

# **Governance Advisory Arrangement**

**Managed by Smith & Williamson Financial Services Limited**

**Capita Financial Managers Limited ("Provider")**

## **Terms of Reference**

### **Purpose**

The primary role of the GAA Committee ("the Committee") is to ensure compliance with the Financial Conduct Authority's "Final rules for independence governance committees including feedback on CP14/16" (as amended from time to time), and to act in accordance with all applicable legislation, regulations rules and guidance, whether made by the Financial Conduct Authority ("FCA") or otherwise.

Specifically, the GAA Committee must:

1. act in the interest of the members of the Providers' workplace pension schemes;
2. act independently of the Provider;
3. assess whether the Providers' workplace pension schemes offer value for money, taking account of the relevant benefits and services the scheme members pay for in costs and charges (whether directly or indirectly);
4. raise any concerns, and where necessary, make recommendations, about the value for money offered by the Provider's workplace pension schemes;
5. obtain a written explanation/reasons from the Provider, in the event that the Provider does not comply with the Committee's recommendations; and if appropriate, escalate the matter to the FCA if the Committee is not satisfied; and
6. produce an annual report to be made publically available.

### **Membership**

Appointment of Committee members, including the Chair of the Committee, shall be the responsibility of the manager of the GAA, Smith & Williamson Financial Services Limited.

The Committee shall consist of not less than five members, the majority of whom must be independent of the Provider.

Individual appointments to the Committee shall be for a fixed period of up to three years, which may be extended for up to two further additional periods, each of three years, provided that individuals continue to meet the criteria for membership of the Committee. Corporate persons appointed to the Committee may serve without any limit on the duration of their appointment.

A GAA Committee member may resign by providing the Provider with at least 2 months' written notice.

The Chair of the Committee, acting alone, may remove any other Committee member at any time by giving formal notice in writing to the Committee member concerned, the Committee and the Provider, provided that, at all times there remains a majority of independent Committee members. The Committee, provided they all agree (save for the fact that the agreement of the Chair is not required),

may remove the Chair at any time by giving formal notice in writing to the Chair and the Provider, provided that, at all times there remains a majority of independent Committee members.

As the Committee will not have any scheme members as Committee members, the Committee and Provider will agree a formal mechanism for obtaining member views.

## **Quorum and meeting procedures**

A quorum of the Committee shall be a minimum of three independent members, and a majority of independent members. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting. The Committee in consultation with the Provider shall appoint a secretary of the Committee.

Decisions will be carried by a majority vote with each Committee member having an individual vote and the Chair having a casting vote.

There is the presumption that Committee members will make best efforts to be physically present at meetings, but the Chair may agree to a particular meeting being conducted by video or telephone conferencing if a Committee member requests it in advance. For the avoidance of doubt, the presence of a Committee member by telephone or video conference constitutes attendance at the meeting, and, therefore, counts towards the quorum.

## **Attendance at meetings**

Only Committee members have the right to attend Committee meetings. Representatives of the Provider and any advisers appointed by the Committee may attend any meeting of the Committee, if invited by the Committee.

## **Frequency of Meetings**

Meetings shall be held not less than four times each year, and at such other times as required. Any two members of the Committee may request a meeting if they consider that one is necessary.

## **Notice of Meetings**

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend, no later than five working days before the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **Minutes of Meetings**

The secretary of the Committee shall ensure that a formal record of Committee proceedings and resolutions is maintained.

Following approval of the minutes by the Chair of the Committee they shall be circulated to all members of the Committee.

## **Authority**

The Committee may:

1. investigate, or cause to be investigated, any activity within its terms of reference;
2. seek any information that it reasonably requires from the Provider in order to perform its duties

and all representatives of the Provider to co-operate with any request made by the Committee;

3. despatch its business, adjourn and otherwise regulate its meetings as it shall see fit, including approving items of business by written resolution

## Duties

The duties of the Committee, which will be carried out in relation to the Provider's workplace pension scheme(s) as a whole (or individually if appropriate) shall be to:

1. act in the interests of the members of the Provider's workplace pension scheme(s);
2. act independently of the Provider (although Committee members should acquaint themselves with the Provider's business, products and systems);
3. assess whether the Providers' workplace pension scheme(s) offer value for money, taking account of the relevant benefits and services the scheme members pay for in costs and charges (whether directly or indirectly), and:
  - (i) decide how to assess value for money in respect of both "default" and "non-default" fund strategies available to present and past workplace personal pension scheme members (including any strategies originating from the Provider and, where appropriate, 3<sup>rd</sup> parties) implemented in respect of the Provider's scheme(s);
  - (ii) assess whether the characteristics and net performance of all investment strategies are regularly reviewed by the Provider to ensure alignment with the interests of scheme members, and where agreed with the Provider, to participate in the review procedure;
  - (iii) assess the level of charges borne by scheme members and costs (direct and indirect) incurred in relation to transactions and other activities in managing and investing the pension assets of scheme members;
  - (iv) identify and quantify all other costs to understand full cost of investment services - including all fixed and variable costs;
  - (v) consider whether the costs and charges borne by scheme members to pay for services deliver sufficient value to scheme members (taking into account characteristics of scheme members);
  - (vi) if the Committee deem it appropriate (or if directed by the FCA), consider value for money in respect of members in decumulation, or who have exercised retirement income options;
4. evaluate whether default investment strategies have been designed in the interests of scheme members, with a clear statement of aims, objectives and structure appropriate for scheme members;
5. assess whether the characteristics and net performance of investment strategies (including non-default strategies and/or funds made available to scheme members) are regularly reviewed by the Provider to ensure alignment with the interests of scheme members, and action taken to make any necessary changes;
6. assess whether core scheme financial transactions are being processed promptly and accurately;
7. ensure that the services provided to members of workplace pension schemes are deemed appropriate by the Committee;

8. evaluate the effectiveness of member communications;
9. raise any concerns, and where necessary, make recommendations to the Provider regarding:
  - the value for money offered by the Provider's workplace pension scheme(s); and
  - any other issue examined by the Committee;
10. obtain a written explanation from the Provider setting out reasons why the Provider is not complying with (or has departed in any material way from) any of the Committee's recommendations; and
11. if appropriate, escalate the matter to the FCA if the Committee is still not satisfied. If the Committee has escalated a matter to the FCA it may consider making any material concerns it has public (after notification of any such intention to the FCA);

## **Committee Policies**

The Committee may prepare and maintain written policies on:

- (i) Assessing value for money;
- (ii) Sharing of information between the Provider and Committee; and
- (iii) Communications between the Provider and the Committee, including, if appropriate, the nomination of a single point of contact at the Provider

## **Reporting Procedures**

The chairman of the Committee shall report to the Provider at regular intervals on the matters it has reviewed, making recommendations as appropriate.

The Committee members shall undertake a review of the Committee's performance and these terms of reference annually and, if necessary, make recommendations to the Provider, including, if appropriate, amendment of this Terms of Reference document.

The Committee shall produce an annual report of the Committee's findings and activities during the year, which will be made publicly available. The Committee will submit its draft annual report to the Provider for review and comment before it is finalised and made public.

## **Conflicts**

The Committee will develop and operate a conflicts policy which complies with FCA requirements (including the maintenance of a conflicts register).

## **Indemnity**

The Provider will indemnify each Committee member (including any individual acting on behalf of a corporate person) on an ongoing basis, from the commencement of his or her tenure as a Committee member, in respect of any claim, cost, loss, damages, awards or liabilities arising in respect of any act or omission occurring in the exercise of his or her role as a Committee member (howsoever any such liability is incurred or arises).

***These terms of reference were approved by the Committee by a written resolution dated 10<sup>th</sup> March 2017. These terms of reference may only be amended by a resolution of the Committee.***