

# The Legal & General Independent Governance Committee

Annual report for the year ending 31 December 2022

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## Chair's introduction



Welcome to this year's annual report from the Independent Governance Committee (IGC). I'm Joanne Segars, Chair of the IGC, and, along with the other members of the Committee, we oversee that you're getting good value for money when saving for retirement with Legal & General. You can find out more about us at the end of this section and read more about what we do [here](#).



## Value for money

In assessing value for money, we consider whether you're getting a good deal by reviewing eight different aspects of Legal & General's Workplace group personal pension schemes and the investment pathway products. Our assessment covers the period from 1 January 2022 to 31 December 2022.

This report covers the Legal & General Group Stakeholder Pension Plan and the Legal & General WorkSave Pension Plan, for ease, these are both referred to as 'your scheme' and 'your pension' throughout the report.

The report also covers the investment pathways proposition available to Personal Investing customers in the Legal & General Pension Plan, information on this product can be found on [page 36](#).

To make it easy for you to see how your scheme is doing we use four ratings ranging from poor to excellent and have summarised the evidence that underpins our conclusions. To score excellent, in addition to the performance of that category being deemed excellent, we usually require research or external benchmarking to demonstrate that Legal & General is market leading.



In summary, our view is that, overall, members are receiving good value for money.

Value for money category	We consider:	Last year's report ratings: 2021	Our assessment of the value you receive is: 2022
Default strategies and their investment performance	The suitability of the fund you are invested in if you haven't chosen your own fund, and its investment performance.	N/A (see note on page 4)	Acceptable, with areas for improvement
Investment choice and performance	The wider choice of investment funds available if you want to make your own investment decisions and their performance. This section excludes default strategies.	N/A (see note on page 4)	Good
Member service and administration	All transactional aspects of your pension's administration, for example, setting up contributions, or the payment of your pension benefits.	Acceptable, with areas for improvement	Good
Costs and charges	That the costs and charges for your pension remain competitive and offer good value for money.	Excellent	Excellent
Member engagement and communication	That you receive clear, high-quality communications and have a range of tools available to help with your retirement planning.	Good	Good
Accessing your pension	The choice you have in how you take your pension benefits and that you have the right tools to support you in making informed decisions.	Good	Good
Environmental, social and governance (ESG) investing	Responsible investing and how this affects the way your pension is invested.	Excellent	Excellent
Investment pathways – Workplace Pensions and Personal Investing	If the right investment choices are in place for members.	Good	Good



You can read more detail about our value for money assessment in the sections throughout this report, but we have summarised a few key areas below:

- To make the report clearer, and value for money easier to assess, we've reorganised two of the categories this year. We've combined the investment performance of scheme defaults with the design of the defaults, given the link between the design of a fund and its performance. We've then separated out our assessment of the wider fund range you can self select from.

In 2021 we rated default strategies and investment choice as good, and investment performance as good.

- Our view today is that the existing design and performance of the standard default fund, the Multi-Asset Fund (MAF) is acceptable, but that there are possible areas for improvement, particularly in terms of the amount of risk taken when members are younger. This is being considered as part of Legal & General's triennial review of the default funds.
- In 2021, the IGC set the operations team the challenge of consistently meeting service levels in 2022. A key focus was the service provided to beneficiaries and for sensitive payments (including claims made upon the death of a member). The operations team reacted extremely positively, and we have seen significant improvements to service levels throughout the year, which has reflected in a good rating this year for member service and administration.

We also undertake an independent review and analysis of Legal & General's policies on stewardship, [ESG financial considerations](#) and other [financial](#) and [non-financial](#) matters. It is our regulatory duty to make sure the policies are adequate and, following our review, we believe this to be the case and they are indeed of good quality. You can find out more about our conclusions [here](#).



### Changes to the IGC

This year we were delighted to welcome two new members to the IGC, Helen Carey and Heather Lauder.

Helen is Compliance and Operations Director at AV Trinity, a Chartered IFA firm in Tunbridge Wells and brings 25 years' broad financial services experience, with in-depth knowledge of pensions, investments, sustainable investing and ESG. She's passionate about good member outcomes and financial education.

Heather has non-executive director experience in both public and private sector organisations, as well as over 30 years in retail and business banking. She has worked in large scale customer strategy, customer operations, digital and transformational executive roles.

### Cost of living

With levels of inflation still very high, we're continuing to monitor the impact that the cost-of-living crisis is having on members. We're satisfied that Legal & General's [online response hub](#) has continued to evolve to give practical advice and information to common questions being received by helpline colleagues but would urge you to get in touch if there is anything else you'd like Legal & General to consider, using the contact details on the following page.





## Looking forward to 2023

There are several important projects taking place in 2023 that will be assessed in our report next year:

- The [Consumer Duty](#) is a set of rules introduced by the Financial Conduct Authority (FCA) to protect consumers of all financial services products, including pension scheme members. Legal & General has a well-established group-wide programme in place to respond to this. This includes evaluating price and value, how products are understood by members and the communications and support available. At all times, the services experienced by members will be evaluated to ensure that good outcomes are being met. The programme is sponsored at senior and board level and is building on strong foundations. We were kept up to date with their progress to ensure they met the requirements by the regulatory deadline of 31 July 2023.
- Every three years, Legal & General completes a review of the standard default investment funds within their Stakeholder Pension and Workplace Pension schemes, known as the triennial default funds review. The review aims to understand the appropriateness of the funds available to members and is important because most members are invested in the default fund for their scheme. Legal & General is currently completing this review and it is referenced within sections of this report. The IGC has been kept informed of progress and has been able to provide input.

## Joanne Segars

Independent Chair of the Independent Governance Committee

September 2023

## How to get in contact

If you have any feedback or questions, or you need to tell us about an important issue that affects your pension, please email us at: [IGC@lgim.com](mailto:IGC@lgim.com)

You can find out more about us and our work [here](#).

## How to contact Legal & General

If you need to contact Legal & General about your pension plan, you can call them on 0345 070 8686, open between 8:30am and 7pm Monday to Friday. Call charges will vary. Legal & General may record and monitor calls and please be aware that helpline colleagues cannot provide financial advice.

You can also email Legal & General at [employerdedicatedteam@landg.com](mailto:employerdedicatedteam@landg.com). Please remember not to send any personal, financial or banking information belonging to you because email is not a secure method of communication.

More information about how to contact Legal & General can be found [here](#), including how to register for [Manage Your Account](#), where you can access a virtual chat facility and secure messaging.



## Meet the IGC members

All members of the IGC are considered independent of Legal & General as they have not been employed by any firm within the Legal & General Group within the last five years. They have not had any direct or indirect relationship of any description with the Legal & General Group within the last three years, other than by their membership of the IGC.



### Joanne Segars, IGC Chair

Joanne was appointed Chair of the IGC on 13 July 2022 and has been a member of the IGC since January 2019.

Awarded an OBE for services to pensions in the 2003 Queen's Birthday Honours, Joanne is a well-known industry figure, having held many high-profile roles including Governor of the Pensions Policy Institute and board membership of the Environment Agency, Pensions Europe and the Pensions Infrastructure Platform. She has also held

roles as Chief Executive of the Pensions and Lifetime Savings Association and Chair of the Joint Expert Panel on the Universities Superannuation Scheme. Joanne is currently Chair of Trustee at NOW: Pensions and Chair of LGPS Central Ltd. She also serves as an external expert on the Pension Fund Governing Board at CERN in Geneva.

As well as a degree in economics from John Moores University, Joanne has an MA in Industrial Relations from the University of Warwick.

Joanne is a keen traveller and photographer - especially documentary, street and portrait photography - and is currently taking a Higher National Diploma in photography.



### Mark Ashworth

Mark is a senior director at the LawDeb Pension Trustees practice, which is part of The Law Debenture Corporation p.l.c., a FTSE250 company.

He has experience of a wide range of schemes and sponsoring employers, gained in more than twenty years with Law Debenture, and has encountered most situations likely to face pension schemes. He was appointed to the IGC in April 2020.

Mark has chaired DC committees for several large DC schemes and the governance committee of a large contract-based scheme; scheme governance and operational issues are amongst his other key areas of expertise. He currently chairs and serves on five other trustee boards of major UK pension schemes.

Mark qualified as a Barrister and as a Chartered Secretary. In his spare time Mark enjoys cars which are almost as old as he is.





### Rachel Brougham

Rachel is a trustee executive at BESTrustees Limited. Rachel qualified as an actuary and has worked in the pensions industry since 1988.

Her experience includes advising both defined benefit (DB) and defined contribution (DC) trustee boards, and the governance committees of various contract-based DC arrangements. Since she joined BESTrustees in 2014, Rachel has held appointments on a variety of pensions

boards, including three master trust boards and two independent governance committees, and has had a particular focus on member engagement. She also works with a number of DB schemes of varying sizes.

Away from pensions, Rachel sings with a North West based choral society and enjoys walking and baking.



### Helen Carey

Helen is Compliance and Operations Director at AV Trinity, a Chartered IFA firm in Tunbridge Wells.

She has 25 years' broad financial services experience, with in-depth knowledge of pensions, investments, sustainable investing and ESG, and the member experience.

Currently, alongside her role at AV Trinity, Helen serves as an independent member on the Hargreaves Lansdown IGC and is an examiner for the Chartered Insurance Institute.

Helen is passionate about good member outcomes and financial education, having played an active role in improving financial understanding in schools and in the workplace.

Helen is a Chartered Financial Adviser and Fellow of the Personal Finance Society.



### Heather Lauder

Heather has over 30 years in retail and business banking, working in NatWest, RBS, Tesco, Virgin Money and Coop banks in large scale customer strategy, customer operations, digital and transformational executive roles.

In addition, she also has non-executive director experience in both public and private sector organisations, where she has been Chair of audit, risk and remuneration committees.

Over the last couple of years, Heather has been a non-executive director with Zurich Assurance. She was appointed Chair to professional services firm DSW to lead them through an IPO in 2021.

Heather also supports local charities as a trustee and mentor.

Outside of work she enjoys cooking, travelling and walking.



### Daniel Godfrey

Daniel studied Economics at The University of Manchester and went on to become Marketing Director of Robert Fleming (now JP Morgan Asset Management).

He's worked in various senior positions including Chairman of pfeG (Personal Finance Education Group), Director General of The Association of Investment Companies and Director of Corporate Communications at Phoenix Group Holdings Plc. He was Chief Executive of the Investment

Association between 2012 and 2015, where he was responsible for a team that significantly grew the organisation's voice in governance and stewardship.

Daniel is currently a senior adviser to the FinTech company, Moneybox, and to the charity, ShareAction. He's also Visiting Fellow at the Global Systems Institute at Exeter University. Daniel is a Member of the Advisory Board of the IoD's Centre for Corporate Governance and of the Financial Reporting Council's Independent Advisory Panel.

He enjoys watching football, eating good food, and going to the theatre and cinema.

## 2022 priorities

Our role is to oversee your pension provider, Legal & General, and challenge where we think improvements can be made.

Each year we set ourselves priorities to ensure you receive value for the costs and charges you pay, and that the governance of your pension is of the highest standard.

We identified six priority areas for 2022, which you can see below along with Legal & General's progress:

### 1. Maintaining service levels

Service levels and administration improved substantially throughout the year. We were comfortable in changing the service performance reports we received from a weekly to monthly basis, with ongoing detailed updates provided at our committee meetings as a result.

In 2023 we will be focusing on how Legal & General can better identify, assess and measure the end-to-end experience you receive as a customer.

### 2. To help us improve the way we assess value for money we will compare your experience with Legal & General to the experience members have with other pension providers

It is vital that you have confidence that your pension delivers value for money. We continue to participate in an industry group which compares data so that we can compare the value you are receiving against other workplace pensions and investment pathways available. More detail is provided throughout this report where you see the sub-heading 'External comparator findings'. In total, eight providers, including Legal & General, took part in the most recent comparator exercise for Workplace. For the Personal Investing investment pathway proposition Legal & General completed a separate comparator exercise. We believe that Legal & General's Workplace pension schemes and investment pathways compare favourably with others in the market.

### 3. Increase oversight of Legal & General's default funds, ensuring they are suitable and sufficiently take into consideration environmental, social and governance factors (ESG)

We believe that Legal & General Investment Management (LGIM)<sup>1</sup> continues to lead industry standards in investment stewardship. They have kept us up to date on their activity as well as fund development and have demonstrated their excellence through their regular reports to the industry on active ownership and their Climate Impact Pledge. You can find summaries of this activity on their [ESG hub](#).

In 2023 we will focus on overseeing Legal & General's triennial review of their standard default funds, ensuring they are appropriate and continue to meet the needs of most members, as well as ensuring appropriate focus is given to ESG issues in the default funds.

### 4. Improving the effectiveness of the IGC

We've already streamlined and changed the focus of our meetings to make sure we are concentrating on the things that we think matter most to you.

We're pleased to welcome our new members, Heather and Helen, and look forward to benefiting from their combined experience and the ideas they will bring.

We will work with Legal & General to ensure we continue to get the right updates at the right time.

### 5. Closely oversee improvements to the communications you receive and consider research developments from Legal & General's Insight Lab

Our communications working group has been regularly updated on the progress of a project to improve the communications that you receive at key stages of your savings journey. We saw some progress during 2022 and will continue to monitor this important project throughout 2023.

The Insight Lab, Legal & General's online feedback community, launched in 2022 and is already being used to inform new developments and continuously improve existing communications. We will receive regular updates on how members like you are getting involved with the Insight Lab in 2023.

### 6. Increased oversight of member behaviour and developments at retirement

As well as the Insight Lab data mentioned above, we are also kept updated on how members interact with Legal & General and receive regular updates about member experience. This is monitored through the Customer and Client Experience Forum that meets monthly to review the member experience, including customer satisfaction and ease at the different stages of the member journey. The Forum tracks member experience over a 12-month period looking for trends and taking action to improve the overall member experience. A key element of the monthly review is how Legal & General supports vulnerable members and tracks trends to ensure there are ongoing improvements to services for those who need help the most.

We've also been kept informed about how Legal & General is using the understanding they have of their customers to tailor the communications you receive.

<sup>1</sup> Legal & General Investment Management (LGIM) – a division within Legal & General that manages your funds and makes day-to-day investment decisions.



### What will we be focusing on in 2023?

We will continue to monitor how the cost-of-living crisis impacts members' pension saving behaviour and the way that Legal & General responds to any changes.

There are always changes to regulation in the pensions industry and we will watch Legal & General's response to these changes and ensure that they are implemented in your best interests. For example, Legal & General will share their approach to meeting the outcomes set out under the Consumer Duty requirements for our assessment.

We'll also be updated on the methodology and recommendations from Legal & General's triennial investment review of the standard default funds.





## Default strategies and their investment performance

2022 rating

**Acceptable, with areas for improvement**

### Why we gave this score

A default fund is where your money is invested if you haven't selected your own funds. We have seen how the default investment options are designed to meet the needs of relevant members invested in them. Legal & General takes account of factors including the anticipated outcome at retirement, member behaviours, attitude to investment risk and the nature of the customer, for example, if they are an active or deferred member (someone who has left their employer) or what industry or sector they work in.

All options have stated aims and objectives, particularly in terms of levels of risk being taken. However, we have asked for further clarity on benchmarks and objectives to help members better understand how funds are performing.

Our view is that the existing design of the standard default fund is acceptable, but that there are possible areas for improvement, particularly in terms of the amount of risk taken when members are younger. We are also working with Legal & General to improve the clarity and transparency of the fund's objectives, to support us and members in evaluating fund performance.

We share Legal & General's investment beliefs on subjects such as diversification and support their market leading approach to investment stewardship. We also appreciate that Legal & General is one of the few providers that chooses to appoint an independent investment adviser and view this as a demonstrable sign of their commitment to transparency and acting in the best interest of scheme members.

Legal & General is considering the introduction of a 'Cash+' objective to their default strategies. This is a measure of how much extra return the fund expects to achieve over the long term (at least five years) compared to a deposit investment at the Bank of England Base Rate of interest. This will help members understand the level of expected return their pension pot might achieve over the longer term and how this stacks up against their own objectives.



### Triennial defaults review

At least every three months Legal & General undertakes a review to see how the standard default funds are performing. A more detailed review takes place every three years, called the triennial default funds review and Legal & General has now started work on this. The review helps to ensure that the default funds are well designed and suitable for most members.

A key role of the IGC is always to consider how Legal & General might be able to improve outcomes for members. We are keen to work with Legal & General with that objective in mind.

We were brought into the discussion early so that we could be consulted on the approach and ensure that the process is conducted in the best interest of members. They have kept us informed of progress and the proposed changes throughout. We have seen the significant research and modelling that goes into the design and ongoing review to ensure that the default options continue to meet members' expectations. We are encouraged by the progress which has been made to date and by the direction of travel in terms of the possible outcome. The review will be completed later in 2023 and we should be able to report on the conclusions in our next report.



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# The switch between funds was managed carefully to avoid impacting services provided by the operations team and to minimise costs for members

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## A key area of success

Legal & General moved 380,000 members out of the Multi-Asset Lifestyle into the Multi-Asset Fund which better reflects how members take their benefits. The Multi-Asset Lifestyle was designed mainly for customers who did not want to make an investment decision and who were likely to use their retirement savings to buy a guaranteed lifetime income (known as an annuity) and take tax-free cash at retirement. This lifestyle strategy no longer reflected the current trend, where fewer members choose to buy an annuity.

We were kept informed on progress; Legal & General shared its approach and the member communications with us ahead of the change. The switch between funds was managed carefully to avoid impacting services provided by the operations team and to minimise costs for members. Independent investment advice was also taken by Legal & General to ensure the switch was performed at an appropriate opportunity.

## Investment performance of default funds

The performance of the funds you are invested in directly impacts the value of your retirement savings.

Investment performance can be measured by how much the funds you are invested in have increased or decreased, after considering:

- How well the funds perform
- The effects of inflation
- How and when you choose to take your money
- The amounts paid in by you and your employer, and
- The costs and charges that you pay for each fund.

In undertaking our assessment, we have:

- Particularly focused on the Multi-Asset Fund (MAF) as this is the standard default and where most members are invested.
- Given greater weighting to the longer-term performance. While some members will have shorter-term retirement needs, members are typically invested for the very long term (of 30 years or more).
- Recognised the exceptional market conditions over the last three years and the impact shorter-term performance has on the longer-term position.
- Focused on how well funds have performed historically against their stated objectives.





### Investment performance over the reporting period

- The Multi-Asset Fund (MAF) aims to meet the criteria of the ABI Mixed Investment 40-85% Shares Sector (an industry standard comparator). The Fund is expected to have a level of risk which is equivalent to two thirds of the volatility of a global (developed market) equity portfolio, over the long term, enabling us to then compare the funds against these comparators. The table on the next page demonstrates how the MAF has performed against these stated comparators.
- Over longer time-periods, the MAF has marginally outperformed its ABI sector comparator. Since inception, it also met its volatility target of two thirds of the global (developed market) equity index but has not kept pace with that index's returns (two thirds of the Developed Market Index, 50% hedged to sterling).
- Investment market returns for 2022 were generally negative for all types of assets, and this meant that most of the asset classes which the MAF invests in fell in value.
- Taking all the above factors into account, we concluded that you received acceptable value. This is because despite outperforming its comparator and achieving its risk target over the longer term, we believe that there is room for improvement in terms of investment performance over short and longer periods. We also believe that members who invest in the default fund would achieve an acceptable outcome at retirement.

We have also considered performance against a 'Cash+' 3.5% comparator to help you see what you would expect over the longer term with your pension savings. We would not expect the MAF to align with a 'Cash+' comparator over defined short-term periods.

Some employers choose to use their own bespoke default funds. Legal & General monitors all bespoke default funds and engages with employers to ensure they are regularly reviewing the suitability of these arrangements with their own investment advisers. This is particularly important following recent market events. In 2022 they engaged with employers that use bespoke defaults which are designed for taking cash at retirement to ensure these remained appropriate. This was in response to the rapidly rising rate of inflation which could impact investment market returns and reduce the purchasing power of a member's retirement savings.



Performance of the default strategies as of 31 December 2022:

Main default

Default Strategy	Fund Name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
Multi-Asset Fund	Multi-Asset Fund NTW3	ABI Mixed Investment 40-85% shares	-10.2%	-9.8%	0.9%	1.6%	2.8%	2.6%	6.7%	5.9%
		2/3rd's Global Developed Equity	-10.2%	-8.1%	0.9%	4.7%	2.8%	5.0%	6.7%	7.6%

Alternative defaults employers can choose from

Default Strategy	Fund Name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
Multi-Asset Drawdown Lifestyle Strategy	Multi-Asset Fund NTW3	ABI Mixed Investment 40-85% shares	-10.2%	-9.8%	0.9%	1.6%	2.8%	2.6%	6.7%	5.9%
	Retirement Income Multi-Asset Fund NWD3	Bank of England Base Rate +3.5%	-7.6%	4.4%	1.1%	3.9%	2.4%	4.0%	4.4%	4.0%
Target Date Funds	Target Date Fund 2055-2060 BE83	Bank of England Base Rate +4.0%	-7.9	5.4%	2.3%	4.6%	3.6%	4.6%	4.8%	4.6%
Future World Multi-Asset Fund	Future World Multi-Asset Fund BT63	ABI Mixed Investment 40-85% shares	-10.4%	-9.8%	0.9%	1.6%	N/A	N/A	3.3%	2.5%

Figures quoted in the above table are net of all charges

**How the IGC monitored the default strategies and investment range**

Legal & General's Fund Risk Oversight Committee (FROC) governs the management of the funds available to members. It's made up of senior managers within Legal & General who meet quarterly or as required and receive regular reports and information to assure them that key principles are being followed. It makes sure funds and policies are in place to provide fairness to all members and receives independent investment advice from an external investment consultant.

We receive updates from the FROC at IGC meetings with details of the governance activities that are in progress. Twice a year it also supplies a detailed update on fund performance during the period, including that of the default strategies.

We review the FROC's activities and provide our feedback to the representatives at our meetings. Legal & General also updates us on the investment advice it receives from its independent investment adviser, Hymans Robertson.





### External comparator findings

Legal & General's investment strategies for their Multi-Asset Fund (MAF) and Target Date Funds (TDFs) were assessed in an external data comparator exercise. The MAF was the only standalone default option in the study with no automatic de-risking. No other providers submitted Target Date Funds for analysis. Feedback included:

- MAF and TDFs were the only defaults with meaningful allocations to infrastructure and private equity and both the MAF and TDFs were well diversified in terms of asset classes compared to other default solutions.
- Legal & General's MAF had the joint highest proportion of ESG integration within the study.
- Analysis showed that Legal & General is highly engaged with a broad range of groups and initiatives, as they had recorded the highest number of ESG related initiatives (48) in the study.
- MAF had the lowest allocation to equity during the growth phase of those in the study and correspondingly the second highest level of equity at retirement.



### Looking ahead

We consider the triennial review of defaults an opportunity to consider what improvements might be possible to the objectives and strategies of the default funds, as well as the way in which those strategies are measured to provide even better value for members in future. The intention is to provide improved long-term returns consistent with an appropriate level of risk for members depending on where they are in their savings journey.



## Investment choice and performance

2022 rating

**Good**

### Why we gave this score

Under this heading we consider the investment choice for members who make their own investment choices, and do not stay invested in a default fund. We also look at the investment performance of these funds.

Overall, we are satisfied that the investment choices Legal & General offers are well designed and suitable for most members. We consider that Legal & General has strong investment capabilities across a wide range of assets and members can benefit from the wide range of fund choices offered.

The performance of the self-select funds provided by Legal & General has largely been good. In the main they are 'index tracking' funds and Legal & General Investment Management (LGIM)<sup>2</sup> has done a good job in keeping costs down and closely tracking the performance of the benchmark indices. In addition to the Legal & General managed funds there are a range of active options available from external managers. Legal & General has a robust process around the selection and monitoring of these funds.

### Key areas of success

- A full review of the suitability of the funds available to you if you choose to make your own investment choices took place in 2022. The IGC was consulted as part of the review.
- Legal & General reviewed the fund range available to Workplace members in collaboration with their independent investment adviser with the aim of ensuring that you continue to have access to a wide range of funds that meets the demands of all members. Overall, the self-select fund range was deemed to achieve these principles.
- An opportunity to introduce a small selection of additional funds to help meet a broader range of member beliefs was identified. These include more options for those of you who would like to invest more responsibly.

<sup>2</sup> Legal & General Investment Management (LGIM) – a division within Legal & General that manages your funds and makes day-to-day investment decisions.

- A recommendation was also made to remove several funds and replace them with alternatives that have the potential to deliver better long-term outcomes.
- Fund closures and launches identified as a result of this review will take place during 2023 and the IGC will monitor the progress of this work.
- 2022 was another year with significant market uncertainty. Enhanced monitoring was re-introduced, particularly where there could be an impact on members' investments. Throughout the year, Legal & General consulted with its independent investment adviser and continued to share its processes for managing your investments safely.

We are committed to ensuring environmental, social and governance issues (ESG) are considered across the range of funds available to you and have asked Legal & General to continue to focus on this. You can find out more in the [ESG section](#) of this report.

### Looking ahead

- Legal & General should continually review the additional information and support provided to members to help them understand the returns to expect from different funds. Particularly, we have asked for the benchmarks to be reviewed to ensure their continued appropriateness.
- We'd like Legal & General to keep reviewing the appropriateness of the fund range, to meet the needs of members wishing to make their own investment choices.



## Member service and administration

2022 rating

**Good**

### Why we gave this score

In 2021 we set the operations team the challenge of consistently meeting service levels in 2022. A key focus was the service provided to beneficiaries in the event of a death and for payments of a sensitive nature (for example, due to ill health) to be made efficiently and compassionately.

The operations team reacted extremely positively, and significant improvements to service levels were made throughout the year. During a visit to Cardiff, the team's drive and desire to ensure that beneficiaries and members are fully supported particularly impressed us.

The overall service levels for the helpline call answer rates increased to 90% for 2022, and for some members this was as high as 98%. Call answer rate refers to how many calls are answered before a member abandons the call. The average speed of answer was 3 minutes and 48 seconds, however some members benefitted from a lower speed of answer of 41 seconds. We would like to see further improvements to the speed of answer rates and percentage of calls answered so that the average across all helplines exceeds 95% for all members.



This scheme year, the help desk team particularly supported members by including the introduction of a new call framework that focused on fully understanding their requirements and providing them with a positive experience, and we would like this to continue in 2023. In particular, the operations team should aim to regularly deliver service levels of 95% answer rate and an average speed answer of two minutes during 2023.

Excellent service levels were achieved for automated processes (99.7% against a target of 95%). This compared favourably to other providers. Legal & General processed contributions within one day and achieved this in 100% of cases.

Significant improvements in processing times for those of you requesting annuity quotations and retirement payments have also been made.

Considering the above, we felt the levels of service and administration provided to you had progressed substantially. We were comfortable in changing the service performance reports we received from a weekly to monthly basis, with more detailed updates provided at our board meetings.



## Key areas of success

Several changes focused on enhancing the experience for beneficiaries and sensitive payment recipients. There was a particular emphasis on providing high-quality support for each person, of which processing time was only one strand:

- A change in recruitment focus targeted staff with a background in the care sector, drawing on their empathy, resilience, and sensitivity to support beneficiaries and members.
- Staff were empowered to recognise beneficiaries who may need some extra support through a random acts of kindness initiative, for example by sending birthday cards, bouquets of flowers, gift cards or ordering groceries. Feedback from the recipients of these gifts has been overwhelmingly positive.
- Extra training from the Samaritans helped staff members to support beneficiaries during difficult calls.
- The operations team has also successfully supported those of you needing extra help during periods of market instability and through the cost-of-living crisis. While there hasn't been an increase in those accessing their pensions, some people have an urgent need to access their money. The teams have been empowered to accelerate payments ahead of normal service levels, especially where members have shown vulnerability.
- The team has used Legal & General's [online response hub](#) to support members with queries. Most types of questions are answered from this resource and its use ensured a consistent response for everyone. Regular member feedback has been used to keep the content of the hub relevant.
- Activity to improve administration processes continued, focusing on the experience members received when transferring-in a pension from another provider. This has resulted in significant improvements in the total time taken for transfers to be processed. Customer satisfaction scored very highly with +61, in a widely used market research metric where +40 is considered 'very strong'.

We welcome the continued investment in the overall operations area to enhance the support members are given. Enhanced planning is improving overall service levels and helping the teams to respond to unpredictable demand.





## Recruitment, training and competency

The IGC recognises the importance placed on recruiting, retaining and nurturing staff in the operations team and looks forward to this providing continued stability in service levels. High-calibre staff who are supported in their roles and have a clear line of progression are more likely to stay with the company and provide a superior level of service to customers. In 2022 activity included:



Cross skilling of staff so that if there is a peak of activity in one of the teams, resource can be moved to support them. For example, in early 2022, letter of authority requests from independent financial advisers were 15% above expected levels. Additional resource was provided from other areas to support the team to ensure the workflows were managed.



Supporting staff in their development through apprenticeships: 79% of staff on an apprenticeship scheme achieved a promotion within Legal & General. The retention rate for staff staying at Legal & General was 100% for those taking part in the scheme (135 staff had taken part in apprenticeships which started in 2021), and there was a 100% pass rate for qualifications and management courses undertaken.

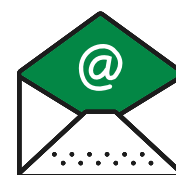


A new Head of Volume Recruitment role was recruited, to continually consider the overall skill levels of staff and ensure Legal & General's roles remained competitive within market conditions.

The operations team has recognised the impact helpline staff have on members, particularly during uncertain times. Training has focused on staff being patient and spending the time needed to explain any details in full. Trend analysis from survey feedback demonstrates that the support members have received has been valuable and appreciated.

## Member feedback

The IGC was kept fully updated on survey feedback and agreed that the information received provides a robust, comprehensive and independent view of your member experience, which supported our rating of good. Externally gathered surveys for 2022 demonstrated strong results and that the team consistently delivered against management and customer expectations.



Feedback is captured by emailing members and the decision on who to contact is selected by an independent third-party supplier, Watermelon. This results in a balanced level of response from members and a richer level of data.



The operations team assesses the results at member forums and uses it to plan further improvements in services.



Although the operations team is in a very strong position, it recognises the need to keep enhancing the service provided to members. The team does this by continuing to review services in the monthly Customer and Client Experience Forum. The Forum is attended by representatives from the operations and senior leadership teams who share examples of positive interactions and discuss those that have highlighted where service could be improved.





### How risk is monitored and assessed

The annual independent audit of the operations team's systems and processes (AAF 01/20) was undertaken. Overall, the report supports the strong focus that the operations team has on their risk and control framework. Very few actions were required, and the operations team has presented their approach to resolving these to us.

### External comparator findings

Legal & General was assessed against other providers' service levels and administration processes in an external data comparator exercise. Generally, Legal & General's performance was similar to that of other pension providers, with the exceptions of:

- Core financial transactions were processed in above-average timescales and Legal & General had the fastest average processing time for death claim payments.
- Legal & General scored highest out of all participants for processes that were completed electronically, without intervention by staff, and had higher levels of automation than the other providers in the study.

Legal & General had the third lowest number of complaints within the survey, with an above-average number of complaints upheld compared to other respondents, demonstrating their commitment to putting things right where required.



### The IGC identified the following areas for improvement

- We'd like to see reporting on the overall end-to-end member journey, to understand the full member experience and where improvements can be made.
- We would like to see improvements in service levels for speed of answer and percentage of calls answered for the helpline which have not met our expectations in 2022.

### Looking ahead

- Legal & General is making substantial investment in a multiyear transformation programme to create a more resilient pension administration platform with the aim that it will transform customer service. We will continue to receive regular updates on this project as it delivers member benefits.
- The new modern, eco-friendly office building in Cardiff will be completed, where the operations team will be based, enabling them to work together more collaboratively to improve service to members. The building will also include a focus on staff wellness and wellbeing, incorporating cycle and changing facilities, café, social space, and an external terrace to meet shifting needs. This will help drive recruitment in Cardiff, demonstrating Legal & General's commitment to Wales.



## Costs and charges

2022 rating  
**Excellent**

### Why we gave this score

We consider the costs and charges you pay to be an important indicator of value for money for your pension. Having participated in an external data comparator exercise, we are able to confirm the costs and charges you pay for your pension are highly competitive. We are satisfied that Legal & General continues to operate under the highest governance principles and policies, which include a value for money policy. This ensures costs and charges remain a constant focus.

You will generally pay three types of costs and charges which cover the following:

- The costs of running and administering the scheme
- Fund charges for administering and managing your funds
- Transaction costs for buying and selling investments.

If you are in a Group Stakeholder scheme you will see one annual management charge, as the fund charges and the costs of running the scheme are combined.



When money is paid into your pension, it is invested in one or more funds as chosen by you or your employer. You may decide to change where your money is invested at any time to best suit your personal financial needs and objectives. The movement of money between funds is called a 'switch'.

When you buy, sell or switch funds, it usually involves a fund manager buying and selling the underlying assets held by these funds on your behalf. Any costs incurred by fund managers in relation to these trades are referred to as 'transaction costs'.



# These results demonstrate that the scale of Legal & General is used effectively to drive efficiencies

## Key areas of success

- The FROC established a value for money policy in May 2022. This incorporates regulatory requirements and governance principles for the monitoring, reporting and disclosure of all investments related to costs and charges incurred by members.
- The FROC regularly monitors, reviews and challenges the transaction costs paid by Workplace members and has concluded that you continue to receive good value for money in relation to these costs.
- We asked Legal & General to participate in an external data comparator exercise, carried out by an independent consultancy. Compared to other pension providers, the costs and charges members pay are highly competitive and reflect good value for money. Groups of similar sized employers were used for comparison and Legal & General performed well in all categories. These results demonstrate that the scale of Legal & General is used effectively to drive efficiencies. In addition, as the UK's largest asset manager<sup>3</sup>, scale is leveraged to reduce investment charges.

## Looking ahead

- We are pleased that Legal & General's costs and charges for members remain highly competitive and will continue to benchmark costs and charges and monitor on an ongoing basis.
- LGIM was unable to provide the IGC with some information about transaction costs on over-the-counter (OTC) bonds (a type of asset used within some of LGIM's investments which are not traded through an exchange) in this reporting period. This has now been resolved and we will be able to report fully in next year's report.

**Legal & General's Fund Risk Oversight Committee (FROC) governs the management of the funds available to members. It's made up of senior managers within Legal & General who meet quarterly or as required and receive regular reports and information to assure them that key principles are being followed. It makes sure funds and policies are in place to provide fairness to all members and receives independent investment advice from an external investment consultant. The IGC is kept updated with the FROC's activities.**

**Legal & General Investment Management (LGIM) – a division within Legal & General that manages your funds and makes day-to-day investment decisions.**

<sup>3</sup><https://www.statista.com/statistics/909701/leading-asset-managers-by-assets-under-management/>



## Member engagement and communication

2022 rating

**Good**

### Why we gave this score

We believe that Legal & General generally provides you with relevant and engaging communications and these have continued to evolve, whether providing support through times of market uncertainty or during the cost-of-living crisis.

We were kept informed throughout the year on progress against the projects we covered in last year's report, which included:

- Developments to Manage Your Account
- Improvements to the retirement planner, and including the PLSA's Retirement Living Standards within the retirement planner's functionality
- Launching the Insight Lab
- Improvements to transactional communications (these are communications issued around events occurring during the term of a pension product, such as setting up contributions or approaching retirement and the payment of your pension)

The Insight Lab, Legal & General's online feedback community, is now live and it's already being used to inform new developments and continuously improve existing communications.

Legal & General is working to improve the communications that you receive at key stages of your savings journey. An external data comparator exercise showed that communications score similarly to other providers, but that there is work to be done to make them easier for you to read and understand.



We are disappointed that while there were some improvements to the packs you receive in the lead up to retirement, the new version wasn't delivered in 2022. However, we've been regularly updated on the substantial progress of this important project and are confident that significant headway will be made during 2023, with the rewrite complete and in delivery. Once implemented, the quality of the communications you receive will be further improved. Additionally, it will be much easier for Legal & General to communicate with you digitally about your pension.

Our highlight of the year was November's annual member forum which record-breaking numbers of you attended. Over 22,000 members registered for the forums this year and 12,600 of you attended on the day. This event is so important to us because we can see so many of you joining and interacting with your pensions by asking questions and offering your valuable opinions on issues that matter to you.



## Key areas of success



### Innovation and development of digital communications

We discovered how data from Legal & General's new Insight Lab is collecting real-time feedback from members to support communication developments. Since the Lab launched in May 2022, it quickly grew to just under 9,000 active members by the end of the year. This scale is significant as we're more likely to hear about experiences from a wide range of members in different circumstances, which can be used to tailor communications to your specific needs.

Engagement within the Insight Lab community has been high.

76%

of people who signed up logged in

40%

participation rate in polls

26%

participation rate in surveys

Initial activity included polls around the features you expected from an app, pension consolidation (where you can transfer and combine existing pension pots into one pension pot) and engagement with Pension Awareness week. The Lab also supported an important regulatory consultation on member engagement, ensuring Legal & General's response reflected member views.



Two changes were made to [Manage Your Account](#) (MYA), the online portal that allows you to keep track of your savings:

- To help you understand the performance of your funds, you can now see the amount of investment growth or loss on your retirement savings in terms of a fund value and percentage. This feature was provided as a direct result of feedback and requests from members and it will evolve to show more detail on individual fund performance in the future.
- You can also now find information about responsible investing in the investment section of MYA. Legal & General has introduced a range of fund guides to help you understand your options if you want to make responsible investment decisions. The guides are also available on the [environmental, social and governance \(ESG\) Hub](#).

Your employer may have encouraged you to register for MYA during 2022 as Legal & General provided an engagement campaign they could use. This resulted in nearly 25,000 new registrations. These campaigns also provided an opportunity to update member email addresses. If Legal & General has your email address they can communicate with you faster, and by limiting paper communications you can contribute to a reduction in carbon emissions targets. Legal & General now holds an email address for nearly 60% of all members, up from 42% in 2021.



### Responding to market events

We're currently experiencing tough economic conditions. The impact of the rising cost of living means that many people are naturally concerned about their finances. We have continued to monitor the support available to you in uncertain times. Legal & General created an [online response hub](#) with information and support for those of you who may have questions about your pensions, savings or any other investments. The site is used by the operations team to support queries from members who call Legal & General and is signposted from places like your scheme microsite and [Manage Your Account](#) (MYA).

There were more than 15,500 visits to the site between August and December 2022.

It's vital to us that you feel supported with any queries you have regarding your savings and the numbers of you accessing the site demonstrate this is a useful resource. Please do let us or Legal & General know if there's additional information you'd like added to the site, using the contact details in the [Chair's introduction](#) of this report.

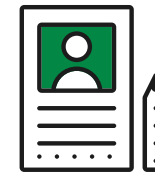
### You can get involved with your pension in a variety of ways

November 2022 saw us hosting two live online events for our annual member forum. These events allowed us to tailor content more appropriately for members at different stages of savings journeys, with a different focus for those saving or thinking about taking their pension benefits. Our panel answered questions during the events and supporting information was provided afterwards in an annual newsletter.

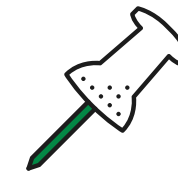
The simplified pension benefit statement was delivered for the regulatory deadline. The statements provide you with a yearly check on the value of your pension and the projected benefits you may receive in retirement. The changes should also make it easier for you to compare pension statements across different providers. Legal & General tested the new format in the Insight Lab and it scored well in ease of understanding, use of language, and length.

Legal & General continued to provide a range of well-received [online member presentations](#). Topics included run up to retirement, ESG, financial wellbeing and general pension education. We appreciated that sessions were run on multiple dates and different times, allowing the flexibility to join whenever convenient. Over 37,000 members accessed presentations and webinars in 2022. Feedback from the range of events was extremely positive with average scores of 4.6/5.

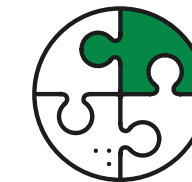
Proactive email campaigns were issued to raise awareness of different aspects of your pension. These covered subjects such as:



Nominating beneficiaries



Promoting the online response hub



Pension consolidation



Retirement Living Standards

Legal & General also supported the national Pay Your Pension Some Attention (PYPSA) campaign, launching content on social media and in email campaigns. Good engagement was reported across all communications:

- **41%** of the members they emailed opened the communication
- Posts were seen on social media **37,024** times
- **627** people engaged with the social media posts, for example, by clicking on posts, reacting, and replying



## How the IGC monitors member engagement

We established a Communications Working Group in 2020 which meets quarterly. The group was set up to help us fulfil our regulatory requirements in relation to member engagement. Throughout the year, we:

- Reviewed important member communications, including those received at key stages of the savings journey, and provided feedback to the communications team. This included developments to the financial wellbeing hub ([Go&Live](#)) and the communications members receive when they join their pension scheme.
- Were kept up to date on the progress of the communications plan and in particular the plans for improving the key stage communications.
- Received a detailed demonstration of the Insight Lab and had regular updates on the insights gathered from it.
- Received demonstrations of retirement planning tools and videos to understand the member journey more fully and see how members are equipped to plan for their future.
- Had an overview of the development process for [Manage Your Account](#) (MYA), including how work is prioritised and managed through a process of understanding needs, design, build, test and improve.
- We asked Legal & General to consider allowing members to view in Manage Your Account who they wished to receive the value of their pension savings if they were to pass away. This will make it simpler for members to keep their information updated. Legal & General took this feedback on board and the functionality to see and update nominations in MYA was added in August 2023.







### External comparator findings

Some positive feedback from the data comparator exercise demonstrated that:

- Legal & General holds up-to-date contact information for its members. The number of members who they no longer hold up-to-date details for was the second lowest in the study, meaning every effort is made to make sure they can keep in touch.
- There was a slight increase in the number of members using their online pension accounts regularly.
- Members received engagement campaigns from Legal & General, covering a wide range of topics.
- Legal & General has a dedicated team that offers a wide range of assistance to vulnerable customers, tailored to their specific needs.

### Looking ahead

- We will continue to monitor the delivery of updates to the communications that you receive at key stages of your savings journey through our working group, and we'd like to see significant progress on these. They include auto enrolment communications, the maturity pack, life stage prompts, wake up packs and welcome letters. All will be tested with members in the Insight Lab. The new communications will allow Legal & General to provide greater personalisation and if you or your employer have provided an email address, they will be delivered digitally.
- There are several key developments underway in MYA which we will be able to report on fully next year. These include making it easier for you to combine your pensions online, improving the way you view and nominate your beneficiaries and enhancements to the services available to you if you choose to take flexi-access drawdown. We have asked to be kept fully updated on these changes and we'd like to receive feedback on the site from members. We are also keen to understand how the experience you receive with Legal & General compares with other pension providers.
- We will also be following the development of Legal & General's new mobile app and the delivery of significant changes to their retirement planning tool. Both developments are based on feedback from members.
- We expect to see the Insight Lab support important developments in member communications through 2023, including the requirements for the new Consumer Duty. Although your needs are already at the heart of how we, and Legal & General, look after your pension, we expect to sharpen our focus in ensuring that you receive a best-in-class service.
- We will follow proposed developments that will tailor communications for the individual accessibility needs of neurodiverse, deaf, visually impaired, blind, and dyslexic members.



## Accessing your pension

2022 rating

**Good**

### Why we gave this score

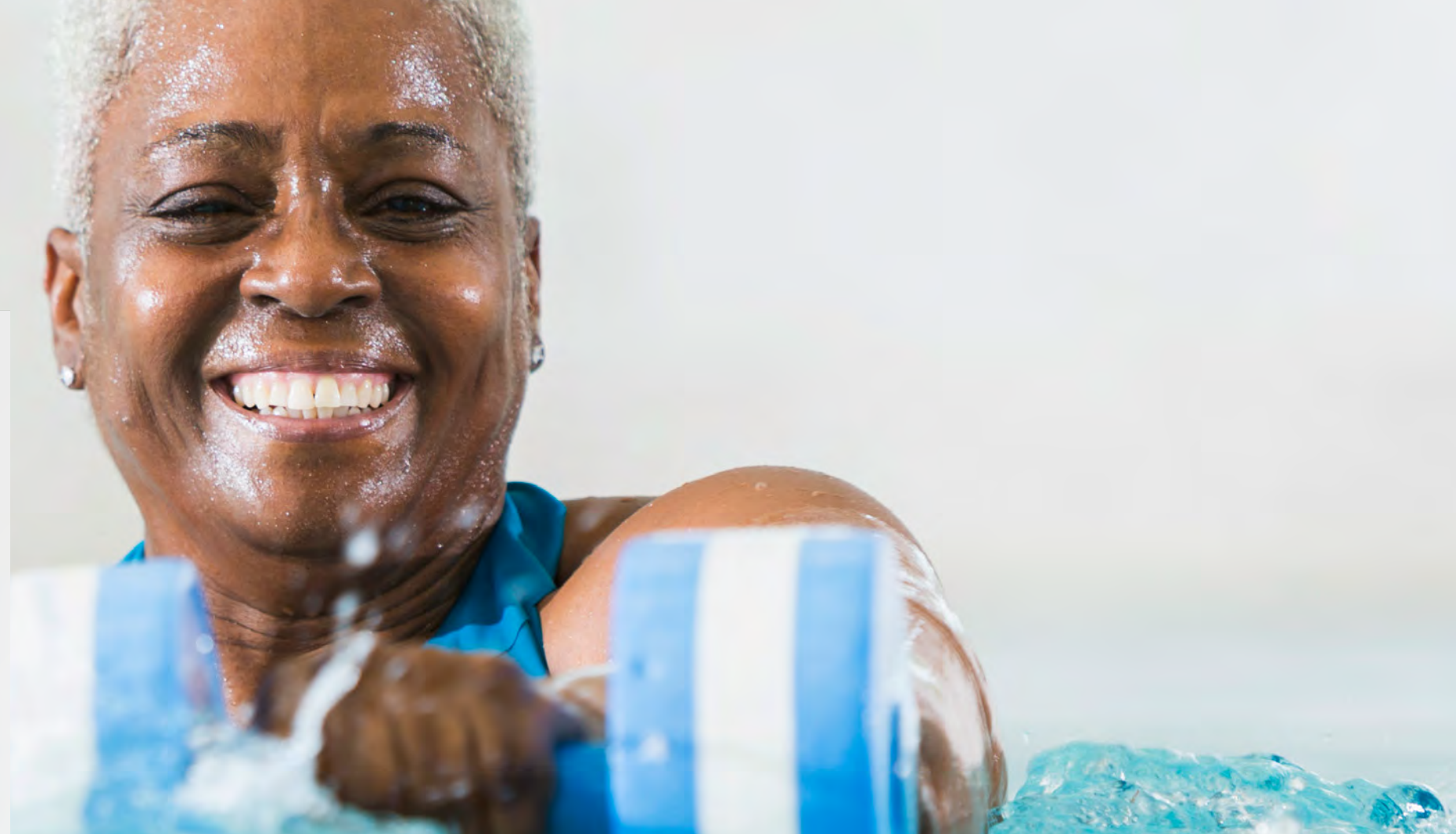
Accessing pension benefits is the most significant stage of your retirement planning. Deciding when to take your money, how much you want to take and whether to leave some or all of it invested are important decisions that can affect the way you live the next stage of your life.

Legal & General's products offer you a full range of retirement options, with a choice of ways to access your money as well as flexibility in how and when you do so. There are good tools and information available to help you make informed decisions.

To enable members to access advice more easily, Legal & General has introduced a new service with Legal & General Financial Advice (LGFA). If you are aged 45 or over, with retirement savings of at least £20,000, you can discuss your needs and get help to understand whether their advice service is suitable for you. The service is highlighted in key communications that you will receive in the lead up to retirement. You can arrange adviser appointments and get access to additional service information. We're supportive of this initiative and hope it results in greater member engagement at this crucial stage of the retirement journey.

The existing advice service through LV= is still in place in some instances, and to support more complex advice needs.

Members in the WorkSave Pension Plan may have access to facilitated adviser charging (FAC) which is a way of paying for specialist financial advice directly from your pension savings. FAC is not available to members of the Group Stakeholder scheme but other help and support, such as Pension Wise, is signposted throughout the retirement journey.



### Key areas of success

- If you are a member of the Group Stakeholder scheme the way you access Flexi-Access Drawdown (FAD) has changed. Members now have access to a new product with improved online access and servicing options. In 2022, 256 Stakeholder pension pots with a total value of £17.8 million transferred to the product.
- You can now use the PLSA's Retirement Living Standards to help you set your 'income goal' when using the [retirement planning tool](#), as well as retaining the option to enter your own amount. Tailoring the tool to your specific circumstances may make it easier to understand how much you might need in retirement. The basis used for guaranteed income calculations has also been changed to ensure consistency across all illustrations, making comparisons more meaningful.
- Signposting to increase members' awareness of, and encourage them to seek guidance from, Pensions Wise has been added into the member journey for accessing their benefits. This regulatory requirement was fulfilled in June.
- Legal & General's [online response hub](#) provides information and support for those of you who may have questions about your pension in times of market uncertainty. It can be accessed at key points throughout your pension journey and provides a range of helpful information. For those thinking about taking pension benefits, it contains content about approaching retirement, case studies discussing taking pension benefits early and links to the financial wellbeing site, [Go&Retire](#).



## Investment pathways

There are four investment pathways to choose from, which reflect the most common ways you can access your money and still leave it invested for the future. Once you have chosen a pathway to suit your retirement objectives, Legal & General invests your money in a way that supports your choice.

Please see the [investment pathways section](#) later in this report to view our assessments of the pathways provided by Workplace Pensions and Legal & General Personal Investing.

## External comparator findings

The ways you can access your pension were assessed in an external comparator exercise. The feedback demonstrated that the options available performed well in comparison to other providers:

- Legal & General offers you the widest range of routes to apply to take your pension benefits including paper, online, telephone and email options.
- Legal & General was the only provider to offer access to a paid-for in-house financial advice service, as well as through a third party. Accessing paid-for advice is subject to minimum pot size and age requirements. It also offers free telephone guidance.
- It is possible to take flexi-access drawdown (FAD) from all pension products without needing to transfer to a specific product first. Legal & General was one of only three providers (out of eight surveyed) that offered this. Members paid the same charges when they were taking FAD as they did when saving.

## Looking ahead

- A suite of communications that explains your options as you approach retirement, in the form of life stage letters, wake up packs and maturity packs, are currently being re-designed and re-written. The focus of the changes is to provide clearer information to help you with your retirement planning. We expect to see the updated pack in use in 2023 and look forward to assessing it in our next report.
- Further enhancements are scheduled to [Manage Your Account](#) (MYA), the online portal that allows you to keep track of your savings. We expect that you will soon be able to see your fund value and investment performance if you are taking a flexible income.





## Environmental, social and governance (ESG) investing

As a pension saver, you are an investor, which means your savings are invested in company shares and a range of other investments. There are many different factors that pose both a risk and an opportunity to the growth of your savings. We believe a key area is the management of environmental, social and governance (ESG) issues. ESG issues include things like how responsibly a company is run, climate change risks and protecting the future of our planet, financial and social inclusion, healthcare and human rights. How these issues are managed today could determine the future of your pension performance, as well as our society and planet.

Legal & General is fully committed to this view and has market-leading capabilities and resources devoted to sustainable investing and responsible ownership.

We cover two areas in this section:

- Our independent review of Legal & General's ESG policies
- Our value for money assessment

Your funds are managed by Legal & General Investment Management (LGIM), a division within Legal & General that makes day-to-day investment decisions, and their investment and stewardship teams which engage with the companies they invest in to ensure they are managing ESG risks and opportunities.



### Our independent review of Legal & General's ESG policies

As part of our assessment, we undertake an independent review and analysis of Legal & General's policies on stewardship, ESG financial considerations and other financial and non-financial matters.

Our assessment covers:

- How Legal & General incorporates ESG factors into their investment strategy
- How we oversee LGIM's approach
- Developments across the last 12 months
- Our conclusion

### What is ESG investing?

ESG investing means considering environmental, social, and governance factors in an investment strategy. Doing this can reduce long-term risks – for instance from climate change – and improve investment returns. Legal & General encourages members to understand the impact that the money in their pension can have on environmental and social issues. The goal is to help them achieve their financial objectives, whilst investing in a way that reflects their values.





### How does Legal & General incorporate ESG factors?

We expect LGIM to identify and – where possible – quantify ESG risks in all the investments they make on behalf of members. We also expect them to take appropriate steps to protect the value of members’ money, either through engaging with companies to change their behaviour or by stopping investment in certain companies (also called ‘divesting’). We support LGIM’s policy of using its influence with companies – and if necessary, its voting rights at shareholder meetings, to drive positive change. Like them, we believe engagement leads to better outcomes for clients and members. Where it’s clear that this won’t work, we support divestment, and LGIM agrees with us on this.

We also expect LGIM to incorporate ESG factors while taking a very long-term view. Long-term ESG risks are important because many members will be saving into their pensions for decades, and then using that money to provide an income for themselves for decades after that.

LGIM has published their [ESG governance and policies](#) and produces an [active ownership report](#) which covers the work they do.



### How the IGC oversees LGIM’s approach

We ask LGIM to explain their policies and approach and ask for evidence that they have used their influence and voting power to put their policies into practice. We receive regular updates directly from the Investment Stewardship team and those who oversee the development, management and operation of funds used within the WorkSave Pension Plan and Stakeholder Pension Plan.

Legal & General has voluntarily introduced a Statement of Investment Principles (SIP) for both the [WorkSave Pension Plan](#) and the [Stakeholder Pension Plan](#) which highlights their core policies relating to ESG (financial and non-financial). A section of the SIP highlights the principal investment risks that may impact the performance of an investment and how each risk is approached. We discuss progress against these principles in committee meetings and can make recommendations for updates.



## Developments across the last 12 months

You can see the various developments made across the last 12 months in our [value for money assessment](#). Legal & General has also worked with its independent investment adviser to assess the ESG capabilities of external (i.e. non-LGIM) fund managers. This has been introduced so that members can expect a similar approach to be taken regardless of whether they are investing in an internal or externally managed fund. We will continue to oversee this.

## Assessment of policies

Each year, we assess the policies LGIM has in place relating to ESG financial considerations, non-financial matters, how ESG is fed into the investment strategy and adequacy of policies on stewardship. This year, we also met with the investment stewardship team which allowed us the opportunity to ask questions.

Following our assessment, we are satisfied that the current policies meet the requirements and are of good quality, and that they have been designed to properly consider risks or opportunities and the needs of and good outcomes for members. The right systems are also in place to make sure the policies are implemented correctly.

We recognise the strength of LGIM's approach on these areas and their market leading position.

Whilst we have rated ESG as excellent, we recognise that there is much more that pension firms can do to drive forward ESG within the investment designs. In 2023 we are aware of a new regulation, the Task Force on Climate-related Financial Disclosures, that Legal & General will be adhering to. This will include more focus on climate metrics, forecasting against different scenarios and the risks and opportunities that climate change brings to members' default strategies. We would like to see the Statement of Investment Principles evolve to reflect the new material and data that is available. Additionally, we would like to see ESG principles and policies consolidated for the Personal Investing investment pathways, along the line of the Workplace Statement of Investment Principles.

## Let us know what you think

You can provide your feedback through the member helpline. You can find out more on the [ESG hub](#).





## ESG - our value for money assessment

2022 rating  
**Excellent**

### Why we gave this score

LGIM<sup>5</sup> continues to lead industry standards in this area. They have kept us up to date on their stewardship activity as well as fund development and have demonstrated their excellence through their regular reports to the industry on active ownership and their Climate Impact Pledge. You can find summaries of this activity on the [ESG hub](#).

Last year we challenged LGIM to continue to strengthen their coal policy and they have kept us up to date throughout the year. We will continue to monitor this in the future.

### Key areas of success

- Legal & General scored well in the [Make My Money Matter 2022 Climate Action Report](#) and were among the top-ranking pension providers.
- They strengthened their coal policy in November 2022 in the following ways:
  - Reducing the threshold for revenue from coal mining and extraction from 30% to 20%
  - The new inclusion of a revenue threshold of 20% from thermal coal power generation
  - The new inclusion of an oil sands 20% revenue limitCompanies that don't meet these criteria are excluded.

- In October 2022 LGIM expanded the scope of its targeted climate engagement programme (their Climate Impact Pledge) from covering approximately 1,000 companies in 15 sectors to now covering approximately 5,000 companies across 20 climate-critical sectors. The pledge assesses these companies on their climate governance, strategies, policies, metrics and targets. The companies included are responsible for more than half of the greenhouse gas emissions from the world's largest listed companies. Under this programme, LGIM can engage with some companies directly, urging them to reduce carbon emissions and reach net zero targets. If companies fall short of minimum expectations and fail to address their climate responsibilities over time, LGIM can exclude companies from the relevant funds that adopt the Climate Impact Pledge exclusion policy.

**The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016. It aims to limit and hold the world's average temperature rise to well-below 2°C (ideally 1.5°C) by the year 2100.**

<sup>5</sup> Legal & General Investment Management (LGIM) – a division within Legal & General that manages your funds and makes day-to-day investment decisions.



- To help achieve the international climate treaty known as the Paris Agreement, there is a global aim to achieve net zero carbon emissions by 2050. The funds below aim to lower carbon (decarbonisation) towards an end goal of net zero by 2050 (unless otherwise stated):
  - Diversified Fund (L&G PMC fund)
  - Dynamic Diversified Fund
  - Future World Fund
  - Future World Multi-Asset Fund
  - Multi-Asset Fund
  - Retirement Income Multi-Asset Fund
  - Sustainable Property Fund (end goal of net zero by 2030)
  - Target Date Funds
- LGIM introduced more environmental, social and governance (ESG) strategies in the funds below. They also updated the fund names to better reflect their aims.
  - Pre-Retirement Fund (now Future World Annuity Aware Fund)
  - Pre-Retirement Inflation Linked Fund (now Future World Inflation Linked Annuity Aware Fund)
  - Pre-Retirement Inflation Sensitive Fund (now Future World Inflation Sensitive Annuity Aware Fund)

### External comparator findings

The external data comparator exercise showed that:

- LGIM is a signatory to the UN's Principles for Responsible Investment (UNPRI), Climate Action 100+ and the Institutional Investors Group on Climate Change (IIGCC), and had the highest number of initiatives recorded in the study.
- LGIM scored consistently highly in the UNPRI's assessment modules – scoring either 4/5 or 5/5 for each module. This was consistent with most other providers' scores.

### Looking ahead

- We expect Legal & General to continue to provide you with information on how your funds are invested so that you can make responsible investment choices. They have also committed to keep the information available to you on the ESG hub under review. We will continue to monitor the success of this activity.



- From 30 June 2023, the Financial Conduct Authority (FCA) regulations mean that pension providers like Legal & General must make climate-related information available, consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The aim is to increase transparency on climate-related risks and opportunities. As an investor, you will be able to read a climate-related financial disclosure report for relevant investments within your pension to better understand its climate-related profile. These reports should be considered within a wider context of your overall long-term investment goals.
- There are several regulatory changes that are due to be introduced in 2023 and 2024 focused on how your funds are classified and how LGIM describes the activities they undertake to you. This is to ensure that they are always clear and transparent about how your funds are managed. We will receive regular updates on their progress towards meeting these requirements.



## Investment pathways Workplace Pensions and Personal Investing

2022 rating

**Good**

### Why we gave this score

Legal & General reviews both the Workplace and Personal Investing offering and shares its findings with us each summer.

For Workplace, value for members has been explained throughout this report exemplifying the value members receive in respect of the different criteria (which includes costs and charges, administration, investment performance, communications and ensuring that core financial transactions were processed promptly and accurately). We have concluded that the investment pathways have been designed in the interests of members and there is a clear statement of aims and objectives.

We have also determined that the characteristics and performance of investment pathways are regularly reviewed by Legal & General to ensure alignment with members' interests and Legal & General takes action to make any necessary changes.

For both the Workplace Pensions and Personal Investing businesses, the second annual review confirmed that the investment pathways available continue to be appropriate and that most customers were using the options in the way they were intended.



### What are the investment pathways?

When you come to access your pension savings, you have several choices in how you can do so. If you choose to take flexi-access drawdown (FAD) you can usually take up to 25% of your pension pot as a tax-free cash lump sum and leave the rest invested to provide a regular income, and occasional lump sums if required.

It's important for you to make sure that the money that you have left invested will support your options for taking money in the future. To help you make a choice Legal & General offers investment pathways. If you choose an investment pathway, Legal & General will invest your money in a way that supports your choice.

The investment pathway options are:

1. I have no plans to touch my money in the next five years
2. I plan to set up a guaranteed income (annuity) within the next five years
3. I plan to start taking a long-term income within the next five years
4. I plan to take my money within the next five years

It's important to us that the right investment pathway options are in place for you.





As well as looking at how your money will be invested both businesses also look at how members are using the investment pathway options and make sure this is in line with expectations and any requests they make in the future.

There are a few areas of additional activity on which the businesses reported to us:

**Workplace** is aiming to improve the data that it provides to us. This will help us better understand how members are using investment pathways in the future.

All **Personal Investing** customers invested in the Legal & General Personal Pension must choose an investment pathway when they opt to take flexi-access drawdown. While confirming that most members appeared to be using the investment pathways in the ways they were intended, a small number of members in pathway two (annuity) had taken a long-term income. When Legal & General looked at this in more detail it was clear that this was due to a change of circumstances rather than a customer misunderstanding.

Service levels have been strong, and all transactions completed promptly.

## External comparator findings

### Workplace

Legal & General's Workplace investment pathway options were included for assessment in the external benchmarking exercise. The results were generally positive:

- Legal & General's approach to investment pathway two differed to that of several other participants. Including a mixture of equities and alternative asset classes helped to provide a positive investment return during 2022.
- Core financial transactions were processed at around the average time or faster than other providers, including the fastest average processing time for death claims. The average call wait time and drop-off times were also measured as average against other providers.
- Communications that were measured for reading ease scored above average, and the webpage used to explain investment pathways stood out for its higher level of graphic design. An animated video describing the pathways was also included, a feature only offered by one other provider.
- Legal & General's market leading ESG principles are embedded into the investment pathway strategies and the benchmarking noted that, unlike other providers, they have net zero targets for three of the four pathways. Pathway four, a money market solution, does not have a target.
- Charges for those with a pot size of less than £25,000 appeared to be more competitive than other providers. Legal & General's charges remained competitive as pot sizes increased, with other providers' charges becoming more aligned.
- However, transaction costs for investment pathways two and three were relatively high compared to the other providers.



## Personal Investing

Legal & General undertook a data comparator exercise to look at value for members in relation to Personal Investing. Findings showed:

- Legal & General monitors customer behaviour and withdrawals, issues risk warnings to customers who act in a way that is different to their chosen pathway and that warnings are issued for customers who are at risk of exhausting their pots too quickly. We note this is in line with peer practice.
- Telephone, digital tools and generic leaflets are all used to communicate with customers.
- The investments that are used in three of the pathways were in line with competitors', showing appropriate asset allocations to meet the expected goals from choosing these pathways.
- The fourth investment pathway is invested in fixed income assets. While other providers have varying degrees of cash in this pathway, Legal & General has explained the reason for the investment strategy and we are reassured that this provides value for members.
- The cost comparison demonstrates that Legal & General's Personal Investing investment pathways sit towards the lower end of the scale for three of the journeys, showing the most competitive costs. Pathway four is higher, however the investment allocation is more sophisticated than a cash investment and, to date, the cost has been justified by the higher returns achieved. Legal & General is also able to drive efficiency within investment transactions and keeping transaction costs low.

Our view is that members invested in a Personal Investing investment pathway are receiving good value for money.



## Looking ahead

- We recognise that the number of members choosing an investment pathway is currently relatively low. The enhancements to the maturity packs may help to explain this option more fully in the future so we may begin to see an increase in the take up of this option. We're conscious that the average pot size is relatively low for members saving with all providers in the UK. As members continue to save more, we are likely to see an increase in uptake of investment pathways.
- The details of the 2023 annual review will be included in our annual report next year.
- The Personal Investing investment pathways take advantage of Legal & General's ESG credentials; however, we would like to see ESG principles and policies targeted for the Personal Investing investment pathways.



