still have contributions invested in the *relevant scheme*; and

(B) at least 80% of the current or past workers in (A) who still have contributions invested in the arrangement; or

(iii) has members invested in the arrangement that the *firm* cannot link to a particular employer and there are no other arrangements within the *relevant scheme*; or

(iv) has at least 50 members invested in the arrangement that the *firm* cannot link to a particular employer, and the number of those members is greater than the average number of such members in other arrangements within the particular *relevant scheme*; and

(c) which has:

(i) at least 1,000 members; or

(ii) fewer than 1,000 members and is either the largest or only such arrangement within the particular *relevant scheme*.

in-scope saver — a member of a *relevant scheme* who is an *in-scope active saver* or an *in-scope deferred saver*.

in-scope transferred-member arrangement — an arrangement in a *relevant scheme*:

(a) into which at least one member has had their contributions transferred from another pension arrangement without their explicit consent, where those contributions were paid under direct payment arrangements within the meaning of section 111A of the Pension Schemes Act 1993;

(b) which has:

(i) at least 1,000 members; or

(ii) fewer than 1,000 members and is either the largest or only such arrangement provided by a *firm* in relation to the particular *relevant scheme*; and

	(c) which materially differs from the other arrangement that the member was invested in under the ceding scheme referred to in (a).
in-scope transferring arrangement	an *in-scope arrangement*: (a) where the *firm* is transferring all the members into a different arrangement, whether offered by the *firm* or a different provider, by way of either: (i) an insurance business transfer scheme under Part VII of the *Act*, and the *firm* has applied to court for an order sanctioning the scheme in accordance with section 107 of the *Act*; or (ii) a unilateral change under Part 7A of the *Act* where: (A) the person appointed to review the proposed unilateral change has given the *firm* a certificate under section 117E of the *Act*; and (B) the *firm* has sent a unilateral change notice to each of the required recipients in accordance with section 117F of the *Act*; and (b) into which the *firm* is not accepting contributions from an employer to be invested, unless the employer had agreed to do so, contractually or otherwise, prior to either (a)(i) or (ii) being met.
invested assets	assets in accumulation invested in a particular *in-scope arrangement* that have been obtained with contributions from or on behalf of *in-scope savers*.
investment charges	(a) in relation to a *firm* providing a *non-vertically integrated arrangement*, fees and charges only in relation to *investments* of the *non-vertically integrated arrangement*, including any performance-based fees but excluding *transaction costs*; or (b) in relation to a *firm* providing a *vertically integrated arrangement*, a reasonable estimate of fees and charges only in relation to *investments* of the *vertically integrated arrangement*.
non-vertically integrated arrangement	an *in-scope arrangement* where all of the underlying *investments* in the arrangement's investment portfolio are managed by a third party outside of the *firm* or the *firm's group*.
retirement age cohorts	the following cohorts of in-scope savers:

	(a) *in-scope savers* of the *in-scope arrangement* who have reached their target retirement date as at 31 December of the calendar year being assessed; and (b) *in-scope savers* of the *in-scope arrangement* who are 30 years away from their target retirement date as at 31 December of the calendar year being assessed.
service costs	*total costs and charges* less *investment charges*.
total costs and charges	the total of all *administration charges*, which will equal the sum of *service costs* and *investment charges*, and employer subsidies.
total in-scope assets	the total value of all assets made up of: (a) assets held by the *firm* for the purpose of any *relevant scheme*; and (b) assets arranged to be invested, or invested, by a *firm* in relation to a *defined contribution occupational pension scheme*, the trustee of which is a *client* of the *firm*, including the trustee of a master trust for which the scheme funder is the *firm*, or a *person* within the same *group* as the *firm*.
vertically integrated arrangement	an *in-scope arrangement* which is not a *non-vertically integrated arrangement*.

Amend the following definitions as shown.

administration charge	(1) (except for the purposes of *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8), any charge made which: … (2) (for the purposes of *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8 only), in relation to a member of a pension scheme or (for the purposes of *COBS* 19.5 only) a pathway investor, means any of the following to the extent that they may be used to meet the administrative expenses of the scheme or (for the purposes of *COBS* 19.5 only) the *pathway investment*, to pay commission or in any other way that does not result in the provision of pension benefits for or in respect of members or (for the purposes of *COBS* 19.5 only) pathway investors: …
governance advisory arrangement	(in *PRIN*, ~~and~~ *COBS* 19.5 and *COBS* 19.5A) an arrangement between a *firm* and a third party under which the third party establishes a committee to represent the interests of:

…

IGC (in *PRIN*, *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8) an independent governance committee established by a *firm* with terms of reference which satisfy *COBS* 19.5.5R and *COBS* 19.5A.23R with the purpose, in summary, to represent the interests of:

…

regulated market …

(2) (in addition, in *INSPRU*, *IPRU(INS)*, *SYSC* 3.4, *COBS* 2.2B, *COBS* 19.5A and *MAR* 5-A and for the purposes of the *Consumer Duty* only) a market situated outside the *United Kingdom* which is characterised by the fact that:

…

…

relevant policyholder (in *SYSC* 3.2, *SYSC* 4.1 ~~and~~, *COBS* 19.5 and *COBS* 19.5A) a member of a *relevant scheme* who is or has been a worker entitled to have contributions paid by or on behalf of ~~his~~ their employer in respect of that *relevant scheme*.

…

relevant scheme (1) (except in *FEES* 6, *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8) a *collective investment scheme* managed by an *EEA UCITS management company*.

…

(3) (in *PRIN*, *SYSC* 3.2, *SYSC* 4.1 ~~and~~, *COBS* 19.5 and *COBS* 19.5A) a *personal pension scheme* or *stakeholder pension scheme* for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more *employees* of the same employer. 'Direct payment arrangements' has the same meaning as in section 111A of the Pension Schemes Act 1993, that is, arrangements under which contributions fall to be paid by or on behalf of the employer towards the scheme (a) on the employer's own account (but in respect of the employee); or (b) on behalf of the employee out of deductions from the employee's earnings.

…

transaction costs (1) (for the purposes of *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8) means costs incurred as a result of the buying, selling, lending or borrowing of *investments*.

…

Annex B

Amendments to the Principles for Businesses (PRIN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2A The Consumer Duty

…

2A.4 Consumer Duty: retail customer outcome on price and value

…

Application to pension scheme operators and providers of pathway investments

2A.4.36 R (1) This *rule* applies to a *firm* that is required to comply with *COBS* 19.5 (Independent Governance Committees (IGCs) and publication and disclosure of costs and charges) and/or *COBS* 19.5A (Value for money framework).

(2) A *firm* to which this *rule* applies must use the value for money ~~assessment~~ assessment(s) carried out by the *IGC* or the *governance advisory arrangement* in accordance with *COBS* 19.5 and *COBS* 19.5A (if applicable) when carrying out its value assessment under *PRIN* 2A.4.2R.

(3) Where a *firm* disagrees with the value for money assessment carried out by the *IGC* or the *governance advisory arrangement* in accordance with *COBS* 19.5 it must:

…

…

(5) …

(6) Where a *firm* disagrees with the value for money assessment carried out by the *IGC* or the *governance advisory arrangement* in accordance with *COBS* 19.5A it must follow the process in *COBS* 19.5A.69R.

(7) Where the process in *COBS* 19.5A.69R(1) has been followed and the *IGC* or *governance advisory arrangement* does not carry out another assessment in accordance with *COBS* 19.5A.69R(2), the *firm* must apply *PRIN* 2A.4.25R in relation to the *in-scope arrangement*.

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

[*Editor's note*: This Annex takes into account the changes proposed in the Pensions Interactive Digital Simulations Instrument 202X and the Conduct of Business (Non-Advised Pension Transfers) Instrument 202X, both of which were consulted on in CP25/39, as if they were made.]

Part 1: Comes into force on [*date*]

13	**Preparing product information**	
…		
13.5	**Preparing product information: other projections**	
	Projections for in-force products	
…		
13.5.1B	R	…
13.5.1BA	R	The *rules* in *COBS* 13.5 do not apply to a *firm* in relation to when it is preparing and disclosing forward-looking investment performance metrics, and when it publishes a link to those metrics, in accordance with *COBS* 19.5A.16R to *COBS* 19.5A.20R.
…		
19	**Pensions supplementary provisions**	
…		
19.5	**Independent governance committees (IGCs) and publication and disclosure of costs and charges**	
	Application	
19.5.1	R	…
19.5.1-A	R	The *rules* in this section do not apply where the *relevant scheme* operated by the *firm* is a *SIPP* which meets the following conditions: (1) at least 2 members of the *SIPP* are or have been employees of the same employer; and (2) those members in (1):

(a) chose the *SIPP* without any involvement from that employer;

(b) requested that the employer, or an employer in the same *group*, pay contributions into the *SIPP* on their behalf; and

(c) chose how some or all of their contributions are invested.

Definitions

19.5.1A R In this section:

…

(6) …

(7) "*IGC's* remit of review" means the remit of the *IGC* as described in *COBS* 19.5.5R(2), *COBS* 19.5.5R(2A), *COBS* 19.5.5R(2B), *COBS* 19.5.5R(2C)~~,~~ and, where applicable, *COBS* 19.5.5R(2D) ~~and~~, *COBS* 19.5.5R(2E) and *COBS* 19.5A.

Purpose

19.5.1B G …

Interaction with COBS 19.5A (Value for money assessments)

19.5.1C G Where *COBS* 19.5A applies, the *IGC* must undertake a value for money assessment in relation to relevant *in-scope arrangements* in accordance with the terms of reference set out at *COBS* 19.5A.24R to *COBS* 19.5A.72R instead of the terms of reference which set out the ongoing value for money assessment in *COBS* 19.5.5R(2). The rest of *COBS* 19.5 (including the rest of the terms of reference in *COBS* 19.5.5R where applicable) continues to apply to *firms* where relevant.

…

Terms of reference for an IGC

19.5.5 R A *firm* must include, as a minimum, the following requirements in its terms of reference for an *IGC*:

…

(2) the *IGC* will assess the ongoing value for money for *relevant policyholders* delivered by a *relevant scheme*, except in relation to any *in-scope arrangement(s)* to which *COBS* 19.5A applies, and particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):

[**Note:** Transitional provisions apply to this *rule*: see *COBS* TP 2.51R and *COBS* TP 2.52R.]

…

…

(6) the Chair of the *IGC* will be responsible for the production of an annual report setting out the following, in sufficient detail, taking into account the information needs of *consumers*:

…

(ac) …

(ad) the information required by *COBS* 19.5A.72R where *COBS* 19.5A applies to the *firm*;

…

(7) the Chair of the *IGC* will ensure the annual report is produced, and a copy provided to the *firm*, by ~~30 September~~ 31 October each year, in respect of the previous calendar year;

…

…

Duties of firms in relation to an IGC

19.5.7 R A *firm* must:

…

(8) ~~make available~~ publish the *IGC's* terms of reference and the ~~three~~ 5 most recent annual reports~~, in a way appearing to the *firm* to be best calculated to bring them to the attention of *relevant policyholders* and their employers or to the attention of pathway investors; and~~:

(a) for free on its publicly accessible website where one exists, or, where one does not exist, on a publicly accessible website; and

(b) in the way the *firm* deems best designed to bring them to the attention of *relevant policyholders* and their employers or to the attention of pathway investors;

(8A) publish the *IGC's* most recent annual report in accordance with (8) in a timely manner and in any event within 5 *business days* from 31 October of the most recent calendar year;

(8B) disclose to the *central data repository*, by electronic means, the website address of the *IGC's* most recent annual report within 5 *business days* of that report being published in accordance with (8) and (8A); and

…

…

Appointment of IGC members

19.5.9 R …

(3) A *firm* must appoint members to the *IGC* so that:

…

(b) *IGC* members are bound by appropriate contracts which reflect the terms of reference in *COBS* 19.5.5R, and *COBS* 19.5A.24R to *COBS* 19.5A.72R where applicable, and on such terms as to secure the independence of independent members;

…

…

Publication and disclosure of costs and charges by IGCs

19.5.13 R …

19.5.13A R The requirements in *COBS* 19.5.13R apply to the extent that they are not satisfied by the *firm's* compliance with *COBS* 19.5A.18R and *COBS* 19.5A.20R. The *firm* is not required to publish the same information twice where information published in accordance with *COBS* 19.5A.18R and *COBS* 19.5A.20R would satisfy some or all of the requirements in *COBS* 19.5.13R.

…

19.5.16 R …

19.5.16A R The requirement in *COBS* 19.5.16R applies to the extent that such information is not included in the *IGC's* annual report as a result of *COBS* 19.5A.72R.

…

Insert the following new section, COBS 19.5A, after COBS 19.5 (Independent governance committees (IGCs) and publication and disclosure of costs and charges). All the text is new and is not underlined.

19.5A Value for money framework

Application

19.5A.1 R This section applies to a *firm* which operates a *relevant scheme* in relation to:

(1) any *in-scope arrangement* it provides, subject to *COBS* 19.5A.2R to 19.5A.4R; and

(2) any group of members within such an arrangement meeting the criteria in *COBS* 19.5A.8R which are to be treated as separate *in-scope arrangements*.

19.5A.2 R This section applies in relation to an *in-scope arrangement* where:

(1) that arrangement has been operating for at least the previous calendar year to the value for money assessment year; or

(2) that arrangement:

(a) has been operating for less than the previous calendar year to the value for money assessment year; and

(b) has received members from another arrangement in accordance with *COBS* 19 Annex 9 11.2 (chain-linking),

and the sum of the periods that both arrangements have been operating is at least the previous calendar year to the value for money assessment year.

19.5A.3 R This section does not apply in relation to any *in-scope arrangement* that is a *SIPP* which meets the conditions in *COBS* 19.5.1-AR.

19.5A.4 R Where the arrangement provided by a *firm* is an *in-scope transferring arrangement* this section does not apply save for the following *rules*:

(1) *COBS* 19.5A.16R(1)(a) but only where the *firm* must chain-link in accordance with *COBS* 19 Annex 9 11.2R in relation to the *in-scope arrangement* into which members are transferred; and

(2) *COBS* 19.5A.72R(9)(a).

19.5A.5 R In this section, where *COBS* 19.5A.29R(2)(a) applies, references to the *commercial market comparator group* must be read as references to the *commercial market comparator sub-group*.

Purpose

19.5A.6 G The purpose of this section is to ensure that *in-scope savers* benefit from the independent review of the value for money provided by *in-scope arrangements* in which they are invested by:

(1) requiring *firms* to measure and publicly disclose data on investment performance, costs and charges, and service quality for each *in-scope arrangement* against consistent metrics;

(2) requiring *IGCs* to assess the value for money delivered for *in-scope savers* by using the data in comparison with data relating to the *commercial market comparator group* or the *commercial market comparator sub-group* as appropriate, following a consistent assessment process; and

(3) requiring *firms* to take action to improve value for money for *in-scope savers* where an *IGC* has concluded that they are not receiving value for money.

In-scope arrangements

19.5A.7 R A *firm* must take the following steps to determine the *in-scope arrangements* it operates:

(1) identify whether a *relevant scheme* it operates includes any *in-scope arrangements*; and

(2) determine whether any of those *in-scope arrangements* include different groups of members that meet the criteria in *COBS* 19.5A.8R such that each group is treated as a separate *in-scope arrangement*.

19.5A.8 R For the purposes of *COBS* 19.5A.7R(2), a group of members within an *in-scope arrangement* must be treated as a separate *in-scope arrangement* where the *firm* provides a different package of services to that group as compared with other groups of members within the *in-scope arrangement*.

19.5A.9 G For the purposes of *COBS* 19.5A.8R, an example of where there may be a different package of services being offered to a different group of members could be where services are offered or delivered through a different administration platform to that used for other groups of members.

19.5A.10 G Where the terms of a package have been amended for a particular employer, this will not be considered as a different package of services where that amendment is not material.

Timing

19.5A.11 R A *firm* is to determine whether:

(1) a *default arrangement* is an *in-scope default arrangement*; and

(2) any arrangements it provides are *in-scope transferred-member arrangements*,

as on 31 December of the calendar year prior to the year of assessment.

19.5A.12 G Once a *firm* has determined whether any arrangement it provides is an *in-scope legacy arrangement* as on 31 December [*Editor's note*: year to be inserted], it may also review that determination periodically to determine whether the arrangement is still considered to be an *in-scope legacy arrangement*.

Governance advisory arrangements

19.5A.13 R If a *firm* has decided to establish a *governance advisory arrangement* rather than an *IGC* pursuant to *COBS* 19.5.3R(1), this section applies to the *firm* by reading references to the *IGC* as references to the *governance advisory arrangement*.

Interaction with COBS 19.5

19.5A.14 G *Firms* are reminded that they will still need to comply with certain requirements in *COBS* 19.5, including:

(1) taking reasonable steps to ensure that the *IGC* acts and continues to act in accordance with its terms of reference (*COBS* 19.5.7R(1));

(2) taking reasonable steps to provide the *IGC* with all information reasonably requested by the *IGC* in good time for the purposes of carrying out its role (*COBS* 19.5.7R(2)); and

(3) providing the *IGC* with sufficient resources as are reasonably necessary to allow it to carry out its role independently (*COBS* 19.5.7R(3)).

Definitions

19.5A.15 R In this section:

(1) 'bespoke arrangement' means an *in-scope arrangement* where the *firm* has agreed to an investment design proposed by an employer or a third party acting on behalf of the employer for use by employees or past employees of that particular employer only;

(2) 'multi-employer *in-scope arrangement*' means an *in-scope arrangement* which is used by more than one employer;

(3) 'employer cohorts' means employers grouped together based on their size as determined by assets under management or number of employees and ex-employees. The cohorts are:

(a) for size by assets under management: less than £100,000; between £100,000 and £1,000,000; between £1,000,000 and

£5,000,000; between £5,000,000 and £25,000,000; between £25,000,000 and £50,000,000; between £50,000,000 and £100,000,000; between £100,000,000 and £250,000,000; and more than £250,000,000;

(b) for size by number of employees and ex-employees (members): under 100; between 100 and 499; between 500 and 999; between 1,000 and 4,999; between 5,000 and 9,999; between 10,000 and 24,999; between 25,000 and 49,999; between 50,000 and 99,999; and more than 100,000;

(4) 'reporting periods' means, in respect of a value for money assessment year:

(a) the previous calendar year;

(b) the previous 3 calendar years;

(c) the previous 5 calendar years; and

(d) the previous 10 calendar years,

and references to (a) to (d) within this section should be read as year or years previous to the value for money assessment year; and

(5) 'value for money assessment year' means the calendar year in which a value for money assessment is to be carried out under this section.

Requirements on firms in relation to the preparation, disclosure and publication of value for money metrics data relating to in-scope arrangements

19.5A.16 R A *firm* must prepare the following metrics and information:

(1) for each of its *in-scope arrangements*:

(a) backward-looking investment performance metrics in accordance with *COBS* 19 Annex 9;

(b) forward-looking investment performance metrics in accordance with *COBS* 19 Annex 10;

(c) cost and charges metrics in accordance with *COBS* 19 Annex 11;

(d) quality of service metrics in accordance with *COBS* 19 Annex 12; and

(e) a features table in accordance with *COBS* 19 Annex 13;

(2) for each of its *firm-designed in-scope arrangements*, asset allocation information in accordance with *COBS* 19 Annex 14; and

(3) for each of its multi-employer *in-scope arrangements*, additional multi-employer costs and charges metrics in accordance with *COBS* 19 Annex 15.

19.5A.17 R A *firm* must disclose the metrics and information in *COBS* 19.5A.16R by electronic means to the *central data repository* annually in respect of the reporting periods ending 31 December of the previous year, by 31 March.

19.5A.18 R A *firm* must publish, on its own publicly accessible website (or another publicly accessible website where the *firm* has no such website of its own), a link to the *central data repository* that provides access to the following in respect of the reporting period ending 31 December of the previous year, by 31 October each year:

(1) the *firm's* metrics and information set out in *COBS* 19.5A.16R(1)(b) to (e) and *COBS* 19.5A.16R(2); and

(2) the *firm's* backward-looking investment performance metrics set out in *COBS* 19.5A.16R(1)(a), except the following for any multi-employer *in-scope arrangement* where costs and charges vary by employer:

(a) minimum gross investment performance net of *total costs and charges*; and

(b) maximum gross investment performance net of *total costs and charges*.

[**Note:** Transitional provisions apply to this *rule*: see *COBS* TP 2.53R and *COBS* TP 2.54G.]

19.5A.19 G The additional metrics disclosed by *firms* to the *central data repository* in accordance with *COBS* 19.5A.16R(3) in relation to multi-employer costs and charges are not published or made available to other *firms* or to trustees or managers of *occupational pension schemes*.

19.5A.20 R The link a *firm* must publish in accordance with *COBS* 19.5A.18R must provide access to the *firm's* metrics and information free of charge, and must be published:

(1) prominently; and

(2) in such a manner that it is easily identifiable,

and must remain so published for a period of 5 years beginning on 31 October of the year it was first published.

[**Note:** Transitional provisions apply to this *rule*: see *COBS* TP 2.53R and *COBS* TP 2.54G.]

Retention of disclosed data

19.5A.21 R The *firm* must retain the metrics and information it has disclosed in accordance with *COBS* 19.5A.17R for a period of 6 years beginning on 31 March of the year they were first disclosed.

Terms of reference for an IGC

19.5A.22 G (1) *COBS* 19.5A.24R to *COBS* 19.5A.72R set out what a *firm* must include in an *IGC's* terms of reference. For consistency in assessments, *IGCs* will need to follow the 3 steps in *COBS* 19.5A.27R onwards to come to a view about whether *in-scope savers* invested in a particular *in-scope arrangement* receive value for money as against the *commercial market comparator group* or *commercial market comparator sub-group* as appropriate.

(2) The first 2 steps of the process require the *IGC* to consider the metrics and other information available to it and to make a provisional judgement in relation to the value provided by the *in-scope arrangement's* investment performance, quality of services and overall value.

(3) The third step requires the *IGC* to reach a decision in relation to whether the *in-scope arrangement* is providing value for money. This step also allows the *IGC* to consider other limited factors. This is so that the *IGC* can form a view on value taking account of additional information where it has a strong rationale for doing so.

(4) The purpose of the assessment process is to arrive at a holistic view of value. To achieve this, the *IGC* will compare the arrangement being assessed against comparative metrics produced by the *central data repository* from data relating to the *commercial market comparator group* and will also compare more broadly against arrangements within the *commercial market comparator group* to determine value. The *IGC* may look across the arrangements within the *commercial market comparator group* and take into account other characteristics of those arrangements beyond the comparative metrics produced by the *central data repository* when determining the value provided by the arrangement being assessed. For example, different investment strategies may offer value in different ways and the *IGC* can take this into account where relevant.

19.5A.23 R In addition to *COBS* 19.5.5R, a *firm* must include in its terms of reference for an *IGC* the requirements set out in *COBS* 19.5A.24R to *COBS* 19.5A.72R.

19.5A.24 R (1) Save for any *in-scope arrangement* within scope of *COBS* 19.5A.25R, the *IGC* will carry out a value for money assessment in relation to each *in-scope arrangement*, and rate that arrangement, in accordance with the process set out in *COBS* 19.5A.26R to *COBS* 19.5A.67R.

(2) For the purposes of the value for money assessment, the *IGC* will compare each *in-scope arrangement* against the *commercial market comparator group*.

(3) To carry out the comparison, the *IGC* will use comparative metrics produced by the *central data repository* from data relating to the *commercial market comparator group* which correspond to the metrics in *COBS* 19.5A.16R(1).

(4) The *IGC* will also compare more broadly against arrangements within the *commercial market comparator group* to determine value and look across those arrangements taking into account other relevant characteristics.

(5) When the *IGC* is comparing against the comparative metrics produced by the *central data repository*, it will compare:

(a) the value for the *in-scope savers* in terms of investment performance for each *retirement age cohort* as against the *commercial market comparator group* in accordance with *COBS* 19.5A.29R; and

(b) the position for each relevant metric (other than the minimum and maximum net investment performance metrics) relative to individual pension arrangements in the *commercial market comparator group*.

(6) The metrics produced by the *central data repository* will be calculated by it as set out in the following table:

Metric	**Calculation by the central data repository**	
Gross investment performance Gross investment performance net	Step 1	Take the figures disclosed for the particular metric in relation to each pension arrangement within the *commercial market comparator group* or *commercial market comparator sub-group*.

of *investment charges* Annualised standard deviation Expected annualised standard deviation of the investment returns of the *in-scope arrangement* Quality of service metrics, for which an arithmetic mean can be calculated	Step 2	Calculate the arithmetic mean for the *commercial market comparator group* and *commercial market comparator sub-group*.
Investment charges *Service costs* *Total costs and charges* Gross investment performance net of *total costs and charges*	Step 1	Take the single annualised percentage figures disclosed for that metric in relation to each pension arrangement within the *commercial market comparator group* or *commercial market comparator sub-group* for which costs and charges do not vary.
	Step 2	Take the median figures disclosed for that metric in relation to each pension arrangement within the *commercial market comparator group* or *commercial market comparator sub-group* for which costs and charges vary.
	Step 3	Add the figures from step 1 and step 2 and calculate the arithmetic mean to obtain the *commercial market comparator group* and *commercial market comparator sub-group* average median metric.

	Step 4	Repeat steps 1 to 3 using the maximum figures disclosed for arrangements for which costs and charges vary to obtain the *commercial market comparator group* and *commercial market comparator sub-group* average maximum metric.
	Step 5	Repeat steps 1 to 3 using the minimum figures disclosed for arrangements for which costs and charges vary to obtain the *commercial market comparator group* and *commercial market comparator sub-group* average minimum metric.

19.5A.25 R *COBS* 19.5A.24R(1) does not apply in relation to a particular *in-scope arrangement* where:

(1) the *firm* has notified the *FCA* by 31 March of the value for money assessment year of its intention to transfer all the members in that arrangement into a different pension arrangement, whether offered by the *firm* or a different provider, by way of either:

(a) an insurance business transfer scheme under Part VII of the *Act*; or

(b) a unilateral change under Part 7A of the *Act*; and

(2) the *firm* is not accepting contributions from any employer, including employers new to the *in-scope arrangement*, to be invested into the arrangement, unless the employer had agreed to do so, contractually or otherwise, prior to notifying the *FCA* in accordance with (1).

Steps for the IGC to take when carrying out the value for money assessment

19.5A.26 R There are 3 steps, set out below, for the *IGC* to take when carrying out the value for money assessment, summarised as follows:

(1) The *IGC* will first identify the arrangement to be assessed to determine the approach to comparison against the *commercial market comparator group* in accordance with *COBS* 19.5A.29R. *IGCs* are reminded of the *rule* in *COBS* 19.5A.5R that, in this section, where *COBS* 19.5A.29R(2)(a) applies, references to the *commercial market comparator group* must be read as references to the *commercial market comparator sub-group*.

(2) The *IGC* will consider the difference in value and determine whether any differences are material. Where such differences are found not to be sufficiently material, the *IGC* should be able to explain the reasons for that decision.

(3) Ultimately, the *IGC* will form a view on the impact of identified differences on outcomes for *in-scope savers* as compared against the *commercial market comparator group* and will use its judgement to come to a decision as to whether the *in-scope arrangement* is providing value for money.

Step 1 – investment performance

19.5A.27 R In step 1, the *IGC* will compare, for each *in-scope arrangement*:

(1) the value for the *in-scope savers* in terms of investment performance for each *retirement age cohort* as against the *commercial market comparator group* in accordance with *COBS* 19.5A.29R; and

(2) the position for each relevant metric (other than the minimum and maximum net investment performance metrics) relative to individual pension arrangements in the *commercial market comparator group*.

19.5A.28 G In carrying out the comparison in *COBS* 19.5A.27R(2), the *IGC* should consider the position of the *in-scope arrangement* within the range and distribution of the *commercial market comparator group* for each relevant metric.

19.5A.29 R The *IGC* must undertake the comparison:

(1) for the *retirement age cohort* of *in-scope savers* who are 30 years away from their target retirement date as at 31 December in the calendar year being assessed, by reference to the *commercial market comparator group*; and

(2) for the *retirement age cohort* of *in-scope savers* who have reached their target retirement date as at 31 December in the calendar year being assessed, by reference to:

(a) the *commercial market comparator sub-group*; or

(b) the *commercial market comparator group* where a sub-group that meets the definition of a *commercial market comparator sub-group* has not been identified.

19.5A.30 R Where, for a *retirement age cohort* of an *in-scope legacy arrangement*, the *IGC* is unable to make a comparison with a *commercial market comparator sub-group* because fewer than 4 pension arrangements share the same *decumulation aim* or because the *decumulation aim* is other than a *drawdown pension*, an annuity or *cash*, it will make a comparison with the *commercial market comparator group* and take account of the *decumulation aim* of the *in-scope legacy arrangement* in step 3.

19.5A.31 R For each *in-scope arrangement* the *IGC* will compare:

(1) for each *retirement age cohort*:

(a) the backward-looking investment performance metrics as set out in *COBS* 19 Annex 9 3.1R (gross investment performance, gross investment performance net of *investment charges*, gross investment performance net of *total costs and charges* and annualised standard deviation); and

(b) the costs and charges metric set out in *COBS* 19 Annex 11 3.1R(1) (*investment charges*); and

(2) for the *retirement age cohort* of *in-scope savers* who are 30 years away from their target retirement date as at 31 December in the calendar year being assessed, the *total costs and charges* metric,

over the required reporting periods against the corresponding *commercial market comparator group* metrics as set out in the table in *COBS* 19.5A.24R(4), by following the process set out in *COBS* 19.5A.32R to *COBS* 19.5A.52R.

19.5A.32 R When the *IGC* is comparing gross investment performance net of *total costs and charges*, it will first determine the characteristics of the particular *in-scope arrangement* being assessed in accordance with first column of the table below and apply the method of comparison as set out in the corresponding row in the second column of the table below:

Arrangement to be assessed	**Corresponding comparisons against the commercial market comparator group**
Multi-employer	The *IGC* will compare the minimum, median and maximum gross investment performance net of *total costs and charges* of the multi-employer *in-scope arrangement* against the corresponding metrics of minimum, median and maximum gross investment performance net of *total costs and charges* of the *commercial market comparator group* as calculated by the *central data repository* in accordance with the table in *COBS* 19.5A.24R(4), and, where costs and charges vary by employer, the median gross investment performance net of *total costs and charges* of the multi-employer *in-scope arrangement* against the same individual metric of other arrangements within the *commercial market comparator group* as appropriate.
Bespoke arrangement	The *IGC* will compare the gross investment performance net of *total costs and charges* metric of the *in-scope arrangement* against

	the *commercial market comparator group* average median metric, as calculated by the *central data repository* in accordance with the table in *COBS* 19.5A.24R(4).

19.5A.33 G When undertaking the comparison in *COBS* 19.5A.31R, for a multi-employer *in-scope arrangement*, an *IGC* should:

(1) take account of *total costs and charges* that vary between employers when making comparisons with the *commercial market comparator group* averages; and

(2) give greater weight to the minimum and median comparisons.

19.5A.34 R When comparing the remaining metrics, the *IGC* will compare against the corresponding *commercial market comparator group* metric as calculated by the *central data repository* in accordance with the table in *COBS* 19.5A.24R(4).

Process

R The *IGC* will compare, for each *in-scope arrangement*:

19.5A.35 (1) the value for the *in-scope savers* in terms of investment performance for each *retirement age cohort* as against the *commercial market comparator group* in accordance with *COBS* 19.5A.29R; and

(2) the position for each relevant metric (other than the minimum and maximum net investment performance metrics) relative to individual pension arrangements in the *commercial market comparator group*.

19.5A.36 G In carrying out the comparison in *COBS* 19.5A.35R(2), the *IGC* should consider the position of the *in-scope arrangement* within the range and distribution of the *commercial market comparator group* for each relevant metric.

19.5A.37 R The *IGC* will identify whether there is a material difference between the value delivered by the *in-scope arrangement's* metrics and the corresponding *commercial market comparator group* metrics.

19.5A.38 R The *IGC* will take a data-led approach when determining whether there is a material difference for the purposes of *COBS* 19.5A.37R. Examples of where an *IGC* may consider there to be a material difference in value are:

(1) where the majority of metrics are below the *commercial market comparator group* metrics; or

(2) where at least one of the metrics is well below the corresponding *commercial market comparator group* metric.

19.5A.39 R Where the *IGC* identifies:

(1) materially worse gross investment performance net of *investment charges* compared to that of the *commercial market comparator group*;

(2) similar gross investment performance compared to the *commercial market comparator group*, but much greater investment risk; and/or

(3) materially worse gross investment performance net of *total costs and charges* compared to that of the *commercial market comparator group*, assessed on a minimum-to- minimum or a median-to-median basis,

the *IGC* should consider that factor as indicative that value is not being delivered by the investment performance of that *retirement age cohort*.

19.5A.40 R The *IGC* will then compare for each *retirement age cohort* the forward-looking metrics in relation to the *in-scope arrangement* against the corresponding forward-looking *commercial market comparator group* metrics to identify whether there is a material difference.

19.5A.41 R For the purposes of *COBS* 19.5A.40R there will be a material difference where one of the forward-looking metrics for either of the *retirement age cohorts* of the *in-scope arrangement* is:

(1) materially lower than the corresponding *commercial market comparator group* metric; or

(2) materially higher than the expected annualised deviation of the investment returns for the *in-scope arrangement*.

Provisional view of value for each retirement age cohort

19.5A.42 R The *IGC* will balance the backward-looking metrics with the forward-looking metrics and weigh them against each other and must come to a provisional view as to whether each *retirement age cohort* is providing value for money to its *in-scope savers*, taking into account the considerations set out in *COBS* 19.5A.46R to *COBS* 19.5A.52R.

19.5A.43 G The *IGC* should consider balancing the backward-looking metrics with the forward-looking metrics as follows:

(1) Forward-looking metrics should be given some weight but should not be given more weight than the other metrics.

(2) Where:

(a) the *firm* has made recent significant changes to the investment strategy of the *in-scope arrangement*; and

(b) there are investments in assets where the returns experienced in recent periods do not reflect the *IGC's* expectations on the long-term returns achievable in the asset class,

the *IGC* should apply a near-equal weight to the backward and forward-looking metrics.

(3) Where:

(a) the *firm* has made recent significant changes to the investment strategy of the *in-scope arrangement*; or

(b) there are investments in assets where the returns experienced in recent periods do not reflect the *IGC's* expectations on the long-term returns achievable in the asset class,

the *IGC* should apply moderate weight to the forward-looking metrics.

(4) Where:

(a) the *firm* has not made recent significant changes to the investment strategy of the *in-scope arrangement*; and

(b) there are no investments in assets where the returns experienced in recent periods do not reflect the *IGC's* expectations on the long-term returns achievable in the asset class,

the *IGC* should apply very little weight to the forward-looking metrics.

19.5A.44 G Where investments in assets result in early returns that are structurally depressed or produce a J-curve, the *IGC* should consider the impact of this on intergenerational fairness and cross-member subsidies when deciding on the appropriate weight to be given to backward- and forward-looking metrics.

19.5A.45 G The *FCA* expects *IGCs* to apply decreasing weight to the forward-looking metrics as value for money is evidenced by the backward-looking metrics over time.

Considerations for IGCs on assessing value of retirement age cohorts

19.5A.46 R The *IGC* should take into account what is known about the particular *in-scope arrangement* and its *in-scope savers*. The *IGC* should put quantitative comparisons for each *retirement age cohort* in context where the *IGC* has information that clearly explains observed differences in terms of saver needs of the *in-scope savers* of the arrangement being assessed relative to the savers of the *commercial market comparator group*. The starting assumption should be that *in-scope savers'* needs in respect of value delivered by investment performance do not differ.

19.5A.47 R The *IGC* should consider investment returns in the context of the risk being taken and, for the *retirement age cohort* of *in-scope savers* of the *in-scope arrangement* who have reached their target retirement date as at 31 December in the calendar year being assessed, what risk is appropriate for the *decumulation aim*. When the *IGC* is considering the *retirement age cohort* consisting of *in-scope savers* who have reached their target retirement date as at 31 December in the calendar year being assessed, it should take into account that volatile performance may impact retirement outcomes and that de-risking too much too early may reduce income in retirement.

19.5A.48 R When considering different reporting periods, subject to the magnitude of the differences in performance, the *IGC* should use the following order of weighting: 5 years and 10 years (where available), 3 years, and 1 year. The *IGC* should give particular weight to the metrics which have reporting periods over the previous 5 and 10 calendar years, except where there has been a recent and significant change to investment strategy.

19.5A.49 R The *IGC* should consider *investment charges* together with the gross investment performance net of *investment charges* metric and consider whether the *investment charges* figure is so low that it could impact on the investment choices available to the *firm*. Such an impact could potentially impact on the value of the arrangement as a whole. The *IGC* should use available data for *investment charges* for shorter periods as indicative of this particular metric for a longer period.

19.5A.50 R Where the *IGC* is considering the *retirement age cohorts* of an *in-scope legacy arrangement*, it should start with the underlying investment performance relative to the *commercial market comparator group*. As the comparison will be against more modern products, any valuable legacy features such as guaranteed investment returns will need to be considered in step 3.

19.5A.51 R Where the *IGC* compares with-profit arrangements, the *IGC* should focus on the gross investment performance net of *total costs and charges* of the underlying *investments* net of the cost of those *investments*.

19.5A.52 R The *IGC* should not use asset allocation information to assess the value delivered by the investment performance of an *in-scope arrangement* unless the *IGC* has concerns about the asset allocation and cannot justify a value rating.

Provisional view of value for the in-scope arrangement overall

19.5A.53 R When the *IGC* has reached a provisional view of value in respect of each *retirement age cohort*, it will then need to reach a provisional view of value in respect of the overall *in-scope arrangement* for investment performance.

19.5A.54 R Where the *IGC* has provisionally concluded that a *retirement age cohort* is not providing value, the *IGC* will apply a rebuttable presumption that the *in-scope arrangement* as a whole is not providing value for money in relation to investment performance.

19.5A.55 R The presumption can be rebutted if the *IGC* considers there to be reasonable grounds to do so. An example of where the *IGC* may reasonably conclude that the presumption can be rebutted is where the *IGC* considers that, in the context of the *in-scope arrangement* as a whole, the number of members within the particular *retirement age cohort(s)* that is/are not providing value is not material and/or if the impact to member outcomes would not be significant.

Step 2 – quality of service

19.5A.56 R In Step 2, the *IGC* will form a provisional view as to the value delivered by the quality of services provided to *in-scope savers* of the *in-scope arrangement* as against that provided by the *commercial market comparator group* taking into account *service costs*. The *IGC* should consider the value delivered by all the services as a whole package relative to the costs of those services, rather than looking at each service in isolation. The *IGC* will determine whether any differences in value are material such that they have the potential to significantly affect the outcomes for the *in-scope savers*. The *IGC* should also consider whether any differences in service quality, regardless of cost, have the potential to significantly affect the outcomes for the *in-scope savers*.

Process

19.5A.57 R The *IGC* will examine the quality of service metrics that have been prepared and disclosed by the *firm* in accordance with *COBS* 19.5A.16R(1)(d), *COBS* 19.5A.17R and *COBS* 19 Annex 12 and assess the value delivered by the services to each *retirement age cohort* in a particular *in-scope arrangement* by:

(1) considering the quantitative metrics prepared in accordance with *COBS* 19 Annex 12 as against the corresponding *commercial market comparator group* metrics;

(2) considering the 1-year *service costs* for each *retirement age cohort* as against the corresponding *commercial market comparator group* metrics; and

(3) identifying any material difference between (1) and (2) in the value of services provided to the *in-scope savers* of that *in-scope arrangement*.

19.5A.58 R The IGC will then form a provisional view as to the value delivered by the quality of services provided to *in-scope savers* of the *in-scope arrangement*. This provisional view should be used to adjust the provisional rating given to the *in-scope arrangement* at the end of Step 1 (*COBS* 19.5A.53R to *COBS* 19.5A.55R) as follows:

(1) Where the arrangement has been given a provisional rating of providing value for money in Step 1 and Step 2, the provisional rating
remains one of providing value for money;

(2) Where the arrangement has been given a provisional rating of providing value for money in relation to Step 1 and a provisional rating
of not providing value for money in relation to Step 2, the overall provisional rating at this stage is not providing value for money;

(3) Where the arrangement has been given a provisional rating of not providing value for money in relation to Step 1 and not providing value
for money in relation to Step 2, the overall provisional rating remains
not providing value for money at this stage;

(4) Where the arrangement has been given a provisional rating of not providing value for money in relation to Step 1 and providing value for
money in relation to Step 2, the overall provisional rating remains not
providing value for money at this stage.

Considerations for IGCs on Step 2

19.5A.59 R Where the *IGC* identifies:

(1) materially worse overall service quality for comparable *service costs* compared to the *commercial market comparator group* metrics; or

(2) that the quality of services provided to *in-scope savers* is such that the needs of those *in-scope savers* are not met, and they are unlikely to receive good outcomes,

the *IGC* should consider that as provisionally indicative of poor value delivered by the quality of services.

Step 3 – red, amber, light green or dark green rating: considerations for the IGC

19.5A.60 R In Step 3, the *IGC* will come to a conclusion as to whether the *in-scope arrangement* provides value for money as a whole, taking into account the factors considered in Step 1 and Step 2 and wider considerations that are relevant to that decision making. The *IGC* should balance the relevant factors against each other, giving appropriate weight to them. The *IGC's* conclusion as to value will be expressed as a rating of red, amber, light green or dark green. Where a *firm* disagrees with the *IGC's* rating, it will be given the opportunity to provide further information or clarification to the *IGC*.

Process

19.5A.61 R The *IGC* will determine whether the *in-scope arrangement* it is assessing provides value for money compared to the *commercial market comparator group* by considering:

(1) the data, evidence and other information it has considered as part of Step 1 and Step 2; and

(2) its findings and provisional ratings in relation to Step 1 and Step 2, including the results of comparisons against the *commercial market comparator group*.

(3) as part of Step 3, other information that it reasonably considers relevant including the data and information of pension arrangements outside of the *commercial market comparator group* with similar saver or employer demographics, specific features or characteristics or *decumulation aims*.

Other information

19.5A.62 R (1) The *IGC* should take account of saver and employer demographics (such as number of savers and saver protected characteristics) and any special features or characteristics (such as a guaranteed annuity rate) disclosed in the features tables for the *in-scope arrangement* and the *commercial market comparator group* that may affect value delivered for *in-scope savers*.

(2) Where the *IGC* considers that the conclusion as to value reached in step 3 does not reasonably reflect the value of an *in-scope arrangement* or that an *in-scope arrangement* is not providing equivalent or better value for money than the *commercial market comparator group* in a way that the *IGC* considers is not material, the *IGC* may still determine that the arrangement is providing value for money based on other information, where the *IGC* considers that it is reasonable to do so.

(3) Where the *IGC* makes a comparison with the *commercial market comparator group* in accordance with *COBS* 19.5A.34R, and it considers that the *in-scope arrangement* is not providing equivalent or better value for money than the *commercial market comparator group*, the *IGC* may still determine that the *in-scope arrangement* is providing value for money where it reasonably considers that this is

a consequence of the differing *decumulation aim* of the *in-scope arrangement*.

19.5A.63 G For the purposes of *COBS* 19.5A.62R(2), other information includes data held by the *central data repository* in relation to pension arrangements outside of the *commercial market comparator group* with similar saver or employer demographics, or specific features or characteristics.

19.5A.64 G For the purposes of *COBS* 19.5A.62R(3), an *IGC* may consider data held by the *central data repository* in relation to pension arrangements outside of the *commercial market comparator group* with similar *decumulation aims*.

Rating the arrangement

19.5A.65 R (1) Where the *IGC* determines that the *in-scope arrangement* is fully providing value for money, it must rate it as dark green.

(2) Where the *IGC* determines that the *in-scope arrangement* is providing value for money but has identified a number of improvements, it must rate it as light green.

(3) Where the *IGC* determines that the *in-scope arrangement* is not providing value for money, it must:

(a) request from the *firm* the actions the *firm* proposes to take to improve the value for money provided by the *in-scope arrangement*;

(b) determine whether, within a reasonable period, the proposed actions are reasonably likely to result in the *in-scope arrangement* providing value for money;

(4) The *IGC* may also provide the *firm* with recommendations of actions the *firm* could take to improve the value for money provided by the *in-scope arrangement*.

(5) Where the *IGC* determines that an *in-scope arrangement* is not providing value for money but that, in accordance with (3)(b), the *firm's* proposed actions are reasonably likely to result in the *in-scope arrangement* providing value for money within a reasonable period, the arrangement must be rated as amber.

(6) Where the *IGC* determines that an *in-scope arrangement* is not providing value for money, and determines that the *firm's* proposed actions are not reasonably likely to result in the *in-scope arrangement* providing value for money within a reasonable period or will not result in the *in-scope arrangement* providing value for money, the arrangement must be rated as red.

(7) Subject to (8), where an *in-scope arrangement* has been rated as amber in each of the previous 3 value for money assessment years

and the *IGC* would otherwise rate it as amber following the most recent assessment, the *IGC* must rate that arrangement as red, unless it concludes that it would not be in the best financial interest of its *in-scope savers* to do so.

(8) Where the *in-scope arrangement* was not assessed the previous year because the *firm* had notified the *FCA* of its intention to transfer members in accordance with *COBS* 19.5A.25R(1), that previous year is to be considered for the purposes of (7) as if it had been rated amber.

[**Note:** Transitional provisions apply to this *rule*: see *COBS* TP 2.57R and *COBS* TP 2.58R.]

19.5A.66 G The *FCA* expects the *IGC* to apply a rating of dark green where the *in-scope arrangement* is clearly and consistently outperforming the corresponding *commercial market comparator group* in respect of both *retirement age cohorts* and there are minimal or no improvements that can be made.

Bespoke arrangements

19.5A.67 R (1) Where the *IGC* is assessing a bespoke arrangement, it should consider whether further information is required from the *firm* in order for the *IGC* to determine whether the bespoke arrangement provides value for money and, if so, request that further information from the *firm*.

(2) If the *IGC* has formed a provisional view that the bespoke arrangement does not provide value for money and requests further information in accordance with (1), and the *firm* does not provide that information, the *IGC* should determine that the arrangement does not provide value for money.

Out of cycle assessments

19.5A.68 R (1) Where an *in-scope arrangement* is rated as amber or red, an *IGC* may re-assess that arrangement outside of the annual assessment cycle where the *firm* can evidence potential improvements it has made to the value of the *in-scope arrangement* which could reasonably affect the rating. In doing so, the *IGC* must follow the assessment process in Steps 1 to 3.

(2) For the purposes of (1), a *firm* is unlikely to be able to evidence improvements to investment performance outside of the annual assessment cycle, as a comparison of investment performance would require available comparator investment performance metrics to the same end point in time.

Process where the firm disagrees with the IGC's rating

19.5A.69 R (1) Where a *firm* does not agree with the *IGC's* rating of amber or red, it must be given the opportunity to make representations to the *IGC* and to provide further relevant information or evidence where necessary before the rating is inserted into the annual report in accordance with *COBS* 19.5A.72R(3)(a).

(2) The *IGC* must give full and proper consideration to the *firm's* representations and carry out another assessment using Steps 1 to 3 where it considers those representations material to its assessment of value.

Environmental, social and governance considerations

19.5A.70 R The *IGC* should consider how environmental, social and governance considerations have been taken into account by the *firm* across its *firm-designed in-scope arrangements* and how they may have shaped their relevant strategies.

Retention of evidence

19.5A.71 R The *IGC* will retain copies of any evidence used in the assessment of value for money and the rating of each *in-scope arrangement* for a minimum of 6 years.

Information to be included in the IGC's annual report

19.5A.72 R (1) In addition to the requirements in *COBS* 19.5.5R(6), the *IGC* will include in its annual report the information set out in (2) to (9) to bring transparency to the assessment process and how it has arrived at the rating of each *in-scope arrangement* it assessed.

(2) The chair of the *IGC* will be responsible for setting out a review of the key themes the *IGC* has seen across all *in-scope arrangements* it has assessed in the annual report.

(3) For each *in-scope arrangement* assessed by the *IGC*, the following information must be included in the annual report:

(a) the unique identifier of the *in-scope arrangement* and its rating of dark green, light green, amber or red, and, for *firm-designed in-scope arrangements*, an explanation for that rating;

(b) its gross investment performance net of *total costs and charges* for the 5-year reporting period for each of the *retirement age cohorts*, where this information is available;

(c) the findings in Step 1 and Step 2;

(d) how the forward-looking metrics have been used in the assessment of value for money provided by the *in-scope* *arrangement* and the approach used to balance the backward-and forward-looking metrics in *COBS* 19.5A.42R; and

(e) where the determination of whether the *in-scope arrangement* is providing value for money was dependent on the *IGC's* consideration of other information in accordance with *COBS* 19.5A.62R, a narrative explanation of the determination, including the rationale for relying on that other information.

(4) For each *in-scope arrangement* assessed by the *IGC* which is a *vertically integrated arrangement* for which the *firm* estimated its *investment charges*, the short narrative explanation disclosed by the *firm* of how it calculated the estimate and the assumptions it applied must be included in the annual report.

(5) For each *in-scope arrangement* rated by the *IGC* as dark or light green, any concerns identified by the *IGC* and recommendations made to the *firm* must be included in the annual report.

(6) For each *in-scope arrangement* rated by the *IGC* as amber where the *firm* has taken actions to improve the arrangement's value for money which are yet to be evidenced in the metrics, an explanation as to why this is the position must be included in the annual report.

(7) Where the *IGC* has considered how environmental, social and governance considerations have been taken into account in accordance with *COBS* 19.5A.70R, those considerations must be set out in the annual report.

(8) Where the *IGC* has assessed a *vertically integrated arrangement*, the short narrative explanation of how the *firm's* estimate of *investment charges* has been calculated and the assumptions applied, which the *firm* has disclosed to the *IGC* in accordance with *COBS* 19 Annex 11 8.1R(2), must be included in the annual report.

(9) For each *in-scope arrangement* not assessed by the *IGC* as a result of either *COBS* 19.5A.4R or *COBS* 19.5A.25R, the following information must be included in the annual report:

(a) where the *in-scope arrangement* was not assessed as a result of *COBS* 19.5A.4R:

(i) the unique identifier of the *in-scope arrangement*; and

(ii) a statement that:

(A) the *firm* did not prepare metrics and publish a link to those metrics; and

(B) the *IGC* did not carry out a value for money assessment,

because the *firm* is in the process of transferring all the members in that arrangement into a different arrangement; and

(b) where the *in-scope arrangement* was not assessed as a result of *COBS* 19.5A.25R:

(i) the unique identifier of the *in-scope arrangement*; and

(ii) a statement that the *IGC* did not carry out a value for money assessment because the *firm* notified the *FCA* that it intends to transfer all the members in that arrangement into a different arrangement.

(10) The review of key themes referred to in (2) may include, for example, trends in return on investments net of *investment charges* relative to the *commercial market comparator group*. The review should highlight where the *IGC* has made recommendations to the *firm* to improve, for example, the design of arrangements including the strategic asset allocation.

(11) The responsibility of the chair of the *IGC* at (3)(a) and (b) to set out in the annual report the rating and investment returns net of *total costs and charges* of each *in-scope arrangement* may be met by setting that information out in a tabulated annex to the annual report.

19.5A.73 G *Firms* are reminded that *PRIN* 2A.4.25R requires *firms* to take appropriate action to mitigate, and where appropriate, remediate any harm caused to existing *retail customers* and prevent harm to new *retail customers* where a *product* no longer provides fair value.

Insert the following new Annexes, COBS 19 Annex 9 to COBS 19 Annex 15, after COBS 19 Annex 8 (Information request template). All the text is new and is not underlined.

19 Annex 9 **Backward-looking investment performance metrics**

Introduction

19 Annex 9 1.1 G This Annex belongs to *COBS* 19.5A.16R. *COBS* 19.5A.16R(1)(a) requires *firms* to prepare backward-looking investment performance metrics in relation to each of their *in-scope arrangements*. This Annex describes what those metrics are and the methodology that *firms* must use to calculate them.

Definitions

19 Annex 9 2.1 R The definitions in *COBS* 19.5A.15R are applied to this Annex.

Investment performance metrics

19 Annex 9 3.1 R The backward-looking investment performance metrics referred to in *COBS* 19.5A.16R(1)(a) are:

(1) gross investment performance;

(2) gross investment performance net of *investment charges*; and

(3) gross investment performance net of *total costs and charges*,

and the following risk metric:

(4) annualised standard deviation.

19 Annex 9 3.2 G The metrics in *COBS* 19 Annex 9 3.1R(1) to (3) reflect investment performance of the *in-scope arrangement*. The metric in *COBS* 19 Annex 9 3.1R(4) is a comparative risk metric. Throughout this Annex they are referred to collectively as the 'investment performance metrics'.

Identification of retirement age cohorts

19 Annex 9 4.1 R A *firm* must identify each *retirement age cohort* within each of its *in-scope* arrangements.

19 Annex 9 4.2 R A *firm* must prepare and disclose each of the investment performance metrics for each *retirement age cohort*.

19 Annex 9 4.3 R Each of the investment performance metrics must be expressed as a single percentage figure to a maximum of 2 decimal places.

Reporting periods

19 Annex 9 5.1 R Subject to *COBS* 19 Annex 9 9.1R, a *firm* must prepare and disclose a single annualised percentage figure for each of the *retirement age cohorts*:

(1) for each investment performance metric for the previous calendar year;

(2) for each investment performance metric, except for gross investment performance net of *investment charges*, where data is available:

(a) for the previous 3 calendar years; and

(b) for the previous 5 calendar years; and

(3) for each investment performance metric, except for gross investment performance net of *investment charges*, where data is reasonably practicable to obtain, for the previous 10 calendar years.

19 Annex 9 5.2 R For the purposes of *COBS* 19 Annex 9 5.1R(2), data will be available to the *firm* unless the *in-scope arrangement* has not been capable of accepting contributions from or on behalf of individual members for the whole of the particular reporting period.

Illustration of how information is to be disclosed

19 Annex 9 6.1 G The white boxes in the following table illustrate the information *firms* are required to disclose for each *retirement age cohort* in accordance with *COBS* 19 Annex 9 5.1R. The boxes shaded in lighter grey indicate the information that a *firm* must disclose where data is available. The boxes shaded in darker grey indicate the information that a *firm* must disclose where it is reasonably practicable to obtain it. The boxes in black indicate when data is not required. A *firm* may disclose data that has not been chain-linked in accordance with *COBS* 19 Annex 9 11.2R if it chooses to.

Performance metrics	**1 year**	**3 years**	**5 years**	**10 years**
Gross investment performance				
Gross investment performance net of *investment charges*				
Gross investment performance net of *total costs and charges* (for multi-employer arrangements with variable charges: minimum, maximum and median values)				
Risk metric				
Annualised standard deviation				

Calculation of gross investment performance: calculating the metrics for a retirement age cohort for a particular calendar year

19 Annex 9 7.1 R Subject to *COBS* 19 Annex 9 7.2R, to calculate gross investment performance and gross investment performance net of *investment charges* (*COBS* 19 Annex 9 3.1R(1) and (2)) for a *retirement age cohort* for a particular calendar year, a *firm* must:

(1) calculate the monthly returns, net of *transaction costs*, of the underlying *investments* for a hypothetical non-contributing member who reached the particular *retirement age cohort* within the *in-scope arrangement* on 31 December of the calendar year being assessed, expressed as a percentage of the monthly assets of each underlying *investment*;

(2) weight each of the monthly returns of the underlying *investments* by monthly asset allocation, by expressing it as a percentage of the assets for that particular *retirement age cohort* to arrive at the monthly return;

(3) compound those monthly returns to arrive at an annual percentage figure for gross investment performance for the calendar year being assessed; and

(4) subtract the figure for *investment charges* from the figure in (3) to arrive at an annual percentage figure for gross investment performance net of *investment charges*.

19 Annex 9 7.2 R Where an *in-scope arrangement* includes at least one unit-linked fund in its investment portfolio, the *firm* must:

(1) if the *in-scope arrangement* is a *non-vertically integrated arrangement*, use the charges applied in relation to the unit-linked funds (including charges levied by underlying investments) in proportion to the glidepath allocation to each unit-linked fund over the previous calendar year, as its *investment charges* in order to calculate gross investment performance net of *investment charges* for the previous calendar year for each *retirement age cohort*; or

(2) if the *in-scope arrangement* is a *vertically integrated arrangement*, do the same as in (1) while using a reasonable estimate of such charges.

19 Annex 9 7.3 G A *firm* should be able to obtain the relevant monthly returns for gross investment performance and gross investment performance net of *investment charges* from the manager(s) of the *investments* in the *in-scope arrangement's* investment portfolio and those monthly returns should already be net of *transaction costs*.

19 Annex 9 7.4 G Where an *in-scope arrangement* includes one or more *target date funds* which are not targeted at each *retirement age cohort*, a *firm* may use investment performance data for whichever *target date funds* would contain the hypothetical member for the particular *retirement age cohort*. Where the *firm* is calculating investment performance metrics for reporting periods containing multiple years, the *firm* may similarly use investment performance data for whichever *target date funds* contain the particular hypothetical member in the given calendar year.

19 Annex 9 7.5 G Where an *in-scope arrangement* invests in multiple funds, and for which the allocations vary over time (lifestyling), a *firm* should consider the monthly returns for each fund, weighting these as appropriate to obtain the overall monthly return for the hypothetical member for the particular *retirement age cohort*.

19 Annex 9 7.6 R To calculate gross investment performance net of *total costs and charges* (*COBS* 19 Annex 9 3.1R(3)) for a particular calendar year, a *firm* must use the annualised percentage figure for gross investment performance and deduct the percentage figure for *total costs and charges* as calculated in accordance with *COBS* 19 Annex 11 6.1R to *COBS* 19 Annex 11 6.10R.

19 Annex 9 7.7 R A *firm* must not take into account any guaranteed investment return when calculating any of the investment performance metrics in *COBS* 19 Annex 9 3.1R(1) to (4).

19 Annex 9 7.8 G A *firm* should record the methodology used to calculate the investment returns it uses for the purposes of calculating the investment performance metrics. The methodology should be consistent.

Calculating the gross investment performance metrics as an annualised figure for reporting periods containing multiple years

19 Annex 9 8.1 R To calculate the investment performance metrics in *COBS* 19 Annex 9 3.1R(1) and (3) as a single percentage figure for each *retirement age cohort* for each of the reporting periods of 3, 5 or 10 years, a *firm* must calculate the investment performance metrics of that *retirement age cohort* over the particular reporting period by reference to the investment performance of the hypothetical member in each year of the reporting period, taking into account the change over time in their years to retirement, in the following way:

(1) take the percentage calendar year figures calculated in accordance with *COBS* 19 Annex 9 7.1R for each year within the particular reporting period ending with the calendar year for the *retirement age cohort*;

(2) express the single percentage figures as a decimal figure (for example express 5.0% as 0.05), and add 1 (for example, 1.05);

(3) multiply those figures together to calculate the product;

(4) take the nth root of the product of all values (where n equals the number of years in the relevant reporting period);

(5) subtract 1 from the result in (4) and convert to a percentage figure; and

(6) express each single percentage figure to 2 decimal places.

19 Annex 9 8.2 G An example of the process in *COBS* 19 Annex 9 8.1R(1) would be as follows: where a *firm* is calculating the gross investment performance metric over the past 5 years for the *retirement age cohort* where the hypothetical member is

30 years from retirement, the *firm* would use the gross investment performance figure for the previous calendar year at the time of the assessment, the gross investment performance figure for the year prior to the previous year (the hypothetical member would be 31 years to retirement at that point), and so on for the past 5 years.

19 Annex 9 8.3 G An example of the process in *COBS* Annex 9 8.1R(2) to (6) is as follows:

30 years to retirement cohort	**2025**	**2024**	**2023**	**2022**	**2021**
Investment return	7%	-4%	4%	10%	13%
Hypothetical member journey through to 30 years to retirement	Aged 36 at 31/12/25 (30YTR)	Aged 35 at 31/12/24 (31YTR)	Aged 34 at 31/12/23 (32YTR)	Aged 33 at 31/12/22 (33YTR)	Aged 32 at 31/12/21 (34YTR)
Annualised	(1.07 x 0.96 x 1.04 x 1.14 x 1.13) ^ (1/5) = 5.84% annualised				

Multi-employer arrangements: minimum, maximum and median disclosures

19 Annex 9 9.1 R Where a *firm* operates a multi-employer *in-scope arrangement* and the *total costs and charges* vary between employers, instead of a single annualised percentage figure as required by *COBS* 19 Annex 9 7.1R, the *firm* must disclose the minimum, maximum and median values for:

(1) gross investment performance;

(2) gross investment performance net of *total costs and charges*; and

(3) gross investment performance net of *investment charges* where *investment charges* vary between employers,

for each *retirement age cohort* and for the reporting periods as required by *COBS* 19 Annex 9 5.1R.

19 Annex 9 9.2 G There should generally be no variation between employers in relation to gross investment performance in *COBS* 19 Annex 9 9.1R(1) and this metric should be disclosed in accordance with *COBS* 19.5A.17R (where the investment performance metric represents gross investment performance net of *transaction costs*). Where there is variation – for example, where gross investment performance has been chain-linked and *COBS* 19 Annex 9 11.2R(2) applies – the minimum, maximum and median values should be disclosed.

Preparation of the annualised standard deviation metric (COBS 19 Annex 9 3.1R(4))

19 Annex 9 10.1	R	To calculate the annualised standard deviation as required by *COBS* 19 Annex 9 5.1R for a *retirement age cohort*, a *firm* must calculate the annualised standard deviation of the monthly gross investment performance (net of *transaction costs*) of the hypothetical member for the particular *retirement age cohort* that the *firm* will have produced in accordance with *COBS* 19 Annex 9 7.1R to *COBS* 19 Annex 9 7.8G, using each of the monthly data points across the whole reporting period being assessed.

Additional considerations: chain-linking

19 Annex 9 11.1	R	In *COBS* 19 Annex 9 11.2R to *COBS* 19 Annex 9 11.6G, '*in-scope arrangement*' includes an arrangement which would have been an *in-scope arrangement* had the relevant *rules* in this chapter been in force at the time of the transfer referred to in those *rules* and *guidance* and therefore should be read in that way where relevant.
19 Annex 9 11.2	R	Save for the circumstances in *COBS* 19 Annex 9 11.3R, a *firm* must chain-link the relevant investment performance to calculate the investment performance metrics for each *retirement age cohort* for each reporting period each time the following circumstances arise within a reporting period: (1) where the *firm* replaces an existing *in-scope arrangement* with a different *in-scope arrangement* operated by the same *firm* and members of the existing *in-scope arrangement* are transferred to the replacement *in-scope arrangement*; or (2) where members from at least 1 existing *in-scope arrangement* operated by a *firm* are transferred to another existing *in-scope arrangement* operated by the same *firm*, such that the first *in-scope* arrangement(s) is no longer an *in-scope arrangement*.
19 Annex 9 11.3	R	A *firm* is not required to chain-link where the *in-scope arrangement* into which members are transferred has, at the point of the transfer or after: (1) been an *in-scope arrangement* for each of the previous 3 calendar years to the value for money assessment year or would have been an *in-scope arrangement* had the relevant *rules* in this chapter been in force during those years; and (2) had pension contributions invested in it by or on behalf of at least 5% of the total members of the *relevant scheme* of which the arrangement is part in each of the previous 3 calendar years to the value for money assessment year.
19 Annex 9 11.4	G	A *firm* that is required to chain-link as a result of *COBS* 19 Annex 9 11.2R(2) should ensure it has access to the relevant metrics relating to the transferring *in-scope arrangement*, including, where necessary, for any period that the

arrangement was excluded from the application of this section by virtue of *COBS* 19.5A.4R.

19 Annex 9 11.5 G (1) An example of chain-linking is as follows:

(a) Arrangement A is merged with arrangement B on 1 January 2025.

(b) Arrangement B opened in July 2023 and so, at the time of merging, has been open for 18 *months*.

(c) Arrangements A and B would have been *in-scope arrangements* had the relevant *rules* in this chapter been in force on 1 January 2025.

(2) To calculate the investment performance metrics for the 3-year reporting period for the *retirement age cohort* where *in-scope savers* are 30 years away from their target retirement date in the calendar year being assessed, a *firm* would use the investment performance data in the table below, where monthly returns are based on previous month end:

	Calendar year 2025	Calendar year 2024	Calendar year 2023
Relevant investment performance	12 monthly returns from arrangement B	12 weighted average monthly returns from arrangement A and arrangement B, weighted as follows: $WAMR^{Month} = W_A^{Month} P_A^{Month} + W_B^{Month} P_B^{Month}$ where 'P' stands for performance and 'W' stands for weighting	6 monthly returns from arrangement A (from January to June, until arrangement B is opened) followed by 6 weighted average monthly returns from arrangement A and arrangement B, weighted as follows: $WAMR^{Month} = W_A^{Month} P_A^{Month} + W_B^{Month} P_B^{Month}$ where 'P' stands for performance

			and 'W' stands for weighting

19 Annex 9 11.6	G	There are 2 different approaches to weighting that a *firm* should take for the purposes of the table in *COBS* 19 Annex 9 11.5G, depending on whether the merger of the arrangements happens in a single step or more gradually in a series of steps over a period of time. The approaches apply in a corresponding way to both arrangements and, for arrangement A, are as follows:	

(1) Where the arrangements merge in a single step, the weighting should be set by the relative size of the 2 arrangements at the time of the merger:

$$W_A^{Every\ month} = \frac{Size\ (AuM)_A^{Month-end\ prior\ to\ merger}}{Size\ (AuM)_A^{Month-end\ prior\ to\ merger} + Size\ (AuM)_B^{Month-end\ prior\ to\ merger}}$$

(2) Where the arrangements merge in a series of steps over a period of time and members are transferred gradually, a *firm* should:

(a) weight every *month* prior to the first transfer in line with (1), using a single weighting set by relative size of the 2 arrangements at the *month*-end period to the time of the merger; and

(b) weight every *month* from the first transfer with individual monthly weights set by the relative size of the 2 arrangements at the end of the previous *month*:

$$W_A^{Month} = \frac{Size\ (AuM)_A^{Previous\ month-end}}{Size\ (AuM)_A^{Previous\ month-end} + Size\ (AuM)_B^{Previous\ month-end}}$$

19 Annex 9 11.7 — R

(1) A *firm* must chain-link:

(a) gross investment performance; and

(b) relevant costs and charges metrics,

separately.

(2) After carrying out the calculations in (1), a firm must calculate:

(a) gross investment performance net of *investment charges*; and

(b) gross investment performance net of *total costs and charges*, by subtracting the relevant chain-linked costs and charges metrics from chain-linked gross investment performance.

19 Annex 9 11.8 G A *firm* may also choose to disclose investment performance metrics that have not been chain-linked alongside the metrics which have been chain-linked.

Guarantees

19 Annex 9 12.1 R Where a *firm* is providing an *in-scope arrangement* which includes a guarantee – for example, a *guaranteed annuity rate* or a guaranteed investment return – the *firm* must include that guarantee on the features table required by *COBS* 19.5A.16R(1)(e).

19 Annex 9 12.2 G The *IGC* should refer to such guarantees when undertaking the value for money assessment.

19 Annex 9 12.3 G *Firms* are reminded that guaranteed investment returns are not to be taken into account when calculating any of the investment performance metrics, in accordance with this Annex.

With-profits funds

19 Annex 9 13.1 R Where a *firm* provides an *in-scope arrangement* that is invested in a *with-profits fund*, and the *firm* calculates the gross investment performance metric (*COBS* 19 Annex 9 3.1R(1)) for each *retirement age cohort* from the monthly asset share figures, the *firm* must ensure that all deductions from the fund and other adjustments in relation to the asset share figures are reversed and then calculate the investment performance metrics in accordance with *COBS* 19 Annex 9 7.1R.

19 Annex 9 13.2 G Where the *firm* has data for monthly gross investment performance of the underlying *investments*, the *firm* should use that information to calculate the gross investment performance for each *retirement age cohort*.

Smoothed returns

19 Annex 9 14.1 R Where the investment returns of an *investment* in an *in-scope arrangement's* investment portfolio are smoothed, a *firm* must disregard those smoothed returns and calculate the investment performance metrics by using the monthly returns of that *investment* before smoothing is applied, in accordance with *COBS* 19 Annex 9 7.1R to *COBS* 19 Annex 9 7.8G.

19 Annex 10 **Forward-looking investment performance metrics**

Introduction

19 Annex 10 1.1	G	This Annex belongs to *COBS* 19.5A.16R. *COBS* 19.5A.16R(1)(b) requires *firms* to prepare forward-looking investment performance metrics in relation to each of their *in-scope arrangements*, referred to in this Annex as the 'forward-looking metrics'. This Annex describes what the forward-looking metrics are and how *firms* must calculate them. This Annex also requires *firms* to disclose the assumptions used to prepare the forward-looking metrics.
19 Annex 10 1.2	G	*Firms* should read this Annex in conjunction with *COBS* 19 Annex 9, which sets out how to calculate gross investment performance net of *total costs and charges* and the annualised standard deviation.
	Definitions	
19 Annex 10 2.1	R	The definitions in *COBS* 19.5A.15R are applied to this Annex.
	Forward-looking metrics	
19 Annex 10 3.1	R	The forward-looking metrics referred to in *COBS* 19.5A.16R(1)(b) are: (1) expected gross investment performance net of expected *total costs and charges* for the period of the next 10 calendar years; and (2) expected annualised standard deviation of the investment returns of the *in-scope arrangement* for the period of the next 10 calendar years.
19 Annex 10 3.2	R	Subject to *COBS* 19 Annex 10 6.1R, a *firm* must prepare and disclose each of the forward-looking metrics for each *retirement age cohort*.
19 Annex 10 3.3	R	Each of the forward-looking metrics must be expressed as a single percentage figure to a maximum of 2 decimal places.
	Calculation of expected gross performance net of expected total costs and charges	
19 Annex 10 4.1	R	A *firm* must decide the methodology and assumptions it will use to calculate the expected gross investment performance net of expected *total costs and charges*.
19 Annex 10 4.2	R	A *firm* must ensure that its calculation of expected gross investment performance net of expected *total costs and charges* is based on reasonable assumptions and reflects the assumptions used in determining, or in later monitoring, the ongoing suitability of the strategic asset allocation of the *in-scope arrangement*.

19 Annex 10 4.3	G	*Firms* should calculate the expected gross investment performance net of expected *total costs and charges* based on the strategic asset allocation of the *in-scope arrangement*.
		Calculation of expected annualised standard deviation of the investment returns
19 Annex 10 5.1	R	A *firm* must ensure that its calculation of expected annualised standard deviation of the investment returns of the *in-scope arrangement* is based on the same long-term capital market assumptions the *firm* used to calculate the expected gross investment performance net of expected *total costs and charges*.
19 Annex 10 5.2	G	*Firms* should calculate the expected annualised standard deviation of the investment returns of the *in-scope arrangement* based on their chosen modelling approach for projecting future returns.
		Multi-employer arrangements: minimum, maximum and median disclosures
19 Annex 10 6.1	R	Where a *firm* operates a multi-employer *in-scope arrangement* and the *total costs and charges* vary between employers, instead of the expected gross investment returns net of expected *total costs and charges*, the *firm* must disclose: (1) expected minimum gross investment performance net of expected *total costs and charges*; (2) expected maximum gross investment performance net of expected *total costs and charges*; and (3) expected median gross investment performance net of expected *total costs and charges*, for each *retirement age cohort* relating to the period of the next 10 calendar years.
19 Annex 10 6.2	R	A *firm* must comply with *COBS* 19 Annex 10 4.1R to *COBS* 19 Annex 10 4.6R when it calculates the metrics in *COBS* 19 Annex 10 6.1R(1) to (3) as if references to expected gross investment performance net of expected *total costs and charges* refer to the minimum, maximum or median metrics as appropriate.
		Additional disclosures
19 Annex 10 7.1	R	A *firm* must disclose by electronic means to the *central data repository* annually for each retirement age cohort relating to the period of the next 10 calendar years, by 31 March, the following assumptions used in calculating the forward-looking metrics: (1) the projected returns assumptions; and (2) the projected risk assumptions.

19 Annex 10 7.2	R	The requirement in *COBS* 19 Annex 10 7.1R applies in respect of each asset class and sub-asset class referred to in *COBS* 19 Annex 14 7.1R and *COBS* 19 Annex 14 7.2R that forms part of the strategic asset allocation of the in-scope arrangement.
19 Annex 10 7.3	G	A *firm* is not required to disclose assumptions in respect of an asset class or sub-asset class where no allocation is made to that asset class or sub-asset class as part of the strategic asset allocation.
19 Annex 10 7.4	R	Each assumption referred to in *COBS* 19 Annex 10 7.1R must be expressed as a single percentage figure to a maximum of 2 decimal places.
		Record keeping
19 Annex 10 8.1	R	A *firm* must keep a record of the assumptions it has used for calculating each of the forward-looking metrics for 6 years.
19 Annex 11		**Costs and charges metrics**
		Introduction
19 Annex 11 1.1	G	This Annex belongs to *COBS* 19.5A.16R. *COBS* 19.5A.16R(1)(c) requires *firms* to prepare costs and charges metrics in relation to each of their *in-scope arrangements*. This Annex describes what those metrics are and the methodology *firms* must use to calculate them.
		Definitions
19 Annex 11 2.1	R	In addition to the definitions set out in *COBS* 19 Annex 11 2.2R, the definitions in *COBS* 19.5A.15R are applied to this Annex.
19 Annex 11 2.2	R	In this Annex:
		(1) ‘percentage of assets charge’ means a cost or charge based entirely on a percentage of assets, where the effective fee rate does not vary by pension pot size.

[*Editor’s note*: For the purposes of this consultation, there are 2 alternative drafts of how to calculate total costs and charges metrics for complex charging structures, labelled as ‘Option 1’ and ‘Option 2’. The following definitions are part of Option 2 only.]

[(2) ‘flat charge’ means a fixed monetary amount charged to an *in-scope saver*, whether periodically or otherwise, other than by reference to the value of that *in-scope saver’s* assets or contributions;

(3) ‘contribution charge’ means a charge deducted from, or calculated by reference to, a contribution paid into an *in-scope arrangement*; and

(4) ‘model pot’ means a small pot, median pot or large pot categorised in accordance with *COBS* 19 Annex 11 6.5R.]

Costs and charges metrics

19 Annex 11 3.1 R The costs and charges metrics referred to in *COBS* 19.5A.16R(1)(c) are:

(1) *investment charges*;

(2) *service costs*; and

(3) *total costs and charges*.

19 Annex 11 3.2 G The metrics in *COBS* 19 Annex 11 3.1R reflect the charges an *in-scope arrangement* makes to its members and are referred to throughout this Annex as the ‘costs and charges metrics’.

Identification of retirement age cohorts

19 Annex 11 4.1 R A *firm* must apply the *rules* set out in *COBS* 19 Annex 9 4.1R to 4.3R and read the references to ‘investment performance metrics’ as ‘costs and charges metrics’.

Reporting periods

19 Annex 11 5.1 R A *firm* must disclose a single annualised percentage figure for each *retirement age cohort*:

(1) for each costs and charges metric for the previous calendar year;

(2) for *total costs and charges* where data is available:

(a) for the previous 3 calendar years; and

(b) for the previous 5 calendar years; and

(3) for *total costs and charges* where data is reasonably practicable to obtain, for the previous 10 calendar years.

19 Annex 11 5.2 R A *firm* must calculate *total costs and charges* using the appropriate methodology set out in *COBS* Annex 11 6.1R to *COBS* Annex 11 6.10R.

19 Annex 11 5.3 R Where data is available, a *firm* must compare the percentage figure disclosed in accordance with *COBS* 19 Annex 11 5.1R(1) with the percentage figure disclosed during the previous value for money assessment year, and disclose the increase or decrease as a single percentage figure to a maximum of 2 decimal places, as a negative or positive as appropriate.

19 Annex 11 5.4 G Where a *firm* discloses a single annualised percentage figure in a value for money assessment year and a median percentage figure the following year in accordance with *rules* relating to *in-scope arrangements* where costs and charges vary by employer (or vice versa), the *firm* should disclose the increase or decrease between the single annualised percentage figure and the median percentage figure (or vice versa).

19 Annex 11 5.5 R For the purposes of *COBS* 19 Annex 11 5.1R(2), data will be available to the *firm* unless the *in-scope arrangement* has not been capable of accepting contributions from or on behalf of individual members for the whole of the particular reporting period.

Illustration of how information is to be disclosed

19 Annex 11 5.6 G The white boxes in the following table illustrate the information *firms* are required to disclose for each *retirement age cohort* in accordance with *COBS* 19 Annex 11 5.1R. The boxes shaded in lighter grey indicate the information *firms* must disclose where data is available. The boxes shaded in darker grey indicate the information *firms* must disclose where it is reasonably practicable to obtain. The boxes in black indicate where data is not required. A *firm* may in addition choose to disclose an estimate of *total costs and charges* where *combination charge structures* apply to *in-scope savers*.

Costs and charges metrics	**Reporting periods**			
	1 year	**3 years**	**5 years**	**10 years**
Investment charges				
Investment charges % change				
Service costs				
Service costs % change				
Total costs and charges				

Total costs and charges % change				
Optional: estimate of *total costs and charges*				

Calculation of total costs and charges: methodology for simple charging structure (where only a percentage of assets charge is applied)

19 Annex 11 6.1 R Where, in relation to an *in-scope arrangement*, a *firm* only applies a percentage of assets charge, and where the charge does not vary by employer if the arrangement is a multi-employer *in-scope arrangement*, the *total costs and charges* percentage figure will be the percentage of assets charge that would apply over the calendar year to a hypothetical non-contributing member in the relevant *retirement age cohort*.

19 Annex 11 6.2 R Where, in relation to a multi-employer *in-scope arrangement*, a *firm* only applies a percentage of assets charge which varies between employers, the *firm* must calculate the following:

(1) the median *total costs and charges* percentage, by reference to the median percentage of assets charge applicable to *in-scope savers* in the *retirement age cohort*;

(2) the minimum *total costs and charges* percentage, by reference to the lowest percentage of assets charge available across employers; and

(3) the maximum *total costs and charges* percentage, by reference to the highest percentage of assets charge available across employers.

19 Annex 11 6.3 R Where *COBS* 19 Annex 11 6.1R or *COBS* 19 Annex 11 6.2R applies and the reporting period contains multiple years, the *firm* must calculate the *total costs and charges* percentage figure for a *retirement age cohort* over such a reporting period by:

(1) taking the annual percentage figures produced in accordance with *COBS* 19 Annex 11 6.1R or *COBS* 19 Annex 11 6.2R as appropriate for each year within that reporting period, ending with the calendar year for that *retirement age cohort*;

(2) calculating the geometric average of those annual percentage figures; and

(3) expressing the result as a percentage to 2 decimal places.

[*Editor's note*: For the purposes of this consultation, there are 2 alternative drafts of how to calculate costs and charges metrics for complex charging structures, labelled as 'Option 1' and 'Option 2'. Both versions are set out below.]

[Option 1

Methodology for complex charging structures where costs and charges do not vary by employer

19 Annex 11 6.4 R Where, in relation to an *in-scope arrangement*, a *firm*:

(1) does not apply a percentage of assets charge as described in *COBS* 19 Annex 11 6.1R or *COBS* 19 Annex 11 6.2R; and

(2) applies costs and charges which do not vary by employer,

the *firm* must, for each calendar year within a reporting period, calculate the *total costs and charges* for a *retirement age cohort* in accordance with *COBS* 19 Annex 11 6.5R.

19 Annex 11 6.5 R A *firm* must calculate the *total costs and charges* for a *retirement age cohort* for a calendar year by:

(1) identifying the *in-scope savers* which make up the *retirement age cohort* as at 31 December of the previous calendar year to the value for money assessment year, and treating each calendar year within the reporting period as being made up of the same *in-scope savers*;

(2) aggregating the total amount of costs and charges incurred during that calendar year by the *in-scope savers* identified in (1);

(3) dividing the amount calculated in (2) by the average value of the assets of those *in-scope savers* for that calendar year, calculated by taking the value of those assets at the beginning and end of that calendar year and dividing by 2; and

(4) expressing the result as a percentage to 2 decimal places.

19 Annex 11 6.6 R Where a *firm* calculates *total costs and charges* in accordance with *COBS* 19 Annex 11 6.5R, the *firm* must calculate *total costs and charges* for a *retirement age cohort* over a reporting period which contains multiple years by:

(1) taking the annual percentage figures calculated in accordance with *COBS* 19 Annex 11 6.5R for each calendar year within that reporting period, ending with the calendar year for that *retirement age cohort*;

(2) calculating the geometric average of those annual percentage figures; and

(3) expressing the result as a percentage to 2 decimal places.

Methodology for complex charging structures where costs and charges vary by employer

19 Annex 11 6.7 R Where, in relation to an *in-scope arrangement*, a firm:

(1) does not apply a percentage of assets charge as described in *COBS* 19 Annex 11 6.1R or *COBS* 19 Annex 11 6.2R; and

(2) applies costs and charges which vary by employer,

the *firm* must, for each calendar year within a reporting period, calculate *total costs and charges* for each *in-scope saver* in a *retirement age cohort* in accordance with *COBS* 19 Annex 11 6.8R.

19 Annex 11 6.8 R A *firm* must calculate *total costs and charges* for each *in-scope saver* in a *retirement age cohort* for a calendar year by:

(1) identifying the *in-scope savers* comprising the *retirement age cohort* as at 31 December of the previous calendar year, and treating each calendar year within the reporting period as being made up of the same *in-scope savers*;

(2) calculating, for each *in-scope saver* identified in (1), the total monetary costs and charges incurred by that *in-scope saver* during that calendar year;

(3) dividing the amount calculated in (2) by the average value of that *in-scope saver's* assets for that calendar year, calculated by taking the value of those assets at the beginning and end of that calendar year and dividing by 2; and

(4) expressing the result as a percentage to 2 decimal places.

19 Annex 11 6.9 R Where a *firm* calculates *total costs and charges* in accordance with *COBS* 19 Annex 11 6.8R, the *firm* must calculate the *total costs and charges* for each *in-scope saver* in a *retirement age cohort* over a reporting period over multiple years by:

(1) taking the annual percentage figures calculated in accordance with *COBS* 19 Annex 11 6.8R for that *in-scope saver* for each calendar year within that reporting period, ending with the calendar year for that *retirement age cohort*;

(2) calculating the geometric average of those annual percentage figures; and

(3) expressing the result as a percentage to 2 decimal places.

19 Annex 11 6.10 R Where a *firm* calculates *total costs and charges* in accordance with *COBS* 19 Annex 11 6.9R, and *total costs and charges* vary by employer, the *firm* must calculate *total costs and charges* for a *retirement age cohort* over a reporting period by identifying, from those annualised percentage figures:

(1) the maximum annualised *total costs and charges* percentage;

(2) the minimum annualised *total costs and charges* percentage; and

(3) the median annualised *total costs and charges* percentage.]

[Option 2

Methodology for complex charging structures

19 Annex 11 6.4 R Where, in relation to an *in-scope arrangement*, a *firm* does not apply a percentage of assets charge as described in *COBS* 19 Annex 11 6.1R or *COBS* 19 Annex 11 6.2R, the *firm* must calculate *total costs and charges* for that arrangement in accordance with *COBS* 19 Annex 11 6.5R to *COBS* 19 Annex 11 6.10R.

Step 1: identify model pots

19 Annex 11 6.5 R A *firm* must identify the following model pots for an *in-scope arrangement* by reference to the distribution of the value of all *in-scope savers'* pots in accumulation in that arrangement as at 31 December of the previous calendar:

(1) the small pot, being the greater of:

(a) the pot at the 10th percentile of that distribution; or

(b) where a flat charge applies, the smallest pot to which the median flat charge can be applied in full;

(2) the median pot, being the pot at the 50th percentile of that distribution; and

(3) the large pot, being the pot at the 90th percentile of that distribution.

Step 2: effective flat charge rate

19 Annex 11 6.6 R Where a *firm* applies a flat charge in relation to an *in-scope arrangement*, the *firm* must calculate an effective flat charge rate for each model pot by:

(1) identifying the annual amount of the median flat charge applied in relation to *in-scope savers* in that arrangement;

(2) dividing that median flat charge by the value of the model pot; and

(3) expressing the result as a percentage.

Step 3: effective contribution charge rate

19 Annex 11 6.7 R Where a *firm* applies a contribution charge in relation to an *in-scope arrangement*, the *firm* must calculate an effective contribution charge rate for each model pot by:

(1) identifying the average annual contributions paid by *in-scope savers* in accumulation in that arrangement;

(2) calculating the amount of the contribution charge that would apply to the amount identified in (1);

(3) dividing the amount calculated in (2) by the value of the relevant model pot; and

(4) expressing the result as a percentage.

Step 4: percentage of assets charge

19 Annex 11 6.8 R Where a *firm* applies a percentage of assets charge in relation to an *in-scope arrangement*, the *firm* must calculate the applicable percentage of assets charge for each model pot by determining:

(1) where the percentage of assets charge varies by pot size, including by tiering or rebates, the rate applicable to that model pot; and

(2) where the percentage of assets charge varies by *retirement age cohort* or underlying asset allocation, the rate that would apply to a hypothetical non-contributing member with that model pot over the relevant reporting period as the member approaches the relevant *retirement age cohort* on 31 December of the previous calendar year to the value for money assessment year.

Step 5A: where charges do not vary by employer

19 Annex 11 6.9 R (1) Where a *firm* applies costs and charges which do not vary by employer, the *firm* must calculate the *total costs and charges* percentage for the median pot by adding together, as applicable:

(a) the effective flat charge rate calculated in accordance with *COBS* 19 Annex 11 6.6R for the median pot;

(b) the effective contribution charge rate calculated in accordance with *COBS* 19 Annex 11 6.7R for the median pot; and

(c) the applicable percentage of assets charge calculated in accordance with *COBS* 19 Annex 11 6.8R for the median pot.

(2) The percentage calculated in accordance with (1) is the *total costs and charges* for that *retirement age cohort* over the reporting period and must be expressed as a percentage to 2 decimal places.

Step 5B: where charges vary by employer

19 Annex 11 6.10 R Where a *firm* applies costs and charges which vary by employer, the *firm* must calculate *total costs and charges* for a *retirement age cohort* over a reporting period by calculating:

(1) the median *total costs and charges* percentage by adding together, as applicable:

(a) the effective flat charge rate calculated in accordance with *COBS* 19 Annex 11 6.6R for the median pot;

(b) the effective contribution charge rate calculated in accordance with *COBS* 19 Annex 11 6.7R for the median pot; and

(c) the median percentage of assets charge across employers, determined by reference to the distribution of those charges across employers, and

expressing as a percentage to 2 decimal places;

(2) the minimum *total costs and charges* percentage by adding together, as applicable:

(a) the effective flat charge rate calculated in accordance with *COBS* 19 Annex 11 6.6R for the large pot;

(b) the effective contribution charge rate calculated in accordance with *COBS* 19 Annex 11 6.7R for the large pot; and

(c) the lowest percentage of assets charge available across employers, and

expressing as a percentage to 2 decimal places; and

(3) the maximum *total costs and charges* percentage by adding together, as applicable:

(a) the effective flat charge rate calculated in accordance with *COBS* 19 Annex 11 6.6R for the small pot;

(b) the effective contribution charge rate calculated in accordance with *COBS* 19 Annex 11 6.7R for the small pot; and

(c) the highest percentage of assets charge available across employers, and expressing as a percentage to 2 decimal places.]

Mutuals profit sharing and distributions from with-profits funds

19 Annex 11 7.1 G A *mutual* that pays *relevant policyholders* a share of its profits should calculate its *total costs and charges* net of profit share. *Service costs* may reduce as a consequence.

19 Annex 11 7.2 G A *firm* that makes a distribution from a *with-profits fund* to *with-profits policyholders* may calculate its *total costs and charges* net of that distribution.

Unbundling of costs and charges

19 Annex 11 8.1 R Where a *firm* that provides *vertically integrated arrangements* has estimated its *investment charges*, it must:

(1) keep, for 6 years:

(a) a record of the methodology for calculating the estimate; and

(b) where appropriate, a record of the objective market rates used and the source of the information; and

(2) disclose to the *IGC* a short narrative explanation of how the estimate has been calculated and the assumptions applied.

Profit share

19 Annex 11 9.1 R For multi-employer *in-scope arrangements* where *service costs* or *total costs and charges* will vary, the minimum, maximum and median for each metric (weighted by number of savers) must be disclosed separately after allowing for profit share. *Service costs* may reduce as a consequence.

19 Annex 12 Quality of service metrics

Introduction

19 Annex 12 1.1 G This Annex belongs to *COBS* 19.5A.16R. *COBS* 19.5A.16R(1)(d) requires *firms* to prepare quality of service metrics in relation to each of their *in-scope arrangements*, referred to in this Annex as the 'quality of service metrics'. This Annex requires *firms* to collect data to allow for the calculation and publication of the quality of service metrics, and describes what the quality of service metrics are and how *firms* must calculate them. *Firms* are also able to include certain savers other than *in-scope savers* when complying with the requirements in this Annex.

19 Annex 12 1.2 R In this Annex, a reference to 'the previous calendar year' is a reference to 'the previous calendar year to the value for money assessment year'.

Definitions

19 Annex 12 2.1 R In addition to the definitions set out in *COBS* 19 Annex 12 2.2R, the definitions in *COBS* 19.5A.15R apply to this Annex.

19 Annex 12 2.2 R In this Annex:

(1) 'common data' means data that is used by a *firm* that operates a *relevant scheme* to identify a member of the *relevant scheme* and must include:

(a) National Insurance number;

(b) surname and either forename or initial(s);

(c) sex;

(d) date of birth;

(e) date pensionable service started;

(f) policy start date;

(g) date of first contribution;

(h) expected retirement date;

(i) policy maturity date;

(j) membership status (active/deferred);

(k) last status event; and

(l) address, including postcode;

(2) a 'closed complaint' is a complaint:

(a) where the *firm* has sent a final response; or

(b) where the complainant has positively indicated acceptance of a response from the *firm*;

(3) 'complaint' means any oral or written expression of dissatisfaction, whether justified or not, from an individual, or on their behalf with their consent, about the provision of, or failure to provide, a financial

service, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience;

(4) ‘contacted the *firm*’ includes contacting a *person* to which the *firm* outsources the customer service function;

(5) ‘due date’ means the payment date specified by the saver, whether that is for immediate payment or payment at a future date;

(6) ‘final response’ means a written response from the *firm* which:

(a) either:

(i) accepts the complaint and, where appropriate, offers redress or remedial action;

(ii) offers redress or remedial action without accepting the complaint; or

(iii) rejects the complaint and gives reasons for doing so;

(b) encloses a copy of the *Financial Ombudsman Service’s* standard explanatory leaflet;

(c) provides the website address of the *Financial Ombudsman Service*;

(d) informs the complainant that if they remain dissatisfied with the respondent’s response, they may now refer their complaint to the *Financial Ombudsman Service*; and

(e) indicates whether or not the *firm* consents to waive the relevant time limits in *DISP* 2.8.2R by including the appropriate wording set out in *DISP* 1 Annex 3R;

(7) the ‘key financial transactions’ are:

(a) payments in and investment of contributions – which occur from the point monies are received by the *relevant scheme* to the point at which units are credited to the saver’s account;

(b) transfers between *relevant schemes* or to an annuity provider, which occur:

(i) from the point at which a *firm* receives from the saver, or a third party acting on the saver’s behalf, a formal request for a transfer; and

(ii) until:

(A) where the transfer is to another *relevant scheme*, the point at which the saver’s details and benefits have been successfully sent to the receiving *relevant scheme*; or

(B) where the transfer is for the purposes of purchasing a *pension annuity*, the point at which the saver's details and transfer value have been sent to the annuity provider;

(c) transfers and switches between *investments* – which occur from the point at which a *firm* receives a formal request for a transfer to an alternative *investment* within the same *in-scope arrangement* until the point at which the units are credited to the alternative *investment*;

(d) payments out to beneficiaries on death – which occur from the point at which the *firm* receives a notification of the death until the point at which the payment is sent to all the beneficiary's receiving accounts;

(e) payments out as a *pension commencement lump sum* – which occur from the due date of the *pension commencement lump sum* to the point at which the payment is sent to the receiving account;

(f) payments out as taxable retirement income – which occur:

(i) for regular payments, from the due date of the first of a series of regular taxable income payments until the point at which the payment is sent to the receiving account;

(ii) for ad hoc payments, from the due date of the ad hoc taxable income payment to the point at which the payment is sent to the receiving account.

(8) 'platform' means the single administration system used to manage the pension pots of savers, including those of the *in-scope arrangement* for which data is being disclosed, as far as it relates to the firm's scheme(s);

(9) 'savers':

(a) means *in-scope savers* of the *in-scope arrangement*; and

(b) may include other members of the same *relevant scheme* as those in (a), whether *in-scope savers* of another *in-scope arrangement* within the *relevant scheme* or not, who are provided with services under the same or a substantially similar package of services as the *in-scope savers* in (a), where the *firm* chooses to include them;

(10) 'scheme-specific data' means data unique to each member of the *relevant scheme*, that is not common data, and is needed by a *firm* that

operates a *relevant scheme* to meet its obligations, to conduct its regular functions, for effective administration of the *relevant scheme* and to provide effective communications; and

(11) 'time period for closing a complaint' is the period of time from the receipt of a complaint by the *firm* until the complaint is a closed complaint.

Collecting data and preparing and disclosing the metrics

19 Annex 12 3.1 R A *firm* must collect data to enable it to prepare and disclose the quality of service metrics (where required) in relation to:

(1) each of its *in-scope arrangements*; and

(2) any other arrangement that it reasonably expects to determine as being an *in-scope arrangement* the following calendar year.

19 Annex 12 3.2 R A *firm* must prepare and disclose the quality of service metrics for *in-scope savers* of a particular *in-scope arrangement*.

19 Annex 12 3.3 G A *firm* may choose to meet the requirement in *COBS* 19 Annex 12 3.2R by relying on data collected for savers and not just that collected for *in-scope savers*.

Calculating the quality of service metrics

19 Annex 12 4.1 R Unless otherwise indicated, when calculating the percentage of savers for a particular metric, a *firm* must use the number of savers on 31 December of the previous calendar year to produce the percentage.

Indicators of quality of service

19 Annex 12 5.1 R The quality of service metrics set out at *COBS* 19 Annex 12 6.2R and *COBS* 19 Annex 12 6.3R relate to one of the indicators of quality of service. The indicators of quality of service are:

(1) savers can be confident that transactions are secure, prompt and accurate; and

(2) savers are satisfied with the service they receive.

Quality of service metrics

19 Annex 12 6.1 R The quality of service metrics that a *firm* must prepare and publish are set out at *COBS* 19 Annex 12 6.2R to *COBS* 19 Annex 12 6.4R.

Indicator: savers can be confident that transactions are secure, prompt and accurate

19 Annex 12 6.2 R (1) The following are the metrics relating to the *relevant scheme's* common data:

(a) whether the *firm* reviews the *relevant scheme's* common data for accuracy on a more frequent than annual, annual or less than annual basis;

(b) whether the *firm* updates the *relevant scheme's* common data on a more frequent than annual, annual or less than annual basis;

(c) the date when the *firm* last reviewed the *relevant scheme's* common data;

(d) at that last review date, the percentage of savers as at that date with complete and accurate common data; and

(e) at that last review date, the number of savers with incomplete and/or inaccurate common data.

(2) The following are the metrics for the *relevant scheme's* scheme-specific data:

(a) whether the *firm* reviews the *relevant scheme's* scheme-specific data for accuracy on a more frequent than annual, annual or less than annual basis;

(b) whether the *firm* updates the *relevant scheme's* scheme-specific data on a more frequent than annual, annual or less than annual basis;

(c) the date when the firm last reviewed the *relevant scheme's* scheme-specific data;

(d) at that last review date, the percentage of savers as at that date with complete and accurate scheme-specific data; and

(e) at that last review date, the number of savers with incomplete and/or inaccurate scheme-specific data.

(3) The information in the following tables, measured in *business days*, constitute the metrics for each of the key financial transactions:

(a) Table for metrics on processing financial transactions:

Time taken (business days)	Payments in and investment of contributions	Transfer between schemes or to an annuity provider	Transfers and switches between investments	Payments out to beneficiaries on death	Payments out as a pension commencement lump sum	Payments out as taxable retirement income	
						Regular payments	Ad hoc payments
The mean end-to-end time period to complete each key financial transaction in the previous calendar year							

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(b) Table for range of end-to-end time periods to complete each of the key financial transactions in the previous calendar year:

Time taken (business days)	Payments in and investment of contributions	Transfer between schemes or to an annuity provider	Transfers and switches between investments	Payments out to beneficiaries on death	Payments out as a pension commencement lump sum	Payments out as retirement taxable income	
						Regular payments	Ad hoc payments
1-3							
4-6							
7-10							
11-20							

21-30						
31-50						
>50						

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

Indicator: savers are satisfied with the service they receive

19 Annex 12 6.3 R The following are the metrics relating to complaints, and each relate to complaints received by the *firm* in relation to the platform from a saver:

(1) the percentage of *savers* that made at least one complaint in the previous calendar year;

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(2) the mean end-to-end time period for a complaint to become a closed complaint in the previous calendar year;

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(3) the number of closed complaints in the previous calendar year for which the end-to-end time period for a complaint to become a closed complaint falls within each of the following time periods;

(a) under 1 week;

(b) 1 to 2 weeks;

(c) 3 to 4 weeks;

(d) 5 to 8 weeks; and

(e) over 8 weeks.

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(4) the following, expressed as a percentage of complaints received in the previous year:

(a) complaints upheld by the *firm* in the previous calendar year;

(b) complaints referred to the *Financial Ombudsman Service* in the previous calendar year; and

(c) complaints referred to the *Pensions Ombudsman* in the previous calendar year;

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(5) the number of complaints that were:

(a) determined by the *Financial Ombudsman Service* in the previous calendar year (including those that were referred in years previous to that calendar year); and

(b) determined by the *Pensions Ombudsman* in the previous calendar year (including those that were referred in years previous to that calendar year);

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(6) the complaints upheld by the *Financial Ombudsman Service* in the previous calendar year (including those that were referred in years previous to that calendar year) as a percentage of the number disclosed in (5)(a);

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(7) the complaints partially upheld by the *Financial Ombudsman Service* in the previous calendar year (including those that were referred in years previous to that calendar year) as a percentage of the number disclosed in (5)(a);

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(8) the complaints upheld by the *Pensions Ombudsman* in the previous calendar (including those that were referred in years previous to that calendar year) as a percentage of the number disclosed in (5)(b); and

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

(9) the complaints partly upheld by the *Pensions Ombudsman* in the previous calendar year (including those that were referred in years previous to that calendar year) as a percentage of the number disclosed in (5)(b).

[**Note:** A transitional provision applies to this *rule*: see *COBS* TP 2.59R.]

Standalone metric

19 Annex 12 6.4	R	The relevant metric is the percentage of savers that have nominated a beneficiary.

19 Annex 13 **Features table**

Introduction

19 Annex 13 1.1 G This Annex belongs to *COBS* 19.5A.16R. *COBS* 19.5A.16R(1)(e) requires *firms* to prepare and disclose a features table in relation to each of its *in-scope arrangements*. This Annex details the minimum features information required to be disclosed in that features table. The information to be included in the features table is mandatory. An example of how the features table could be presented is also provided in this Annex.

19 Annex 13 1.2 R In this Annex, a reference to 'the previous calendar year' is a reference to 'the previous calendar year to the value for money assessment year'.

Definitions

19 Annex 13 2.1 R The definitions in *COBS* 19.5A.15R apply to this Annex.

Features information

19 Annex 13 3.1 R The features information to be included in the features table that a *firm* must prepare and disclose for each of its *in-scope arrangements* in accordance with *COBS* 19.5A.16R(1)(e) is:

(1) the following information about the *firm* providing the *in-scope arrangement*:

(a) name of the *firm*;

(b) *FCA* firm reference number;

(c) total number of *in-scope active savers* on 31 December of the previous calendar year;

(d) total number of *in-scope deferred savers* on 31 December of the previous calendar year; and

(e) *total in-scope assets* of the *firm* on 31 December of the previous calendar year;

(2) the following information about the *in-scope arrangement*:

(a) a unique identifier of the *in-scope arrangement*;

(b) the date of the first contribution made to the *in-scope arrangement*;

(c) whether the arrangement is a *firm-designed in-scope arrangement*;

(d) whether the arrangement is an *in-scope default arrangement* or an *in-scope legacy arrangement*;

(e) whether the arrangement is commercially available for use by employers new to the provider;

(f) total number of *in-scope active savers* on 31 December of the previous calendar year;

(g) total number of *in-scope deferred savers* on 31 December of the previous calendar year;

(h) *invested assets* on 31 December of the previous calendar year;

(i) whether the arrangement was a *vertically integrated arrangement* on 31 December of the previous calendar year;

(j) whether there are employer subsidies; and

(k) whether it has the *decumulation aim* of:

(i) a *drawdown pension*;

(ii) an annuity; or

(iii) *cash*,

or a *decumulation aim* other than those in (i) to (iii);

(3) the following information about the demographics of the *in-scope arrangement* on 31 December of the previous calendar year:

(a) total number of employers in relation to *in-scope savers*;

(b) the average number of *in-scope savers* per employer;

(c) the average total contribution by or on behalf of an *in-scope active saver* who is invested in the *in-scope arrangement*;

(d) the average pot value of all *in-scope savers*; and

(e) the number of *in-scope savers* that have switched or transferred all of their pension contributions from the *in-scope arrangement* during the previous calendar year as a percentage of the total number of *in-scope savers* at 31 December; and

(4) any features of the *in-scope arrangement* not reflected in the metrics that can reasonably be expected to be relevant to the assessment of whether the *in-scope arrangement* is providing value for money.

19 Annex 13 3.2 G The types of features that may be disclosed in accordance with *COBS* 19 Annex 13 3.1R(4) include any additional benefits and/or legacy features provided through the *in-scope arrangement*. This may include, but is not limited to, life insurance lump sums, *guaranteed annuity rates* and dependent pension upon death.

19 Annex 13 3.3 G When complying with *COBS* 19 Annex 13 3.1R(4) in relation to an *in-scope arrangement* that is used by more than one employer with a single charge, a *firm* should disclose the characteristics of employers using the arrangement, such as if the size of employers is skewed towards large or small employers.

19 Annex 13 3.4 G If a *firm* discloses additional benefits and/or legacy features when complying with *COBS* 19 Annex 13 3.1R(4), it should set out the percentage of *in-scope savers* of the *in-scope arrangement* that are currently entitled to that benefit and/or feature.

Example of the features table

19 Annex 13 3.5 G The following table illustrates the features information that must be disclosed.

Provider details	
Name of provider	
FCA firm reference number (FRN)	
Total number of active savers	
Total number of deferred savers	
Total contract-based pension assets in accumulation	
In-scope arrangement summary	
Identification of *in-scope arrangement*	
In-scope arrangement start date	
Firm-designed	Yes / No
Automatic enrolment or legacy	
Open for use by new employers	Yes / No
Total number of active savers	

Total number of deferred savers	
Total *invested assets* in accumulation	
Vertically integrated / estimated *investment charges*	Yes / No
Any employer subsidies	Yes / No
Decumulation aim	*Drawdown pension* / annuity / *cash* / other
The following relate to the demographics of the in-scope arrangement	
Number of employers	
Average number of savers per employer (active and deferred)	
Average contribution of savers (active only)	
Average pot size of savers (active and deferred)	
Average turnover rate of savers (active and deferred)	
Description of any features not reflected in disclosed metrics that should be considered in assessing value	
Features may include guarantees associated with some legacy arrangements such as life insurance lump sums, *guaranteed annuity rates* and dependent pensions upon death. Descriptions should draw reference to the proportion of the members that currently hold the benefit or feature. For multi-employer arrangements with a single charge, the characteristics of employers using the arrangement should be disclosed – for example, if skewed towards large or small employers.	

19 Annex 14 **Asset allocation for firm-designed in-scope arrangements**

Introduction

19 Annex 14 1.1 G *Firms* are required by *COBS* 19.5A.16R(2) to prepare asset allocation information for their *firm-designed in-scope arrangements*. This Annex

provides *firms* with the methodology of how to prepare that information, which is referred to as the 'asset allocation information' throughout this Annex.

Definitions

19 Annex 14 2.1 R In addition to the definitions set out in *COBS* 19 Annex 14 2.2R, the definitions in *COBS* 19.5A.15R apply to this Annex.

19 Annex 14 2.2 R In this Annex:

(1) 'bond' means an instrument creating or acknowledging indebtedness, issued by:

(a) a *company*;

(b) His Majesty's Government in the *United Kingdom*; or

(c) the government of any country or territory other than the *United Kingdom*;

(2) 'buyout or leveraged buyout funds' means investment in a business, which is often a relatively mature business compared to that in growth equity, where a controlling interest is taken;

(3) 'cash' means cash and assets that offer low-risk alternatives to cash, such as money market funds, treasury bills, or insurance funds linked to these or cash-like assets;

(4) 'growth equity' means investment in a business, which is often a relatively mature business compared to that in venture capital, that is going through a transformational event in its lifecycle, with potential for growth;

(5) 'listed asset' means an asset which is admitted to trading on a *regulated market*;

(6) 'listed equities' means *shares* admitted to trading on a *regulated market*;

(7) an 'unlisted' asset is an asset which is not admitted to trading on a *regulated market*;

(8) 'private debt' means an instrument creating or acknowledging indebtedness which is not a bond;

(9) 'private equity' means *shares* not admitted to trading on a *regulated market*; and

(10) 'private infrastructure' means physical structures, facilities, systems or networks that provide or support public services, including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals and prisons; and

(11) 'venture capital' means investment in a business, generally one which is small and at an early stage, that is expected to have high growth potential but with access to other forms of financing.

Asset allocation information

19 Annex 14 3.1 R The asset allocation information that a *firm* must prepare and disclose is:

(1) asset allocation calculated in accordance with *COBS* 19 Annex 14 6.1R to *COBS* 19 Annex 14 6.4R; and

(2) any other information relating to asset allocation that the *firm* considers material to investment performance.

Identification of arrangements and retirement age cohorts

19 Annex 14 4.1 R A *firm* must identify each of its *firm-designed in-scope arrangements* and each *retirement age cohort* within those arrangements.

19 Annex 14 4.2 R The *firm* must then prepare and disclose asset allocation information for:

(1) each *retirement age cohort* of each of its *firm-designed in-scope arrangements*; and

(2) all *in-scope savers* of each of its *firm-designed in-scope arrangements*.

Timing

19 Annex 14 5.1 R A *firm* will undertake its calculation of asset allocation information using the data as at 31 December of the previous calendar year to the value for money assessment year.

Calculating asset allocation information

19 Annex 14 6.1 R To calculate asset allocation information, a *firm* must:

(1) calculate the share of assets allocated to each of the asset classes listed in *COBS* 19 Annex 14 7.1R, expressed as a percentage of:

(a) assets invested for the benefit of those *in-scope savers* of the relevant *retirement age cohort* as at 31 December of the previous calendar year, if calculating asset allocation for each *retirement age cohort*; or

(b) *invested assets*, if calculating asset allocation for the *firm-designed in-scope arrangement*;

(2) apportion the percentage figure in (1) to show the percentage of those assets allocated to each of the asset classes which are listed and unlisted;

(3) apportion the percentage figures from (2) to show the percentage of those assets:

(a) which are invested in the *UK*;

(b) which are not invested in the *UK*; and

(c) in respect of which it is not possible to determine whether they are invested in the *UK* or not; and

(4) apportion the percentage figures from (3) to show the percentage of those assets which are allocated to each sub-asset class listed in *COBS* 19 Annex 14 7.2R.

19 Annex 14 6.2 R The percentages referred to in *COBS* 19 Annex 14 6.1R must be expressed to 2 decimal places and must add up to 100%.

19 Annex 14 6.3 R Where rounding results in the asset allocation percentages not adding up to 100%, a *firm* must adjust the percentage allocated to cash, or, where the percentage allocated to cash is zero, adjust the percentage of the largest allocation, so that the asset allocation percentages add up to 100%.

19 Annex 14 6.4 R Where the use of borrowing or derivatives would otherwise result in asset allocation percentages exceeding 100%, a *firm* must reflect any leverage by including a balancing negative cash position so that the asset allocation percentages add up to 100%.

19 Annex 14 6.5 G (1) An example of how a *firm* may comply with *COBS* 19 Annex 14 6.4R is given in (2).

(2) A *firm* invests 90% of net assets in listed equities and 10% in a leveraged property portfolio giving 15% property exposure. The *firm* reflects this as follows:

(a) Listed equities: 90%;

(b) Real estate: 15%;

(c) Cash: -5%;

(d) Total: 100%.

19 Annex 14 6.6 G The table at *COBS* 19 Annex 14 10.3G illustrates the asset allocation information that is to be prepared in accordance with this Annex.

19 Annex 14 6.7 R For the purposes of the calculations in *COBS* 19 Annex 14 6.1R:

(1) contributions received by the *firm* in relation to *in-scope savers* that have not yet been allocated by the *firm* are not assets that have been allocated; and

(2) cash is not an asset that has been allocated if it is cash held by the *firm* to meet operating expenses.

Asset classes and sub-asset classes

19 Annex 14 7.1 R The asset classes referred to in *COBS* 19 Annex 14 6.1R(1) are:

(1) listed equities;

(2) bonds;

(3) private equity;

(4) private debt;

(5) private infrastructure;

(6) real estate which does not fall within (5);

(7) cash; and

(8) any other assets which do not fall within (1) to (7).

19 Annex 14 7.2 R The sub-asset classes referred to in *COBS* 19 Annex 14 6.1R(4) are:

(1) for listed equities:

(a) shares located in a developed market;

(b) shares located in an emerging market; and

(c) shares located in another market;

(2) for bonds:

(a) fixed-interest government bonds;

(b) indexed-linked government bonds;

(c) investment-grade corporate bonds;

(d) non-investment-grade corporate bonds;

(e) securitised bonds; and

(f) other bonds;

(3) for private equity:

(a) venture capital;

(b) growth capital;

(c) buyout or leveraged buyout funds; and

(d) other private equity;

(4) for private infrastructure:

(a) private infrastructure funded by debt; and

(b) private infrastructure funded by equity; and

(5) for real estate referred to in *COBS* 19 Annex 14 7.1R(6):

(a) real estate funded by debt; and

(b) real estate funded by equity.

Guidance on asset allocation

19 Annex 14 8.1 G Where an asset is allocated to a listed investment vehicle, the asset allocation information should show:

(1) that asset as a listed asset; and

(2) the asset class and the sub-asset class of the underlying asset in which the vehicle is invested.

19 Annex 14 8.2 G When calculating asset allocations, some assets may reasonably be allocated to more than 1 asset class. To avoid double counting, *firms* should consider the primary purpose of an asset when deciding to which asset class it should be allocated. Often, this will be clear from the mandate of the fund, with specialist

managers for private infrastructure, real estate, private equity and private debt. Where there is uncertainty, *firms* should apply the following order:

(1) private infrastructure;

(2) real estate;

(3) private equity; and

(4) private debt.

Guidance on UK and non-UK assets

19 Annex 14 9.1 G When determining whether an asset is a *UK* or non-*UK* asset for the purposes of *COBS* 19 Annex 14 6.1R(3), *firms* should categorise the assets as follows:

(1) subject to (2) below, a listed asset is a *UK* asset if it has its primary listing on a *UK* market and constituents of *UK* market indices;

(2) where an asset is an *investment* via a pooled fund, whether the asset is a *UK* asset or not should reflect any *UK* allocation within the fund and would include, for example, *UK* market exposure within global equity funds;

(3) a fixed-interest government bond is a *UK* asset if it is a *UK* gilt;

(4) an index-linked government bond is a *UK* asset if it is a *UK* index-linked gilt;

(5) an investment-grade corporate bond or a non-investment-grade corporate bond is a *UK* asset if it is issued by a *UK*-registered company or the subsidiary of a *UK*-registered company;

(6) a non-investment-grade corporate bond is a *UK* asset if it is issued by a *UK*-registered company or the subsidiary of such a company;

(7) a securitised bond is a *UK* asset if it is issued by a *UK*-based entity;

(8) a bond referred to in *COBS* 19 Annex 14 7.2R(3)(f) is a *UK* asset if it issued by a *UK*-based entity;

(9) private equity is a *UK* asset if it relates to underlying *investments* in a *UK*-registered private company or partnership;

(10) private infrastructure and real estate is a *UK* asset if it is located in the *UK*;

(11) private debt is a *UK* asset if the borrower is located in the *UK*; and

(12) cash is a *UK* asset if it is cash or an asset that is located in the *UK*, or is issued by a *UK*-registered company or the *UK* government.

19 Annex 14 9.2	G	Where a listed asset is an *investment* in a listed investment vehicle, the asset is a *UK* asset if and to the extent the underlying asset in which the vehicle is invested is a *UK* asset.
19 Annex 14 9.3	G	Where a *firm-designed in-scope arrangement* has assets that do not use a physical allocation, such as *derivatives*, a *firm* should state what their synthetic allocation would provide in physical asset terms, distinguishing between *UK* and non-*UK* exposure. Where that is not possible, the assets should be classed as 'other', so that the total asset allocation percentage remains at 100%, and an explanation should be provided. *Firms* may provide this explanation as part of their compliance with *COBS* 19 Annex 14 3.1R(2).
		Guidance on information material to investment performance
19 Annex 14 10.1	G	In relation to *COBS* 19 Annex 14 6.1R(1), the *FCA* expects that in most cases there will be no other information relating to asset allocation that is material to investment performance.
19 Annex 14 10.2	G	For the purposes of *COBS* 19 Annex 14 6.1R(1), information that a *firm* might consider material to investment performance could include: (1) durational information regarding fixed income *investments*; (2) the particular structure, stage or sector of unlisted equity *investments*; (3) information on the extent to which listed equities are focused on small or large cap stocks; and (4) any hedging or use of derivatives.
19 Annex 14 10.3	G	The following table illustrates the asset allocation calculation that is to be completed in accordance with *COBS* 19 Annex 14 6.1R to *COBS* 19 Annex 14 6.7R.

Asset allocations		**Listed**				**Unlisted**				**Total %**	**Optional hedged**
Asset class	Sub-asset class splits	Total %	*UK* %	Non-*UK* %	Unknown %	Total %	*UK* %	Non-*UK* %	Unknown %		£ Hedged as a % of asset class
Listed equities	Developed markets										
	Emerging markets										

	Other markets										
Bonds	Fixed-interest government bonds Index-linked government bonds Investment-grade corporate bonds Non-investment-grade corporate bonds Securitised bonds Other bonds										
Private equity	Venture capital Growth equity Buyout/ leveraged Other types of private equity										
Private debt/credit											
Private infrastructure	Private infrastructure funded by debt Private infrastructure funded by equity										
Property/real estate	Property/real estate funded by debt Property/real estate funded by equity										
Cash											

Other	[Asset type]										
Total											
Where applicable, anything else that is material to performance: this could relate, but is not limited, to durational information regarding fixed income *investments*, the particular structure/stage/sector of private equity *investments* (for example where initially low returns are reasonably expected to increase over time), or information on the extent to which listed equities are focused on small/large cap stocks.											

19 Annex 15 **Additional multi-employer costs and charges metrics**

Introduction

19 Annex 15 1.1 G This Annex belongs to *COBS* 19.5A.16R. *COBS* 19.5A.16R(3) requires *firms* to prepare additional costs and charges metrics in relation to each of their multi-employer *in-scope arrangements*. This Annex describes what those metrics are, and the methodology *firms* must use to calculate them.

Definitions

19 Annex 15 2.1 R In addition to the definitions set out in *COBS* 19 Annex 15 2.2R, the definitions in *COBS* 19.5A.15R apply to this Annex.

19 Annex 15 2.2 R In this Annex:

(1) 'average contributions per *in-scope saver*' means contributions by and on behalf of savers averaging across the *in-scope active savers* and *in-scope deferred savers* for each employer cohort; and

(2) 'distribution of employers across the *in-scope arrangement*' means the percentage of employers in each employer cohort, which should add up to 100%.

Multi-employer costs and charges metrics

19 Annex 15 3.1 R For each multi-employer *in-scope arrangement*, whether or not costs and charges vary between employers, a *firm* must disclose additional costs and charges metrics for the previous calendar year for the *retirement age cohort* made up of *in-scope savers* who are 30 years away from their target retirement date as at 31 December of the previous calendar year to the value for money assessment year.

19 Annex 15 3.2 R To calculate the additional costs and charges metric, a *firm* must:

(1) identify each employer cohort in accordance with the table in *COBS* 19 Annex 15 3.3R for each of its multi-employer *in-scope arrangements*;

(2) for each set of employer cohorts in the table in *COBS* 19 Annex 15 3.3R, calculate, for the previous calendar year, for the *retirement age cohort* made up of *in-scope savers* who are 30 years away from their target retirement date as at 31 December of the previous calendar year to the value for money assessment year:

   (a) the minimum, maximum and median of the *total costs and charges* (these will be the same figures for multi-employer *in-scope arrangements* where costs and charges do not vary between employers);

   (b) the average contributions per *in-scope saver*; and

   (c) the distribution of employers across the *in-scope arrangement*; and

(3) complete the table in *COBS* 19 Annex 15 3.3R.

19 Annex 15 3.3 R

30 years to retirement at 1 year								
Employer size by invested asset bands	**< £100k**	**£100k-£1m**	**£1m-£5m**	**£5m-£25m**	**£25m-£50m**	**£50m-£100m**	**£100m-£250m**	**>£250m**
Maximum, minimum and median of charges (e.g. 0.22% - 0.41%, 0.31%)								
Average contributions per *in-scope saver* (active and deferred) £								
Distribution of employers across the *in-scope arrangement* (%)								

30 years to retirement at 1 year										
Employer size by number of members	**Under 100**	**100-499**	**500-999**	**1,000-4,999**	**5,000-9,999**	**10,000-24,999**	**25,000-49,999**	**50,000-99,999**	**>100,000**
Maximum, minimum and median of charges (e.g. 0.22%-0.41%, 0.31%)									
Average contributions per *in-scope saver* (active and deferred) £									
Distribution of employers across the *in-scope arrangement* (%)									

Amend the following as shown.

TP 2 Other Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		**Transitional provision**	**Transitional provision: dates in force**	**Handbook provisions: coming into force**
…					
2.50	…	…	…	…	…
2.51	*COBS* 19.5.5R(2)	R	The rule in column (2) does not apply until after the first value for money assessment year, which will be [*Editor's note*: date to follow, which will be the end of the first value for money assessment year], to an *in-scope arrangement* that does not satisfy the criteria in the definition of *commercial market comparator group*, and for those *in-scope arrangements* is replaced by the *rule* in *COBS* TP 2.52R. The rule in column (2) continues to apply to all other *in-scope arrangements* from the date of commencement.	From [*Editor's note*: date to follow] to [*Editor's note*: date to follow]	[*Editor's note*: date to follow]
2.52	*COBS* 19.5.5R(2)	R	The *IGC* will assess the ongoing value for money for *relevant policyholders* delivered by a *relevant scheme*, including in relation to any *in-scope arrangement(s)* which does not meet the	[*Editor's note*: dates to follow]	[*Editor's note*: date to follow]

			criteria in the definition of *commercial market comparator group*, and particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g).		
2.53	*COBS* 19.5A.18R and *COBS* 19.5A.20R	R	The *rules* in column (2) do not apply until after the first value for money assessment year, which will be [*Editor's note*: date to follow, which will be the end of the first value for money assessment year], to the metrics and information in relation to an *in-scope arrangement* that does not satisfy the criteria in the definition of *commercial market comparator group*. Instead, *firms* should apply the *guidance* in *COBS* TP 2.54G for those *in-scope arrangements*. The *rules* in column (2) continue to apply in relation to the metrics and information for all other *in-scope arrangements* from the date of commencement.	[*Editor's note*: dates to follow]	[*Editor's note*: date to follow]
2.54	*COBS* 19.5A.18R and *COBS* 19.5A.20R	G	The metrics and information disclosed to the *central data repository* in accordance with *COBS* 19.5A.16R by *firms* in relation to an *in-scope arrangement* that does	[*Editor's note*: date to follow]	[*Editor's note*: date to follow]

			not satisfy the criteria in the definition of *commercial market comparator group* are not published or made available to other *firms* or to trustees or managers of *occupational pension schemes*. They will be disclosed to the *FCA* and the Pensions Regulator, only.		
2.55	*COBS* 19.5A.24R to *COBS* 19.5A.72R	R	The *rules* in column (2) do not apply until after the first value for money assessment year, which will be [*Editor's note*: date to follow, which will be the end of the first value for money assessment year], to the metrics and information in relation to an *in-scope arrangement* that does not satisfy the criteria in the definition of *commercial market comparator group*. Instead, *firms* should apply the *guidance* in *COBS* TP 2.56G. The *rules* in column (2) continue to apply to all other *in-scope arrangements* from the date of commencement.	[*Editor's note*: dates to follow]	[*Editor's note*: date to follow]
2.56	*COBS* 19.5A.24R to *COBS* 19.5A.72R	G	Where an *in-scope arrangement* does not satisfy the criteria in the definition of *commercial market comparator group*, the *IGC* is encouraged, on a voluntary basis, to carry out the	[*Editor's note*: dates to follow]	[*Editor's note*: date to follow]

			assessment and rate that arrangement, in accordance with the process set out in *COBS* 19.5A.24R to *COBS* 19.5A.72R, even though the *IGC* is not required to do so, provided that the results of that assessment are not made public.		
2.57	*COBS* 19.5A.65R(7)	R	The *rule* in column (2) does not apply to a *firm* for the first 3 years after the commencement of the *rule* [*Editor's note*: date to follow] and until then is replaced by the *rule* in *COBS* TP 2.58R.	From [*Editor's note*: dates to follow]	[*Editor's note*: date to follow]
2.58	*COBS* 19.5A.65R(7)	R	Subject to (8), where an *in-scope arrangement* has been rated as amber in each of the previous 3 value for money assessment years and the *IGC* would otherwise rate it as amber following the most recent assessment, the *IGC* must rate that arrangement as red, unless it concludes that it would not be in the best financial interest of its *in-scope savers* to do so. The reference to the previous 3 value for money assessment years does not include the value for money assessment year running from 1 January [*Editor's note*: date to follow] until 31	[*Editor's note*: date to follow]	[*Editor's note*: insert date 3 years after commence ment date of rules]

			December [*Editor's note*: date to follow].		
2.59	*COBS* 19 Annex 12 6.2R(3)(a), *COBS* 19 Annex 12 6.2R(3)(b), and *COBS* 19 Annex 12 6.3R(1) to (9)	R	For the purposes of the *rules* in column (2), in relation to the first value for money assessment year [*Editor's note*: insert dates of first value for money assessment year], references to 'the previous calendar year' are to be read as references to the period beginning on 1 July [*Editor's note*: insert year] and ending on 31 December [*Editor's note*: insert year].	From [*Editor's note*: insert commencement date of rules]	[*Editor's note*: date to follow]

…

Part 2: Comes into force on [*date*]

[*Editor's note*: The changes suggested below take into account the changes suggested in Part 1 of this Annex.]

19 Pensions supplementary provisions

…

19.5A Value for money framework

…

19.5A.4 R Where the arrangement provided by a *firm* is an *in-scope transferring arrangement* this section does not apply save for the following *rules*:

(1) …

(2) ~~*COBS* 19.5A.72R(9)(a)~~ *COBS* 19.5A.72R(11)(a).

Rating the arrangement

19.5A.65 R (1) …

…

(3) Where the *IGC* determines that the *in-scope arrangement* is not providing value for money, it must:

(a) …

(b) determine whether, within a reasonable period, the proposed actions are reasonably likely to result in the *in-scope arrangement* providing value for money~~.~~; and

(c) agree the actions that the *firm* will take to be included in the improvement plan or action plan, as applicable, submitted by the *firm* to the *FCA* in accordance with *COBS* 19.5A.83R.

…

Information to be included in the IGC's annual report

19.5A.72 R (1) In addition to the requirements in *COBS* 19.5.5R(6), the *IGC* will include in its annual report the information set out in (2) to ~~(9)~~ (11) to bring transparency to the assessment process and how it has arrived at the rating of each *in-scope arrangement* it assessed.

…

(6) …

(7) For each *in-scope arrangement* rated by the *IGC* as amber or red, the actions proposed by the *firm* to improve the arrangement's value for money that have been agreed with the *IGC* must be included in the annual report.

(8) For each *in-scope arrangement* rated by the *IGC* as red, whether there are planned transfers of *in-scope savers* to other arrangements, or where a transfer is not planned, an explanation as to why and any other actions to improve value for money for *in-scope savers* must be included in the annual report.

~~(7)~~ (9) Where the *IGC* has considered how environmental, social and governance considerations have been taken into account in accordance with *COBS* 19.5A.70R, those considerations must be set out in the annual report.

~~(8)~~ (10) Where the *IGC* has assessed a *vertically integrated arrangement*, the short narrative explanation of how the *firm's* estimate of *investment charges* has been calculated and the assumptions applied, which the *firm* has disclosed to the *IGC* in accordance with *COBS* 19 Annex 11 8.1R(2), must be included in the annual report.

~~(9)~~ (11) For each *in-scope arrangement* not assessed by the *IGC* as a result of either *COBS* 19.5A.4R or *COBS* 19.5A.25R, the following information must be included in the annual report:

(a) …

…

~~(10)~~ (12) The review of key themes referred to in (2) may include, for example, trends in return on investments net of *investment charges* relative to the *commercial market comparator group*. The review should highlight where the *IGC* has made recommendations to the *firm* to improve, for example, the design of arrangements including the strategic asset allocation.

~~(11)~~ (13) The responsibility of the chair of the *IGC* at (3)(a) and (b) to set out in the annual report the rating and investment returns net of *total costs and charges* of each *in-scope arrangement* may be met by setting that information out in a tabulated annex to the annual report.

19.5A.73 G …

Actions a firm must take where rating is amber or red: closure to new employer business

19.5A.74 R A *firm* must not accept contributions from an employer to be invested in an *in-scope arrangement* that has been rated as amber or red unless the employer making some or all of those contributions had agreed to make those contributions to the *firm*, contractually or otherwise, prior to the amber or red rating.

19.5A.75 R The closure to new employer business required in *COBS* 19.5A.74R will continue until the *in-scope arrangement* is assessed by the *IGC* as providing value for money and therefore rated light or dark green.

Actions a firm must take where rating is red: transfer of in-scope savers

19.5A.76 R Where an *in-scope arrangement* has been rated as red, and the requirements in Part 7A of the *Act* are met, the *firm* must use the power in section 117B of the *Act* to transfer *in-scope savers* from that arrangement into one or more arrangements that have been assessed as providing value for money.

19.5A.77 G The transfer referred to in *COBS* 19.5A.76R may:

(1) relate to all, or only some, of the *in-scope savers* invested in the *in-scope arrangement*, depending on the extent to which the requirements in Part 7A of the *Act* are met in relation to those *in-scope savers*; and

(2) be to an alternative pension arrangement provided by the *firm* or by another pension provider.

Actions a firm must take where rating is amber or red: improvement plans and action plans

19.5A.78 R For each *in-scope arrangement* that the *IGC* has rated as amber, the *firm* must prepare an improvement plan, which must be agreed with the *IGC* and must include actions the *firm* proposes to take to:

(1) improve the value for money provided by the *in-scope arrangement* such that the arrangement will provide value for money; or

(2) transfer all *in-scope savers* to another arrangement,

and the proposed timeline for taking those actions.

19.5A.79 R Where a *firm* prepares an improvement plan that includes actions the *firm* proposes to take to improve the value for money of the *in-scope arrangement* in accordance with *COBS* 19.5A.78R(1), the *firm* must also include in the improvement plan:

(1) the specific areas of improvement to be made and the intended outcomes of those actions;

(2) an explanation as to how those actions will improve the value for money; and

(3) the timeline for when the *firm* reasonably expects those actions to improve the value for money and therefore have an effect on the metrics.

19.5A.80 R For each *in-scope arrangement* that the *IGC* has rated as red, the *firm* must prepare an action plan, which must be agreed with the *IGC* and must include:

(1) the actions the *firm* intends to take to transfer all *in-scope savers* to another arrangement, or where that is not possible, to improve value for money for *in-scope savers*;

(2) an explanation as to how those actions will improve value for money for those *in-scope savers*;

(3) where the actions in (1) do not include actions the *firm* intends to take to transfer all affected *in-scope savers*, an explanation of why it is not possible to use the power in section 117B of the *Act*;

(4) the proposed timeline for taking the actions in (1); and

(5) where the actions in (1) are for the purpose of improving value for money, the timeline for when the *firm* reasonably expects those actions to improve that value for money.

19.5A.81 G An improvement plan or action plan, as relevant, should include the actions that the *firm* submitted and agreed with the *IGC* in accordance with *COBS* 19.5A.65R(3)(c).

19.5A.82 G Where a *firm* is going to take or has taken appropriate action in accordance with *PRIN* 2A.4.25R, and such action includes material that may be used for the purposes of *COBS* 19.5A.78R or *COBS* 19.5A.80R, the *firm* can use that material for the purposes of preparing its improvement plan or action plan in accordance with *COBS* 19.5A.78R or *COBS* 19.5A.80R respectively.

19.5A.83 R The *firm* must submit an improvement plan or action plan prepared in accordance with *COBS* 19.5A.78R or *COBS* 19.5A.80R respectively to the *FCA* within 1 *month* of receiving the *IGC's* annual report.

19.5A.84 R For an *in-scope arrangement* that continues to be rated amber by the *IGC* after being rated amber as a result of the previous year's value for money assessment, the improvement plan referred to in *COBS* 19.5A.78R must also include an update on the actions the *firm* has taken previously and/or that are under way, and any outcome and/or emerging results from those actions.

Actions a firm must take where rating is amber or red: communication to employers

19.5A.85 R For each of a *firm's in-scope arrangements* that have been rated as amber or red, the *firm* must communicate the following information to each employer that is paying contributions that may be invested into that *in-scope arrangement* and to any employer that will pay such contributions having agreed to do so, contractually or otherwise, with the *firm*:

(1) the *in-scope arrangement's* rating as amber or red;

(2) the next steps the *firm* intends to take to address the rating;

(3) any recommendations the *firm* may have to the employer; and

(4) for an *in-scope arrangement* that continues to be rated amber by the *IGC* after being rated amber as a result of the previous year's value for money assessment, an update on the actions the *firm* has taken previously and/or that are under way, and any outcome and/or emerging results from those actions.

19.5A.86 R A *firm* must provide the information referred to in *COBS* 19.5A.85R to the employer annually and within 1 *month* of receiving the *IGC's* annual report for publication.

Action a firm may consider where rating is light green or dark green

19.5A.87 G Where an *in-scope arrangement* has been rated as light green or dark green, a *firm* may wish to consider providing the employer with information about the arrangement's rating.

Actions a firm must take where rating is amber or red: communication to the FCA

19.5A.88 R For each of a *firm's in-scope arrangements* that has been rated as amber or red by the *IGC*, the *firm* must notify the *FCA* of the rating no later than 5 *business days* after it has received the *IGC's* annual report.

19.5A.89 R Where the *firm* has not agreed the improvement plan or action plan with the *IGC* within 1 *month* of it receiving the *IGC's* annual report for publication, the *firm* must provide the *FCA* with a copy of the unagreed plan by that date.

19.5A.90 R Where a *firm* sends an unagreed improvement plan or action plan in accordance with *COBS* 19.5A.89R, the *firm* must provide the *FCA* with a copy of the plan agreed with the *IGC* as soon as practicable after it has been agreed.

Consideration for the firm where the rating is light green or dark green

19.5A.91 G *Firms* are encouraged to consider any recommendations made by its *IGC* in relation to *in-scope arrangements* that are rated light green or dark green, such as where improvements to investment performance could potentially be made to improve long-term value for money for *in-scope savers*.