

# Legal & General Independent Governance Committee

Annual report for the year ending 31 December 2023



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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. As a committee we are responsible for checking whether you are receiving value for money. You can find out more about the outcome of our assessment as well as reading more about us and what we do [here](#).

### Value for money

We look at whether you are getting a good deal by rating eight different parts of your pension. Where we can, we compare Legal & General against its competitors.

Our assessment covers the period from 1 January 2023 to 31 December 2023.

This report covers two [Defined Contribution](#) (DC) pension products:

- Legal & General WorkSave Pension Plan
- Legal & General Group Stakeholder Pension Plan

These are both referred to as 'your scheme' and 'your pension' throughout the report. Throughout this document, the terms 'you' and 'your' mean you as a member of these plans.

We also cover investment pathways which are available for you to invest in once you've started to use your pension pot to take a flexible income. Investment pathways are available to both Workplace and Personal Pension scheme members and our assessment covers both.

We use four ratings to assess the level of value you receive, ranging from poor to excellent. We will tell you about the reasons for our decisions:

- **excellent** – of a particularly high standard, often backed through external benchmarking
- **good** – of a high standard, areas identified that could lead to an excellent position
- **acceptable, with areas for improvement** – provides value but important areas for improvement identified
- **poor** – below the standard we expect, with significant room for improvement

An excellent rating does not mean 'perfect'. There will always be room for improvement. We encourage this even where we have provided a rating of good or excellent. We will also adapt our approach over time to meet your needs.

**Our view is that members are receiving good value for money:**

<b>Value for money category</b>	<b>What we consider</b>	<b>2022 report ratings</b>	<b>Our assessment of the value you received in 2023</b>
Costs and charges	Are the costs and charges for your pension competitive and do they offer good value for money?	Excellent	Excellent
Default strategies and their investment performance	Are the default funds appropriate for you to invest in and how well do they perform? If you haven't chosen your own funds, you will be in the default fund.	Acceptable, with areas for improvement	Acceptable, with areas for improvement
Investment choice and performance	Is there a good range of funds if you want to make your own choice? How well do these funds perform? This section excludes default strategies.	Good	Good
Member service and administration	Is your pension well run, and do you receive good service?	Good	Excellent
Member engagement and communication	Do you receive clear, high-quality communications? Are there tools available to help with your retirement planning?	Good	Good
Accessing your pension	What choices are available when you come to take your money? Are there tools and support in place to help you make informed decisions?	Good	Good
Environmental, social and governance (ESG) investing	Is your pension invested responsibly?	Excellent	Excellent
Investment pathways	Are the right investment choices available once you've started to take a flexible income?	Good	Good

You can read more detail throughout this report, but we have summarised a few key areas below.

We improved our rating for member service and administration from good to excellent. This was because Legal & General's service was excellent throughout the year. Your calls were answered quickly and there was a record level of positive feedback. Our rating was also validated by an external benchmarking exercise. We are very impressed and appreciative of the hard work that went into achieving these service levels.

Legal & General completed a detailed review of its default funds in 2023. Following this, it decided to change the main default fund from the Multi-Asset Fund to a Target Date Fund. We were kept regularly informed throughout the review and support this decision. We believe the Target Date Funds have the potential to produce better outcomes for most members in the long term. You can read more about this [here](#).

Most of you were still invested in the Multi-Asset Fund during this reporting period. Because of this we have kept our rating of acceptable, with areas for improvement. We will keep this rating under review during 2024 while recommendations are delivered.

We review 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. We believe they are of good quality. You can find out more about our conclusions [here](#).

## Looking forward

There are several important projects taking place in 2024. We look forward to reporting on these next year. We have also set ourselves some priorities.

- We continue to monitor the change of default funds. If you are in the Multi-Asset Fund, your pension savings will be moved to a Target Date Fund. You will receive a communication to tell you when this will happen
- We will continue to track changes to member communications and engagement tools. This includes the new [L&G App](#) and member engagement on responsible investing issues. We look forward to seeing increasingly personalised and digitalised experiences
- Overseeing key developments to support you as you approach and go through retirement. This will include continued improvements to the tools, services and guidance available

We will review the equality, diversity and inclusion in our committee. This is because we value the importance of making well-rounded and more effective decisions. We will also receive training in this area and decide if any further action is needed.

We will continue to work with Legal & General to understand how it supports its customers when they need it. This is required under Consumer Duty. Consumer Duty is a set of new rules from the industry regulator, the Financial Conduct Authority (FCA). The rules aim to help you make good financial decisions. We explain more about the rules throughout the report. This will remain a focus for us.

We will continue to develop our approach to assessing the value for money you get. We want to create our own method for doing this and may consider working with external experts to support us.

## Joanne Segars

**Independent Chair of the Independent Governance Committee  
September 2024**



### How to contact us

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)

### 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.





## 2023 priorities

Our role is to assess the value for money you receive from your pension with Legal & General. We actively 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.

We identified four key priority areas for 2023, alongside our aim to continue to be an effective, efficient, and fully skilled IGC. You can see these below, along with Legal & General's progress:

### 1. Review of the standard default funds

We asked for regular updates on the methodology and recommendations from Legal & General's triennial investment review of the standard default funds. The objective of the review was to check whether the chosen default funds remain suitable for members and continue to provide good retirement outcomes.

We had regular consultation meetings to ensure any improvement opportunities we identified were considered. We agree with Legal & General's recommendations and will continue to monitor implementation throughout 2024.

[Read more in default strategies and investment performance.](#)

### 2. Supporting members through key life events

We have continued to monitor the support that Legal & General provides you with during times of market uncertainty. The Insight Lab, Legal & General's online feedback community, was commissioned to research members' opinions about the uncertain times hub. Overall, feedback was positive on the content and topics covered. Comments noted that some of the more technical language could be improved. Legal & General completed these changes early in 2024.

### 3. Measuring the experience you receive when contacting Legal & General

We asked the operations team for more detailed reporting on your experiences from the start to the finish of your contact with Legal & General. The reporting was delivered, and the team identified further opportunities to make changes that reduced the time that it takes to process your requests. This has resulted in a quicker and more efficient service for you. We saw the results of this at our site visit to Cardiff.

[Read more in member service and administration.](#)

### 4. Continue to oversee regulatory activity

It's been a busy year in the regulatory space. You can read more about the key activities throughout this report.

- We found out how Legal & General has responded to the Consumer Duty regulations in [member service and administration](#). You can read more in [member engagement and communication](#)
- You can also see how Legal & General aims to provide inclusive and accessible communications for everyone in [member engagement and communication](#)
- In response to a new regulation from the Financial Conduct Authority (FCA), you can now view climate-related financial disclosures reports relevant to the funds and investments within your pension

## 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 was appointed to the IGC in April 2020.

Mark is a senior director at the LawDeb Pension Trustees practice, which is part of The Law Debenture Corporation p.l.c., a FTSE 250 company.

He has experience of a wide range of schemes and sponsoring employers, gained in more than 20 years with Law Debenture, and has encountered most situations likely to face pension schemes.

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 was appointed to the IGC in April 2015.

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 northwest-based choral society and enjoys walking and baking.



### Helen Carey

Helen was appointed to the IGC in March 2023.

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

She has over 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 was appointed to the IGC in March 2023.

Heather has over 30 years' experience 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 was appointed to the IGC in September 2016.

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.

Daniel is a Visiting Fellow at the Global Systems Institute at Exeter University. He is a Member of the Financial Reporting Council's Independent Advisory Panel. He has recently been appointed by the Financial Conduct Authority to chair the Advisers' Sustainability Group, which is developing best practice guidance for financial advisers on addressing and dealing with the key financial risks of climate change, biodiversity loss and social disruption.

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



## Costs and charges

**2023 rating: Excellent**

### Why we gave this score

We consider the costs and charges you pay to be a critical component of value for money for your pension. Last year we confirmed that the costs and charges you pay for your pension are very competitive. This was confirmed by comparing Legal & General with competitors and we are satisfied this has not changed. 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.



### The money in your pension is invested in one or more funds as chosen by you or your employer.

The day to day management of these funds often involves the buying and selling of underlying investments as a necessary part of achieving their overall investment objectives.

This type of selling can incur costs within the fund, also known as transaction costs, which cover things like taxes and commission. A proportion of these transaction costs are covered by members when they buy or sell holdings in a fund, helping to protect existing members in the fund.

### Key areas of success

Your employer will regularly review the charges they pay for providing you with your pension scheme. Very few employers (less than 1%) have chosen to leave Legal & General and change their pension provider. This indicates that the costs (and associated benefits) are competitive when compared to other providers.

For the pension schemes reviewed in this report, there is a regulatory charge cap in place which applies to default funds – the fund your scheme has chosen for you to save into if you don't choose your own investment fund. The charge cap is currently set by the government at 0.75% of your pension pot (or a 75p charge, for every £100 invested). Many pay less than this.

Legal & General's Fund Risk Oversight Committee (FROC) governs the management of the funds available to members and provides us with updates about its activities. 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 investment principles are being followed. It makes sure that suitable funds and the correct policies are in place to provide fairness to all members and receives independent investment advice from an external investment consultant.

This committee 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 committee regularly monitors, reviews and challenges the transaction costs you pay and has concluded that you continue to receive good value for money in relation to these costs.

Previously Legal & General was unable to provide us with information about transaction costs on over-the-counter (OTC) bonds (a type of asset used within some of Legal & General's investments which are not traded through an exchange). During 2023, the way these assets are bought and sold was changed to a new platform which means the transaction costs can now be assessed, and we judge these to represent good value for money.

### Benchmarking

In 2022, we asked Legal & General to participate in an external data comparator exercise, carried out by an independent consultancy. As there is very little change to the charges you pay each year, we are comfortable that the conclusions drawn from last year still apply.

Compared to other pension providers, the costs and charges you 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.

### Areas for improvement:

Legal & General's costs and charges for members remain highly competitive and we will continue to benchmark costs and charges and monitor these on an ongoing basis.



# Default strategies and their investment performance

**2023 rating: Acceptable, with areas for improvement**

## Why we gave this score

A default fund is the fund your scheme has chosen for you to save into if you haven't selected your own investment fund. Alongside how much you pay in, and the level of costs and charges, the default funds' investment performance is one of the most important things that determines the value of your pension in the future.

We have evaluated all of Legal & General's scheme default fund options and their investment performance. We've mostly focused on the two main default options: the Multi-Asset Fund (MAF) and the range of Target Date Funds (TDFs). We'll explain how these differ, and why we think TDFs are a better choice for most of you.

The Multi-Asset Fund (MAF) was the main Legal & General default fund and where most of you were invested. This has been the case for several years. For this reason, our assessment of MAF had the greatest effect on our overall score.

We gave a great deal of attention to Legal & General's detailed review of its default funds and were kept informed throughout. The review is an important way of making sure that the default funds are aligned with your needs.

We felt there were some opportunities to seek better outcomes, especially for those of you invested in MAF. By 'better outcomes' we mainly mean a bigger pension pot when you retire.

As a result of the review, Legal & General is expanding its range of TDFs to include the Lifetime Advantage Funds, and is changing the main default fund from MAF to one of the TDFs. We support this decision because we think TDFs have the potential to produce better outcomes in the long term.

Unlike MAF, TDFs are designed around your chosen retirement age and will automatically adjust the way your pension savings are invested as you move closer to, and then into, retirement.

The expanded range of TDFs, including the Lifetime Advantage Funds, will be made available to you during 2024. If you are currently invested in MAF, you will be told which TDF your savings will be moved to. You will receive a communication to tell you when this will happen, along with alternative options available to you.

You can find the detailed outcomes of the review of the default funds and their individual performance later in this section.



## Want to explore your fund choices?

With your [online account](#) from Legal & General you can explore and change your investment options as well as keeping track of investment performance.

### Log on or register to:

- Check the value of your pot and see if your pension is on track with a retirement planning tool
- See your transactions and contributions and change the amount you are saving
- Nominate and manage beneficiaries
- Update your contact details
- View and request plan documents

## Key areas of success

TDFs have done a good job at meeting or exceeding their Cash+ performance comparators over the long term. You can read more about this under [investment performance of default funds](#).

Legal & General continues to improve the TDFs. This includes increasing the amount of risk taken when members are younger in the expectation of better returns.

In addition:

- Legal & General continues to be a market leader in investment stewardship
- we also appreciate that Legal & General is one of the few providers that chooses to appoint an independent investment adviser. We view this as a demonstrable sign of its commitment to transparency and acting in your best interests

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

We receive updates from Legal & General's Fund Risk Oversight Committee at IGC meetings with details of the activities that are in progress. Twice a year it also provides a detailed update on fund performance. This includes the default strategies. This year we were also kept up to date with recommendations and plans following the detailed review mentioned above.

We review these activities at our committee meetings and provide our feedback. Legal & General also updates us on the advice it receives from its independent investment adviser.

## Detailed review of Legal & General's default funds

Legal & General regularly monitors the default funds to make sure they are performing in line with the funds' objectives. It looks at whether the defaults will deliver good retirement outcomes for you.

Once every three years, it performs a more detailed review. This was carried out throughout 2023. It's an important opportunity to check that Legal & General's default funds are suitably designed to meet your retirement needs. It also checks that they reflect any changes in pension regulations and adopt industry best practice.

In completing its review, Legal & General took account of a full range of factors including:

- the outcome members can expect to achieve. This includes whether these support adequate living standards through retirement
- how and when members access their pension savings
- whether the level of investment risk is appropriate across a retirement savings journey
- the overall characteristics of different members invested through a default fund

Legal & General models how the default funds might perform in different scenarios. It checks to ensure it suitably manages risks and opportunities throughout.

It also looks at wider market trends and the funds offered by other pension providers.

The main recommendations of the 2023 detailed review were ways in which the Legal & General defaults could be improved further.

- For members with 30 years or more to retirement – increasing the share of investments which aim to provide higher returns and holding them for longer. This is expected to improve the amount of your pension savings by the time you retire
- For members with five years or less to retirement – reducing the share of investments which are designed to provide higher returns as they approach retirement. This is designed to better protect your pension savings as you approach retirement

The proposal for changing the main Legal & General default fund will address the improvement opportunities identified.

## Investment performance of default funds

There are many factors that can affect the value of your retirement savings, such as:

- how well the funds have met their performance objectives over short and, more importantly, longer periods of time
- the effects of inflation
- how and when you choose to access your retirement savings
- how much you and your employer contribute
- the charges that you pay to invest in each fund

In our assessment we have:

- particularly focused on MAF, as this was the main default and is where most members were invested throughout 2023
- given greater weighting to longer-term performance. Most members are invested for the very long term (of 30 years or more)
- focused on how well funds have performed historically against their stated objectives
- compared performance against default fund options offered by other pension providers

## Investment performance over the reporting period

### Multi-Asset Fund (MAF)

MAF was designed to grow your pension savings over the long term, while providing protection against high levels of volatility. It aims to achieve this by keeping its risk level at two thirds of the volatility of a global equity portfolio. While it met its volatility targets successfully, MAF did not achieve the level of investment returns we would have expected, based on its approach to volatility, from all periods from one to 10 years.

Volatility means how much the investment value swings up and down over time. Lower volatility means less uncertainty, but also less chance of higher returns. Higher volatility means more uncertainty, but also more opportunity for higher returns.

Unlike many other default funds, MAF does not automatically change the mix of investments while you save. With most default funds, there is higher risk and growth in the early and mid-years, and then lower risk and growth in the later years. This is not the case with MAF.

MAF's risk level is typically lower than default fund options provided by other pension providers. This is particularly the case for members who have a longer time to save before retirement. It was designed that way as, when the fund was launched, it was difficult to predict how and when members would take money from their pensions. At that time, Legal & General felt it made sense to maintain a consistent level of investment risk throughout a member's lifetime.

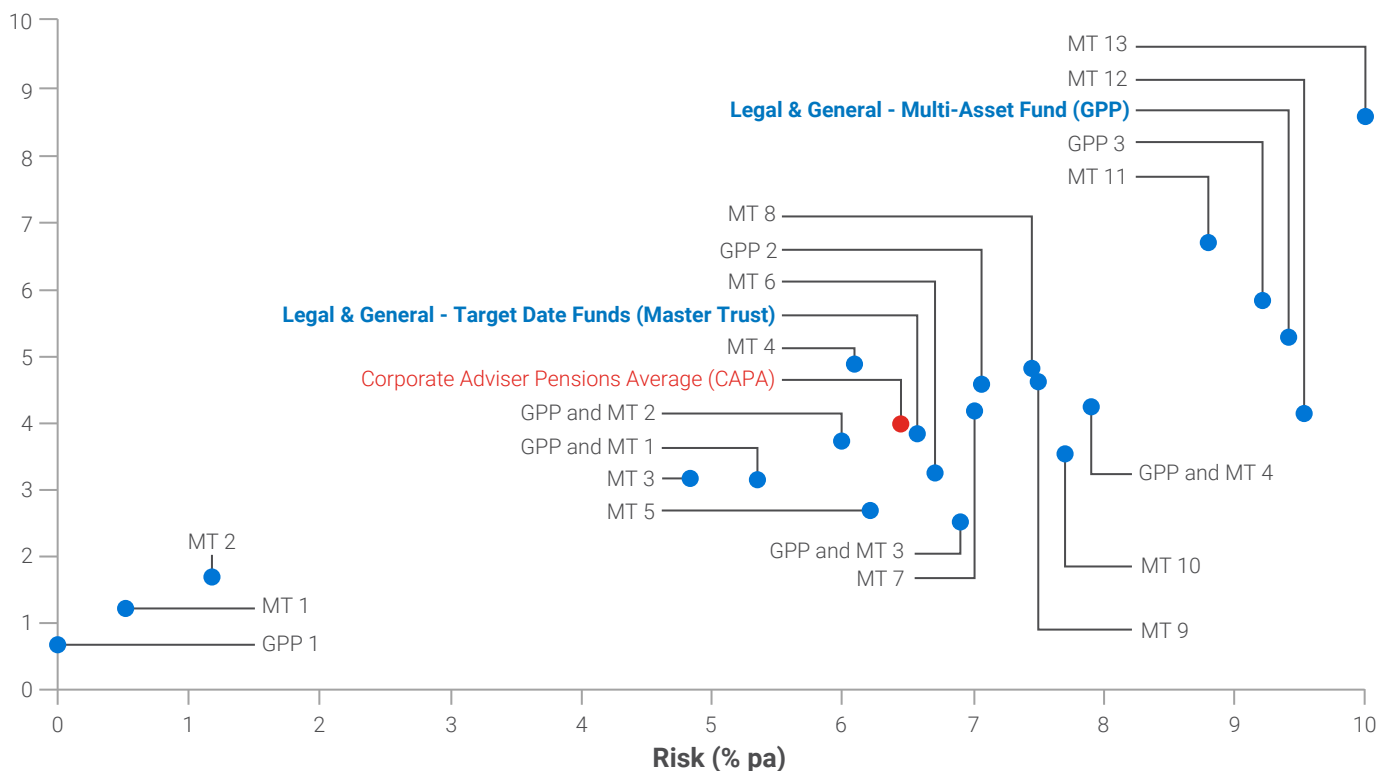
We used the findings from an industry report published by Corporate Adviser to compare the performance of Legal & General's default funds against the default funds offered by other pension providers. The report offers the most comprehensive set of publicly available data on the performance of default funds in the UK.

The following charts show the level of investment risk versus investment returns for members over specified periods. The returns are measured against the vertical axis, and the risk taken is measured against the horizontal axis. For example, where a fund has delivered a high return with a high amount of risk it will be plotted within the chart in the top right-hand corner. Conversely, a fund that delivered a low return with a low amount of risk would be plotted in the bottom left-hand corner.

Returns are calculated gross, i.e. before charges have been deducted. This means that the actual returns experienced by members will be slightly different to that shown here once charges have been accounted for. Data is for the five years to 31 December 2023.

The chart below shows the risk and returns for members at one day before retirement. In this period MAF delivered higher returns than many of the other providers for members approaching retirement. However, this was done while taking much more risk than most of the other providers, which means these members will likely have seen the value of their pension pot move up and down in value more than others.

### Return (% pa)



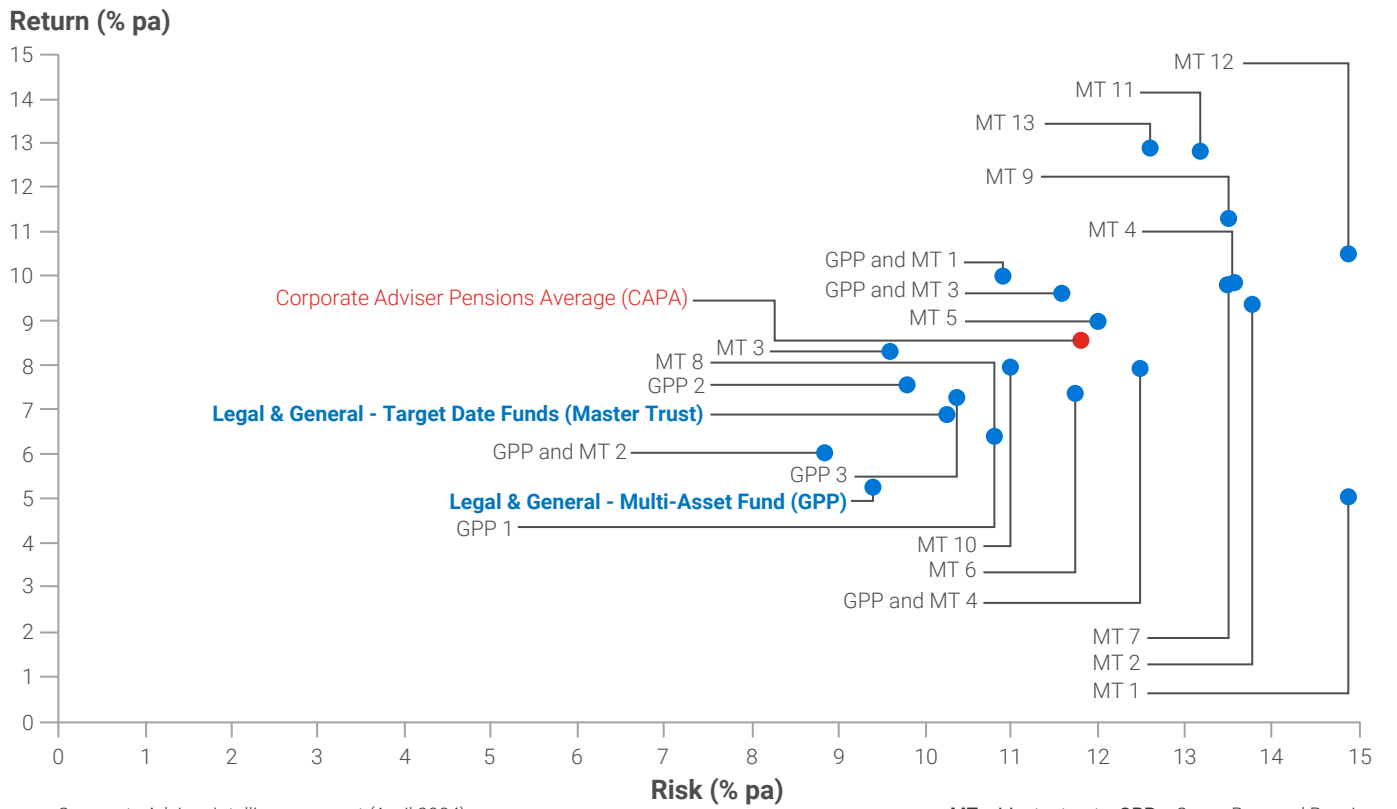
Source: Corporate Adviser Intelligence report (April 2024).

MT = Master trusts GPP = Group Personal Pensions

**Past performance is not a guide to the future.**



The following chart shows the risk and return for members who are 30 years from retirement. In this period MAF did not achieve the level of returns we would have expected for members with a much longer period before retirement. As can be seen in this chart, the level of risk taken was much lower than most other providers, which contributed to the lower levels of return.



Source: Corporate Adviser Intelligence report (April 2024).

MT = Master trusts GPP = Group Personal Pensions

**Past performance is not a guide to the future.**

Over time it's become easier for Legal & General to predict how and when members might take their money at retirement. This influenced the recommendations under Legal & General's detailed review of the default funds.

**Target Date Funds (TDFs)**

Legal & General monitors the investment returns of its TDFs against a Cash+ comparator. This is a simple measure of how well you have been rewarded by investing in a diversified portfolio of assets over the long term. It compares with the Bank of England interest rate plus a fixed percentage. This is why it is referred to as Cash+.

The TDFs have done a good job at meeting or exceeding their Cash+ performance comparators over the long term.

Legal & General's default funds have typically had less exposure to certain markets, like the US, when compared with default funds provided by other pension providers.

This approach is driven by its diversification beliefs. One of the benefits this provides is to reduce the risk of losing a great deal of money if one market does very badly. This is because it spreads your pension savings across lots of different investments.

In recent years the US market has been the best performing market. This is largely due to the performance of a small number of US technology stocks.

Given how well this market has performed over a sustained period of time, the FROC challenged its independent investment adviser and the Legal & General Asset Management business to review this position. The results of this exercise are due in 2024. We expect to be kept informed of any changes that arise from this.

Some employers choose to use their own bespoke default funds. Legal & General continues to monitor all bespoke default funds and engages with employers to ensure they are regularly reviewing the suitability of these arrangements with their own investment advisers.

## Performance of the default funds as at 31 December 2023

### Multi-Asset Fund

Default strategy	Fund name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		10-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
Multi-Asset Fund	Multi-Asset Fund NTW3	ABI Mixed Investment 40-85% shares	8.3%	8.3%	1.7%	2.6%	5.1%	5.6%	6.1%	5.1%	6.5%	6.2%
		Bank of England Base Rate +3.5%	8.3%	8.1%	1.7%	5.5%	5.1%	4.9%	6.1%	4.5%	6.5%	4.5%
		CPI	8.3%	4.0%	1.7%	6.6%	5.1%	4.3%	6.1%	2.9%	6.5%	2.9%*
		2/3rd's Global Developed Equity	8.3%	13.4%	1.7%	6.2%	5.1%	8.7%	6.1%	7.1%	6.5%	7.9%*

\*These figures are calculated from 31/01/12 to 29/12/23.

### Target Date Fund (Growth)

Default strategy	Fund name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		10-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
Target Date Funds	Target Date Fund 2055-2060	Bank of England Base Rate +4.0%	10.5%	8.7%	4.2%	6.0%	6.8%	5.4%	N/A	N/A	5.4%	5.1%

### Target Date Fund (Retirement)

Default strategy	Fund name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		10-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
Target Date Funds	Target Date Fund 2020-2025	Bank of England Base Rate +2.0%	7.4%	6.7%	0.9%	4.1%	3.7%	3.6%	N/A	N/A	3.2%	3.5%

## Future World Multi-Asset

Default strategy	Fund name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		10-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
FW Multi-Asset	Future World Multi-Asset Fund	ABI Mixed Investment 40-85% shares	8.9%	8.3%	1.8%	2.6%	5.4%	5.6%	N/A	N/A	4.3%	3.5%
		Bank of England Base Rate +3.5%	8.9%	8.1%	1.8%	5.5%	5.4%	4.9%	N/A	N/A	4.3%	4.9%

## Retirement Income Multi-Asset

Default strategy	Fund name	Comparator	1-Year Performance		3-Year Performance		5-Year Performance		10-Year Performance		Performance since inception	
			Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator	Fund	Comparator
RIMA	Retirement Income Multi-Asset Fund	Bank of England Base Rate +3.5%	7.5%	8.1%	1.9%	5.5%	4.6%	4.9%	N/A	N/A	5.4%	5.2%

**Past performance is not a guide to the future.**

## Areas for Improvement

We will continue to have oversight of the project to move those of you invested in MAF to one of the TDFs. We will also monitor the ongoing improvements to TDFs, to ensure the changes happen smoothly and deliver the right results.

We will monitor the progress of the launch of the new default, the Lifetime Advantage Fund, and will provide an update in next year's report.

The review of the default funds' exposure to world markets will be complete. If any changes are made as a result, we will let you know.



## Investment choice and performance

**2023 rating: Good**

### Why we gave this score

In this section we consider the selection of funds available to those of you who make your own investment choices, instead of investing in your scheme's default fund. We also look at different characteristics of these funds, such as their investment performance, the type of options available, and whether the range provides appropriate choice for members with specific investment requirements or beliefs.

Overall, we are satisfied that the investment choices Legal & General offers are well designed and appropriate for most members. We believe that Legal & General has strong investment capabilities across a wide range of assets and it continues to introduce new investment opportunities for you to choose from. The performance of the self-select funds provided by Legal & General has been very good and the vast majority have a good responsible investing rating.

Legal & General, alongside its independent investment adviser, has a robust process for the selection and monitoring of all funds. You can have confidence that the range available is regularly monitored and considered suitable for you to choose from.

In line with the long-term nature of pension savings, last year the adviser's performance assessments were updated to focus on a wider range of time periods. The assessments are designed to make sure all funds are performing in line with their objectives throughout your pension savings journey. Legal & General works closely with its adviser to monitor the funds against a range of criteria and ensure they remain suitable for selection. It is committed to act where any funds fall short of these standards.

### Key areas of success

Legal & General maintained a broad range of funds for you to choose from, that support the aim and commitments under the Statement of Investment Principles. These include funds that are actively managed by a fund manager, who chooses the companies and other securities to invest in, or passively managed funds that aim to produce fund returns by tracking a specific index, like the FTSE 100 or the S&P 500.

You can also choose from a range of funds that invest in different ways. Some are managed by Legal & General's Asset Management division and some by other external fund providers. These provide you with the opportunity to invest across a diverse range of funds, such as a particular country or with a particular focus on responsible investing.

Legal & General demonstrated good governance as three funds were removed or approved for closure during the year. This was because of poor performance or other characteristics that don't meet its standards. Legal & General has contacted those of you impacted by these closures to explain the options available to you.

### Areas for improvement

We'd like Legal & General to continue to review the appropriateness of the size of the fund range. We are keen that you have access to a good range of options but are aware this needs to be balanced with ease of choice and decision making. We want to ensure there is a clear purpose for each fund included in the range. Legal & General is already reviewing this and we look forward to hearing their recommendations.

Legal & General is introducing a selection of Shariah-compliant investment options. The new funds follow the Islamic principles of investing, such as avoiding interest, gambling, alcohol, and other forbidden activities.

It is also launching a Shariah lifestyle strategy, where your investments will be automatically adjusted based on your age and retirement goals. These options will allow you to invest in a way that is consistent with your faith and values. We will report on the launch of these funds next year.



### Want to explore your fund choices?

With your [online account](#) from Legal & General you can explore and change your investment options as well as keeping track of investment performance.

#### Log on or register to:

- Check the value of your pot and see if your pension is on track with a retirement planning tool
- See your transactions and contributions and change the amount you are saving
- Nominate and manage beneficiaries
- Update your contact details
- View and request plan documents

## Member service and administration

**2023 rating: Excellent**

### Why we gave this score

The operations team maintained and improved on the strong service levels that were delivered in 2022. In some areas the team delivered record results, with an excellent overall service level. They met 97% of targets for administration and the helpline.

We had asked to see more detailed reporting covering the overall end-to-end member journey. The reporting was delivered, and the team identified further opportunities to make changes. These reduced the time that it takes to process your requests – resulting in a quicker and more efficient service for you.

Last year, we challenged the operations team to improve the speed and percentage of calls answered across all helplines. The target was to answer at least 95% of calls before the caller abandons their call. The team reached this target by the middle of the year, and then continued their progress and answered 97% of calls by the year end. We are very impressed and appreciative of the hard work that went into attaining this score.

In addition, the typical time taken to answer a call was dramatically improved. This was from an average of three minutes and 48 seconds last year to just two minutes and 17 seconds this year.

A record level of positive feedback was received about service quality as well. You can read more about this in the feedback part of this section.

Excellent service levels were also maintained for automated processes (99.7% against a target of 95%). These are administration tasks that are completed without colleague intervention. An example of this is the collection and allocation of regular contributions to your pension pot. Legal & General processed all contributions within one day and in 100% of cases. Processing times for all other key administration tasks were within targets throughout 2023.

These results were validated by an external benchmarking exercise which supports our rating of excellent. Legal & General performed well over the year compared to other pension providers. The team also coped well with the highest number of average calls to the helplines over the year. The exercise also highlighted the significant improvement in answer times.



### Consumer Duty

The introduction of Consumer Duty is a set of new rules from the Financial Conduct Authority (FCA, the industry regulator). The rules are there to help you make good financial decisions. Described by the government's [Money Helper website](#), the Duty states:

- products and services must offer value, be right for you and be easy to cancel
- key information must be clear and not hidden in complex documents
- support must be helpful and easy to access
- firms must help if you're struggling or have a problem

Legal & General has a [well-established group-wide programme](#) in place to respond to this. It has considered the price and value of products, how products are understood by members, and the communications and support available to them.

### Key areas of success

The introduction of these regulations led to a very significant programme of activities and the operations team kept us updated on progress throughout the year. There was a strong emphasis on colleague training, which you can read more about on the next page. There was also a full review of member journeys. For example, how the process works if you contact Legal & General for a retirement quotation, or transfer-out. This highlighted critical moments in the journey that could be developed and tested. This resulted in improvements to the communications you receive.

The team looked at how they could make sure that if you tell Legal & General about an accessibility need, it could be recorded successfully. For example, if you need communications in Braille or large print. This means they can refer to your preference in the future so that you only need to tell them once. Enhancements were made to the management information system. This means that Legal & General can show that good customer outcomes have been achieved. If poor outcomes are identified action can be taken quickly to correct them.

You can find out more in the [member engagement and communication section](#) of this report.

## Colleague recruitment, training and competency

The IGC recognises the importance placed on recruiting, retaining and nurturing colleagues in the operations team and the role it plays in providing continued stability in, and quality of, service levels.

During our site visit in November 2023, we saw how Legal & General is attracting a high calibre of new joiners. The company continues to strongly invest in the development of its colleagues. Over the last year, several initiatives have been introduced including:

- recruiting from different backgrounds such as nursing and caring. This has helped to support members and their families in the event of a claim for ill health or the death of a loved one
- training colleagues so that they can support other teams when they are busy
- providing training, access to apprenticeships and a clearer career progression pathway for colleagues on the helpline

As well as the impact on the quality of service you receive, these measures have improved the experience of colleagues. This has led to the operations team getting record satisfaction results in its annual feedback score.

## Acting on feedback to improve member experience

Using the Institute of Customer Service's framework for service excellence, Legal & General has been able to measure how its members and teams think and feel about the services it provides and their experiences of them. The exercise will now be repeated annually, and the results benchmarked across wider service sectors and pension providers. This provides the team with insight to develop and enhance the service that you receive, which we will continue to monitor.

During the year the area received the highest ever positive customer feedback score with a net promoter score (NPS) of +43. NPS is a widely used market research score which measures how likely it is that you would recommend Legal & General to friends and colleagues.

Customer satisfaction also scored very highly with a score of +79, where +40 is considered 'very strong'. To measure this, you might be asked 'How satisfied or dissatisfied are you with the service you received from Legal & General?'. The ease of resolving queries was also rated highly with a score of 80.

If you are asked to provide feedback, you will have been randomly selected by an external company which Legal & General uses to help it collect this data.

We were kept fully informed on feedback gathered over the year. The positive results supported our rating of 'Excellent'. The feedback gave us a robust, comprehensive and independent view of your experience when contacting Legal & General. This demonstrated that the operations team consistently met management and member expectations.

## Improving infrastructure and technology

Legal & General's new contemporary office building in central Cardiff was opened in 2023. Named 'Calon' – meaning 'heart' in Welsh, the eco-friendly office is home to all colleagues in operations. When we visited it was clear to see the positive energy and collaboration the new building is creating.

The passion of the team to deliver the best service was evident throughout the visit. This is reflected in the consistently high service level scores achieved last year.

Legal & General is investing in a transformation programme which will create a more resilient pension administration platform. This will help it to maintain its excellent customer service standards as the business continues to grow. The platform is being modernised so that colleagues will have access to the latest tools and features. This will allow them to respond quickly to changes in regulation and customer feedback.

The screens that colleagues work through when they respond to your requests are also being simplified and improved. During our site visit we were shown how the initial improvements made are resulting in the significantly simpler and faster processing of requests.

## How risk is monitored and assessed

The annual independent audit of the operations team's systems and processes (AAF 01/20) was undertaken. The report received an unqualified rating which demonstrates that Legal & General met its control objectives and that these operated as designed.

This is the first time it has achieved this rating, demonstrating the strong focus that the operations team has on its risk and control framework. Very few actions were required, and the operations team has presented its approach to resolving these to us.

## Areas for improvement

We expect to see Legal & General maintain its excellent service levels.

We also expect Legal & General to continue to identify and support vulnerable customers.



## Member engagement and communication

2023 rating: **Good**

### Why we gave this score

We believe that Legal & General continues to provide you with communications that are appealing and are right for your needs at different stages of your savings journey.

Significant progress was made last year with enhancements to [Manage Your Account \(MYA\)](#). This is the online portal where you can keep track of your savings. The [retirement planning tool](#), which helps you check if your savings are on track for retirement, was re-designed and relaunched. And great feedback was received about the member presentations webinar programme. This covers subjects like financial wellbeing, general pensions education, responsible investing and preparing for retirement.

In addition to the above, we were updated on positive progress of the following projects, mentioned in last year's report:

- making sure the communications you receive follow the rules of the new Consumer Duty regulations
- how communications have been tailored for individual accessibility needs. These include the needs of neurodiverse, deaf, visually impaired, blind and dyslexic members

We have focused particularly on the improvements being made to transactional communications in our recent reports. These are the communications issued around events occurring during your membership of your workplace pension plan. These include joining the plan, approaching retirement and the payment of your benefits.

While we were disappointed that the expected improvements have not been made as quickly as we would like, the auto enrolment communications did go live in April 2023. These are the emails or letters you receive when you first join your employer's pension plan. Also, the new Lifepoint letters that you receive as you approach retirement were in use before the end of the year.

Legal & General used a set of communications principles to guide the changes that were made. When tested with members against the Consumer Duty regulations the communications performed well.

We expect more to follow during 2024. We also anticipate the release of a new and improved mobile app for members, known as the L&G App, later in the year.

### Key areas of success

Legal & General's ambition to use a digital-first approach when sending you communications continues to evolve.



### We mention Consumer Duty several times in this section.

These are new rules from the Financial Conduct Authority (FCA, the industry regulator). The rules are there to help you make good financial decisions. Described by the government's [Money Helper website](#), the Duty states:

- products and services must offer value, be right for you and be easy to cancel
- key information must be clear and not hidden in complex documents
- support must be helpful and easy to access
- firms must help if you're struggling or have a problem

Legal & General has a [well-established group-wide programme](#) in place to respond to this. It has considered the price and value of products, how products are understood by members, and the communications and support available to them.

The auto enrolment and Lifepoint letters mentioned above are being sent by email, where a valid email address is held, rather than by post.

Among the enhancements to [Manage Your Account \(MYA\)](#), some of the key changes were:

Improvements were made to the nomination of beneficiary process. This is where you can tell us who should receive your pension savings in the event of your death. The simplified process is much easier to complete. It means you can always see your chosen beneficiaries online and it allows you to make instant changes and add multiple beneficiaries.

Five months after the implementation, customer satisfaction scores with the nomination process had increased to 4.25 out of 5. This compared to an average of 2.65 out of 5 for the old process. Ease of use scored 6.27 out of 7.

Enhancements have been made to the content you see when using your pension pot to take a flexible income. A host of features should make it easier to see the pot value and fund breakdown, and view documents, fund factsheets and account transactions. Financial planning tools are placed prominently, such as a drawdown calculator and the ONS Life Expectancy Calculator. A feedback survey lets you tell Legal & General which new features you'd like to see.

Further development work will continue over 2024 to allow more online functionality for those of you taking a flexible income and considering retirement options.

These will include making one-off withdrawals, changing regular payments, updating bank details and changing investments, and the introduction of fully online 'quote and apply' processes. We will assess these initiatives in our report next year

### Combining your pension pots

At our annual member forum, you said you wanted to know more about how to bring your pension pots together. You can now access a free service from within MYA that helps you quickly combine your old pension pots into your Legal & General pension plan.

If you know the name of your previous pension provider and your policy number a transfer can start straight away. Things to consider are explained before proceeding and if you decide to go ahead, the transfer can take place in as little as 2-5 weeks.

Combining old pots into one will typically reduce the costs you pay for administration and fund management. It should make it easier to keep track of your savings and plan for your retirement. It's important to note though, that having pension savings in one place might not be right for your individual circumstances.

### Consumer Duty

We've considered the approach the communications team has taken to ensure the communications you receive comply with the Consumer Duty rules. We are satisfied that this is the case. A comprehensive testing schedule looked at all member journeys. They identified critical communications or touchpoints for Workplace pension members. Testing was undertaken, including using external research companies.

Although we consider Legal & General's communications to be of an already high standard, the results showed that some improvements must be made to some of the more complex documents.

There are plans to update these throughout 2024. Communications will be monitored through regular reporting and gathering member feedback. Communications will be re-tested where relevant to ensure the changes are positive.

The team has adopted communications principles, written to align with best practice guidelines. Communications that were re-written using these principles scored very highly.

### Accessibility

The communications team has made some significant progress in their mission to provide inclusive and accessible communications for all. This is also aligned with a key requirement of the Consumer Duty around supporting vulnerable customers. They may be at more risk of making poor financial decisions due to their personal circumstances and accessibility needs.

After a full review of the current communications the team has made improvements to letters and emails. They've tested



### Stay on top of your pension

With your [online account](#) from Legal & General you can:

#### Log on or register to:

- Check the value of your pot and see if your pension is on track with a retirement planning tool
- See your transactions and contributions and change the amount you are saving
- Combine your pensions
- Nominate and manage beneficiaries
- Update your contact details
- Explore and change investment options
- View and request plan documents

core communications with the [Royal National Institute of Blind People \(RNIB\)](#). They continue to work with other expert organisations.

A set of guidelines has been launched for colleagues, as well as a preference centre on the website. Here you can tell Legal & General if you'd like your communications in a different format, such as Braille or large text.

We've been impressed with the level of research, testing and changes being made to the communications you receive and have been kept fully updated by the team on the direction of progress. You can also read more about how colleagues in the operations team are supporting vulnerable customers in the [member service and administration](#) section of this report.

### Keeping you updated about your pension

The Legal & General team informed us about several other initiatives.

Member engagement webinars have continued to generate lots of positive feedback. Run on multiple dates and times to allow flexibility for those wanting to join, members from over 300 schemes took part. The sessions had a total of 13,522 attendees and an additional 5,596 on demand viewers. The webinars were rated an average score of 4.5 out of 5.

You can sign up for future webinars in Legal & General's [Learning Zone](#).

A greater number of you received proactive email campaigns or newsletters in the last year, as the program was expanded. Topics included registering for MYA, nominating beneficiaries and video pension benefit statements.

The average open rate for the emails was 38%, compared to an industry benchmark of 26%.

The annual member forum took place in November, in partnership with the Legal & General Mastertrust. Nearly 4,200 of you attended virtually on the day, submitting 388 questions during the event. To date there have been 7,426 viewings of the event recording. We recognise that a significant amount of work went into improving the speaker content and production values for this year's event and were delighted to receive so many positive comments from those that attended.

The Insight Lab is Legal & General's online feedback community made up of members who volunteer to give their opinions. It was used to research members' opinions about the uncertain times hub. Overall feedback was positive on the content and topics covered. In-depth comments demonstrated that some of the language used to describe more technical aspects could be improved. Legal & General has worked to make these enhancements early in 2024.

Legal & General has created additional communications that explain its approach to responsible investing, focusing on a key area which is the management of environmental, social and governance (ESG) issues. A new video was launched on the [ESG hub](#), along with member versions of key documents like the [Active Ownership report](#) and [Climate Impact Pledge](#).

You can now view a [climate-related financial disclosures report](#) relevant to the funds and investments within your pension. This is in response to a new regulation from the FCA. We look forward to seeing more information on how members are engaging with these communications in the future.

## How the IGC monitors member engagement

One of our responsibilities is to ensure the communications you receive are fit for purpose and take into account the different characteristics, needs and objectives you have. Our Communications Working Group met on a quarterly basis throughout the year to help monitor progress and fulfil our regulatory requirements in relation to member engagement. Throughout the year, we:

- were kept up to date on the progress of the communications plan and in particular the plans for improving the key stage communications
- reviewed important member communications and provided feedback to the communications team. These included auto enrolment communications, Lifepoint letters and the maturity pack
- were given an overview of the plans to make communications more accessible for members
- received a detailed demonstration of the Insight Lab and had regular updates on the insights gathered from it

- received an update on the development of the retirement planner tool. This included the ability to add additional DC pension pots, final salary pensions or other fixed incomes, add and model contribution breaks and the State Pension, and model the impact of delaying retirement

## Benchmarking

In an external benchmarking exercise, Legal & General's approach to provide a range of member communications was given a 'good' score. Communications were described as high quality across the six pension providers in the study. Legal & General scored slightly higher than the average.

Compared to the other pension providers, the range of communications provided by Legal & General was considered 'strong'. Examples of these included the personalised video pension benefit statements and nudge communications you receive in the months before retirement. Communications about retirement begin at age 50, one of the earliest touchpoints among the providers taking part.

Legal & General had the second highest average number of unique users of its online pension management portal, Manage Your Account. The study suggested that combining all member information and insights into one place could be helpful. Encouraging more engagement with the financial wellbeing content would be positive. In the future, statistics gathered from the new L&G App should be able to provide a broader range of insight of member engagement.





## Areas for improvement

It is clear to us that much work is being done to keep member communications fresh and interesting, and to broaden the types of communications that you receive. We expect this work to be maintained, in addition to the following:

- external benchmarking would need to demonstrate communications are market-leading in comparison to other pension providers
- the new L&G App must be delivered
- continued delivery of improvements to, and digitalisation of, the transactional communications. The maturity pack which outlines the options you have at retirement went live in February 2024. We expect to be able to report on the pension benefit statements, wake up packs and leaver communications in next year's report

Some additional initiatives that we expect to be able to report on next year include:

- work to provide more targeted communications to you. These will reflect factors such as where you are in your savings journey, your interests and how you want to engage with your pension
- continued improvements to the tools, services and guidance available to you as you approach and go through retirement
- development to make member information and financial wellbeing content more accessible



## Accessing your pension

**2023 rating: Good**

### Why we gave this score

Deciding when to take your pension pot, 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 offers you the full range of retirement options, and flexibility in how and when you choose to take your money. There are good tools and information available to help you make informed decisions. The options available when you take your benefits include:

- taking a guaranteed income for life (an annuity)
- taking your pot as a cash lump sum
- taking it out a bit at a time, and leaving your money invested (flexi-access drawdown)
- a combination of the above

If you decide to buy an annuity, Legal & General offers a range of income options. In addition to an annuity for life, you can buy a fixed term annuity for a chosen period, with or without a maturity lump sum at the end of the period.

We recognise that when accessing your pension benefits, you require convenience and ease of access, while also being given the appropriate support and warnings about the risks you should consider. When you take a lump sum from your pot, Legal & General provides access to a dedicated team to take you through the full process over the phone, removing the need for you to complete paper forms. This was previously only available if you had £10,000 or less in your pot, but was extended last year to include all pot values.

Improvements have been made to [Manage Your Account \(MYA\)](#) for those of you using some or all of your money to take flexi-access drawdown. This means the experience you receive once you start to take an income is like the one you had while saving – you can see your pot value and investment holdings, transaction history, the documents relating to your account and access tools and calculators to help you plan.

At the same time, the paper application process for taking a flexible income payment was also simplified and standardised. Processing rules were extended to allow more time to return the application form before the quotation expired. For those choosing to take repeat one-off payments, the process was streamlined so that a paper maturity pack (which outlines the options you have at retirement) was only issued once instead of at every request.

You can now benefit from receiving text messages to keep you fully updated on the progress of your flexi-access drawdown payments.

Lifepoint letters, which encourage you to review and make sure your investment choices are appropriate as you approach retirement, were updated and included in Legal & General's digital-first approach for sending communications. Of the initial batch of letters sent in December, 60% were sent by email, where previously 100% would have been issued by post.

### Key areas of success

Legal & General continued to maintain a varied suite of communications to help with accessing your pension.

If you are aged 45 or over with a pension pot of £20,000 or more, you can access a paid-for advice service through Legal & General Financial Advice (LGFA). Members can also seek guidance through [Pension Wise](#), a government service offering free and impartial pension guidance for the over 50s, which is signposted throughout the retirement journey.

A range of helpful information about approaching retirement, case studies discussing taking pension benefits early and links to the financial wellbeing site, Go&Retire, can be accessed at key points throughout your pension journey.

Legal & General has continued to develop its online retirement planning tool, which now includes the ability to add additional DC pension pots, final salary pensions or other fixed incomes, add and model contribution breaks and the State Pension, and model the impact of delaying retirement. Tailoring the tool to your specific circumstances may make it easier to understand how much you might need in retirement.

### 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 these products.



## Benchmarking

In an external benchmarking exercise, the options that Legal & General offers you at retirement were compared to those of other pension providers. All pension providers received a 'good' score and were considered to offer a wide range of guidance and information to you when needed, and offer similar ways for you to take your pension pot.

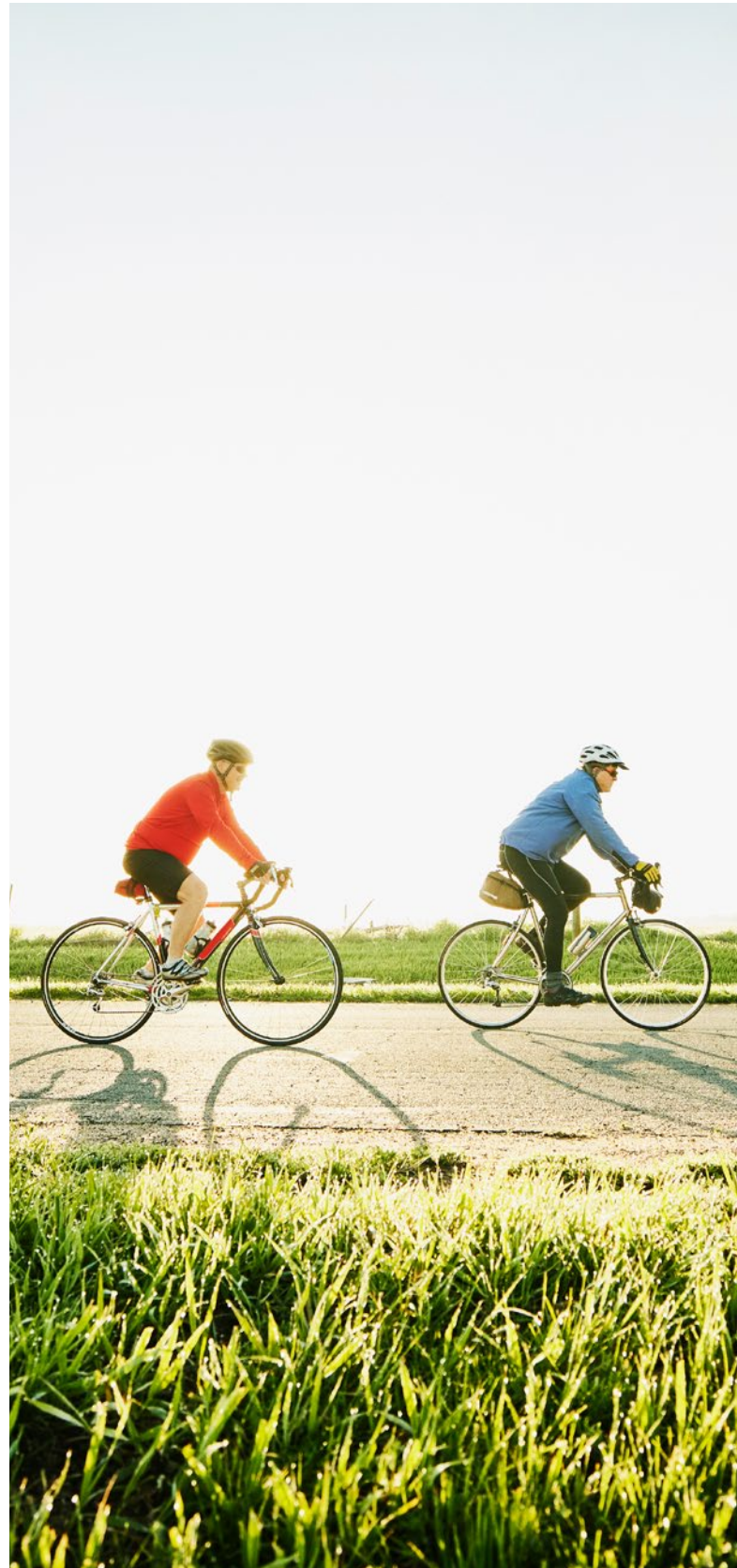
Although there is flexibility in how you can take your pension pot, Legal & General was the only pension provider to impose a £2,000 minimum limit for taking a lump sum (known as an uncrystallised funds pension lump sum) outside of the flexible income drawdown process.

## Areas for improvement

In 2024, some key communications that you receive in the months before retirement have already been, or are due to be redesigned or delivered in a different way:

- the maturity pack, one of the key communications that you receive in the months before retirement, was redesigned and updated and is already in use. You will receive it digitally where Legal & General holds an email address for you. We hope the changes made will significantly enhance the experience you receive by making your options easier to understand and act on
- the wake up pack which you receive five and 10 years before retirement will also move to digital delivery and be produced in a way that allows for immediate content updates and the option to use member data to add greater levels of personalisation

Further enhancements are scheduled to [Manage Your Account \(MYA\)](#) or those of you taking flexi-access drawdown. Informed by member feedback, these will provide a simplified journey for those of you taking lump sum payments and will introduce new educational content and tools to support your decisions.



# Environmental, social and governance (ESG) investing

2023 rating: **Excellent**

## Why we gave this score

Legal & General continues to lead the industry in this area, and we have been kept updated on its stewardship activity and fund developments throughout the year. Regular reports to the industry on Active Ownership and its Climate Impact Pledge demonstrate excellence in a wide range of ESG initiatives. You can find summaries of these reports on the [ESG hub](#).

Several different external benchmarking exercises also confirmed that Legal & General's ESG investment practices were rated strongest or above average compared to the other participants included in the study. You can find out more about this later in this section.

## Key areas of success

Legal & General produced its first set of annual reporting on climate-related matters in relation to the investments held within your pension, known as Task Force for Financial Disclosures – or TCFD – reports.

These reports respond to new rules set out by the Financial Conduct Authority. The rules ask that companies like Legal & General explain how climate change could affect the investments held within your pension.

Reports are produced for each in scope investment, which you can find out about in the following:

[WorkSave Pension Plan TCFD report](#)

[Group Stakeholder Pension Plan TCFD report](#)

A great deal of work was undertaken in these reports to provide carbon metrics for many of the investments available within your pension. They enable progress to be tracked against net-zero carbon emission targets for the main default funds that most of you invest in through your pension plans.

Net zero means cutting carbon dioxide (one of the key greenhouse gases) to as close to zero as possible, with remaining emissions re-absorbed or removed from the atmosphere, by oceans, forests or carbon capture technology, for instance. At the same time, it also requires deep reductions in other greenhouse gases, particularly methane.

The yearly reports will be crucial in keeping Legal & General accountable to its targets and will allow you to see how the money you invest in these funds contributes towards emissions targets.

**While Legal & General can integrate ESG considerations into its investment decision-making and stewardship practices, this does not guarantee the achievement of responsible investing goals within the portfolio.**



## What is ESG investing?

Legal & General's main aim is to protect and grow your pension savings. There are many different factors that can affect the growth of your pension.

A key area is a responsible investment approach, focusing on the management of environmental, social, and governance (ESG) issues and includes things like climate change, fair work conditions, executive pay, supply chain management and impact on local communities. There are multiple benefits to managing ESG issues, including improved risk management, the potential for greater investment returns over the long term, and contributing to global sustainability goals.

ESG issues are directly linked to your pension through the assets your pension savings are invested in, such as equities which are shares in companies.

We expect all fund managers to consider ESG issues as part of the day-to-day investment decisions they make on your behalf.

Legal & General adopts an approach known as 'active ownership' when managing funds. This includes the process of engaging with companies, regulators, policymakers, industry peers and other stakeholders around the world to help tackle issues which have the potential to affect society, the planet, and the long-term financial returns for those who invest with them.

Legal & General's Investment Stewardship team exercises voting rights and engages to deliver positive change on topics, including net-zero emissions, ethnic diversity, and gender diversity.

External fund managers may take a different approach to the funds they manage and Legal & General regularly monitors how well these consider ESG issues with its independent investment adviser.



## Visit the ESG Hub

[Find out more](#) about how Legal & General incorporates a responsible investing approach, considering environmental, social and governance (ESG) issues in their investment process.

Legal & General's Fund Risk Oversight Committee governs the management of the funds available for you to invest in. In response to the TCFD regulations, it has added additional considerations around climate-related risks and opportunities to its regular governance meetings. This means long-term and interim net-zero targets for all the standard default funds will be monitored.

Work started during 2023 to comply with new rules from the Financial Conduct Authority (FCA) that aim to ensure the information and communications you receive about your pension do not overstate or misrepresent environmental credentials. This is often referred to as 'greenwashing'. Legal & General already follows a strict compliance process within its marketing teams to protect against this.

Rules for the new Sustainability Disclosure Requirements came into force on 31 May 2024 and we will assess this in next year's report. This additional regulation aims to help you make informed decisions when considering financial products that claim to have positive environmental impacts, such as the funds you invest in within your pension.

If you are invested in one of the main default funds that most of you invest in through your pension, you can now access the Tumelo platform, which provides information that can help you understand more about how the fund is invested. You can say how you would vote if you were a fund manager on issues like diversity and inclusion, climate change, senior management pay and human rights. This gives you a voice as the Investment Stewardship team can consider your responses when deciding how to vote.

We feel this level of detail is useful to those of you wanting to understand more about how your pension savings can be used by fund managers like Legal & General to vote on environmental and societal issues. You can access the Tumelo platform for default funds by logging into [Manage Your Account](#).

Some new communications have been created over the last year, to help you understand responsible investing in relation to your pension, including a new video on the [ESG hub](#). For the first time, member-friendly versions of Legal & General's [Active Ownership report](#) and [Climate Impact Pledge](#) have been made available. It's good to see these documents previously written for professional investors being made more accessible to members who want to find out more about this subject.

## Benchmarking

Legal & General's ESG credentials were assessed against competitors in different benchmarking exercises, which reinforced our decision to maintain an 'Excellent' score for this area.

Legal & General was included in the Make My Money Matter (MMMM) [Annual Climate Action Report](#), which assesses the actions taken by leading pension providers in relation to climate change. It ranked second overall out of 20 providers, with the top three providers all receiving 'adequate' ratings. No provider received an overall 'good' rating.

The criteria used for MMMM's rating focus heavily on withholding investment from companies (known as 'divesting') as a key tool. This can at times differ from Legal & General's strategy to engage with companies to adopt more environmentally friendly policies, which may see Legal & General build and retain investments MMMM would otherwise prefer providers disinvest from.

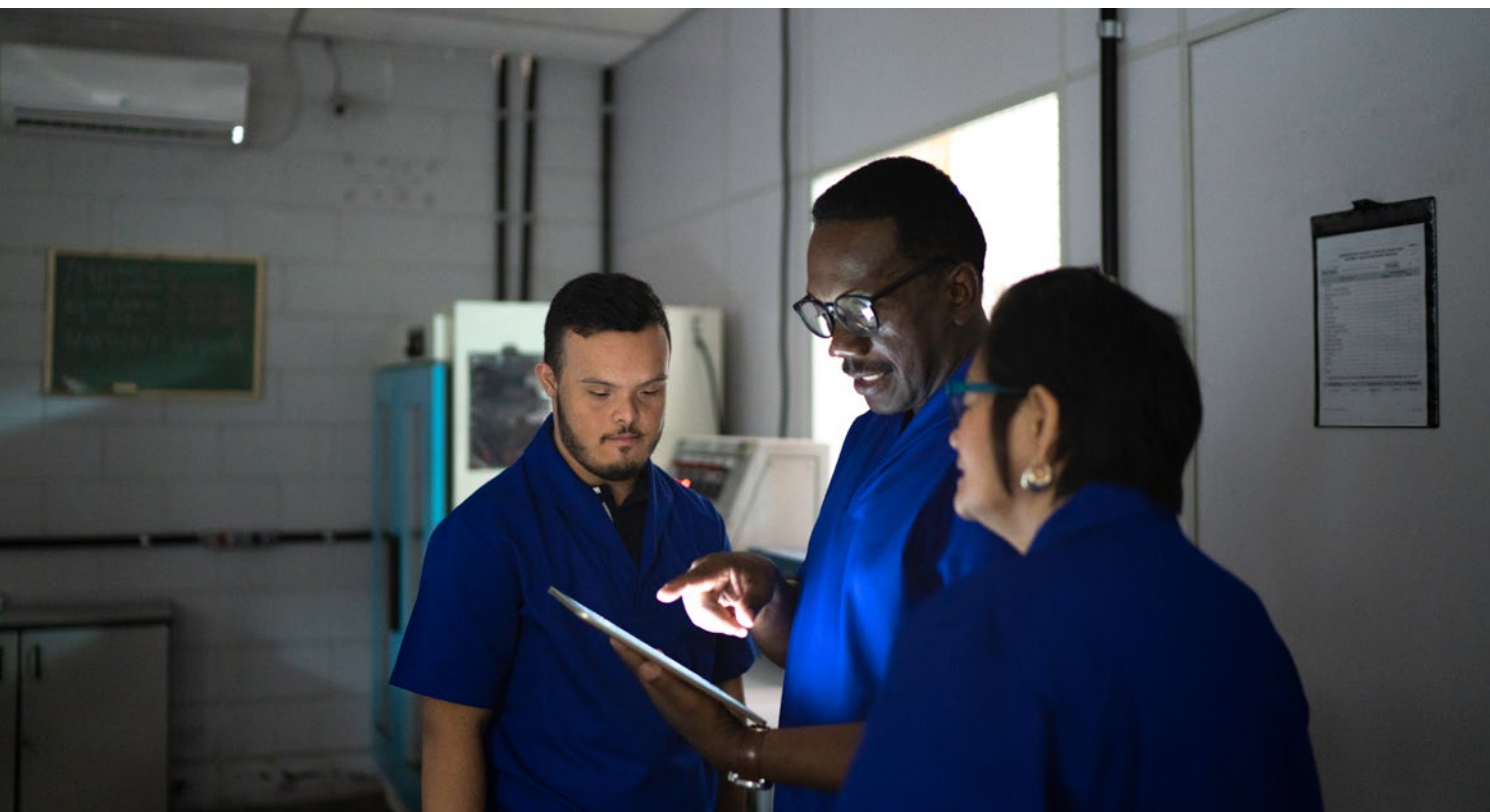
In a separate comparison exercise by an external benefit consultant, Legal & General was rated the highest out of six participants for ESG practices. It was the only pension provider to be given a rating of 'strong' when assessing the company and the building blocks of its default investment strategies.

A further study placed Legal & General as 'good', with an above-average rating compared to other pension providers, when considering how it had integrated ESG into one of its main default funds, the Target Date Funds range.

However, it should be noted that many members are still invested in the Multi-Asset Fund, which has limited ESG integration outside of Legal & General's overall net-zero ambitions. Legal & General has decided to change the main default fund from the Multi-Asset Fund to a new Target Date Funds range.

The study also assessed how ESG is communicated to you and the ways that you can engage with ESG matters. Both categories again scored ratings that were above the average for the providers being measured.

Communications received the highest score of 'excellent', and engagement scored 'good'. It was noted that the [ESG hub](#) is available to all members, that the Tumelo service was available to all members within the scheme default funds and that Legal & General ran regular campaigns on how to access this service.



### Areas for improvement

Legal & General maintains a Statement of Investment Principles document for both the WorkSave Pension Plan and Group Stakeholder Pension Plan. These documents set out what it aims to achieve with the investment options offered to you and shows how its investment principles guide the way in which your money is invested. They can be accessed through [Manage Your Account](#).

Usually these are updated each year but Legal & General has identified a need to refresh the content to make them simpler and easier to read, to include updates identified during the detailed review of the standard default funds which was described under default strategies and their investment performance, and to provide you with a better understanding of the different tools applied through its investment stewardship activity when tackling ESG issues.

Last year we said we would like to see the Statement of Investment Principles evolve to reflect new material and data that is available. Additionally, we wanted to see ESG principles and policies consolidated for the investment pathways available to personal pension savers.

These updates are expected to be completed in 2024 and we will report on these changes next year.

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

Each year, we undertake a review and analysis of the policies Legal & General has in place relating to ESG [financial considerations](#), [non-financial matters](#), how ESG is fed into the investment strategy and the adequacy of policies on stewardship. We also review the activities of the Investment Stewardship team.

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 Legal & General's approach and leadership on these areas.

While we have rated ESG as excellent, we recognise that there is much more that pension firms can do to drive forward ESG within both investment design and stewardship. We will also consider the effectiveness of the changes to the Statement of Investment Principles documents, as described in the above 'areas for improvement'.





## Investment pathways

**2023 rating: Good**

### Why we gave this score

Investment pathways are available to invest in once you've started to use your pension pot to take a flexible income. Investment pathways are available to both Workplace and Personal Pension scheme members. Legal & General reviews its offering each year and shares its findings with us, in line with regulations.

Legal & General's report considered how members are engaging with the pathways and whether they are using them as they were designed. It also considered whether the investments are appropriate and how well the options are communicated. This was also supported by an external benchmarking exercise.

Since last year's report, Legal & General has shared more data on how members are taking regular withdrawals. We can also see how long it's taking for members to use up all the funds in their pension pot.

The way your money is invested is still fit for purpose and, we believe, delivering value for money. We are satisfied that Legal & General keeps this under regular review. Changes have been recommended to reflect recent improvements in annuity prices. These also align to Legal & General's broader investment strategy. We expect to see these changes made to the investment pathways later in 2024.

The investment pathways available continue to be appropriate and, in most cases, members were using the options in the way they were intended. There are some exceptions to this which we explain below.

However, as the usage of investment pathways has increased (and continues to do so) and more data has become available to us, we have identified areas which we intend to explore in further detail in 2024.



### 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/or occasional lump sums if required.

An investment pathway is a ready-made investment option for any pension savings that stay invested in your pension pot after you take a lump sum payment. The funds are managed for you by Legal & General. 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 out all of my money within the next five years

With investment pathways you can:

- choose one option
- combine multiple options
- decide not to select an investment pathway, and make your own investment decisions instead

### Member behaviour

For those of you taking a flexible income, Legal & General looks at the investment pathways choices initially made to make sure this is in line with the way you are taking any money from your pension today.

Occasionally members take money from their pension in ways in which we would not expect:

- we noted that almost half of the members in pathway two, which is designed for those of you who plan to set up a guaranteed income (annuity) within the next five years, are taking regular income payments instead
- similarly, almost half of the members in pathway four, which is designed for those of you who plan to take your whole pot as cash within the next five years, are also taking regular income payments



## Benchmarking

Legal & General's investment pathways options were included for assessment in a 2023 external benchmarking exercise and the results are summarised below.

Legal & General monitors the behaviour and withdrawals of members, which is in line with other pension providers.

Legal & General issues warnings to members who are at risk of running out of money too quickly.

Investment pathways invest in a range of different asset classes like company shares, commercial property, bonds, and cash. The assessment looked at the mix of asset classes, the level of risk and the expected return from these funds over the long term (10 years):

- generally, the mix of assets across all asset classes was in line with other providers, however Legal & General was one of the only pension providers to include assets that seek a higher return (such as equities and property) in one of its versions of pathway two
- some versions of pathways two and four have higher expected returns and are more likely to see larger degrees of either increases or decreases in value over time, when compared to other pension providers

Legal & General was one of the only pension providers to be working towards climate-related regulatory disclosures for investment pathways funds.

Personal Pension members applying for drawdown can use telephone, an online application process and online tools. The online application process was one of the most popular application routes.

However, online application is not currently offered to members who have joined through a Workplace pension scheme.

The fees charged are in the midrange, compared to other providers.

## Areas for improvement

Legal & General has re-written and re-designed its maturity packs, which outline the options you have at retirement, including investment pathways. These new packs started to be sent out in early 2024 and performed well when member understanding was tested. We will be able to review any impact this has had in next year's report.

In line with regulation, Legal & General is planning to carry out a five-year reminder for members who have chosen investment pathways to make sure that their choice is still right for them. Once introduced, Legal & General will review whether five years is the most appropriate frequency for the communication. It will also communicate with members who are currently taking money from their pension in unexpected ways with a reminder of the purpose of the pathway that they have chosen. We will monitor the results of these communications.

We believe improvements could be made to help members who are considering investment pathways to better understand the options available. Legal & General will conduct further testing on the application journey for the investment pathways and the findings will be used to make improvements to customer experience.

Legal & General plans to introduce the ability for Workplace members to apply for drawdown online. This will include appropriate risk warnings and prompts as members choose their investment pathways.

Legal & General will keep us updated on any changes to where your money is invested when using an investment pathway.

# The Legal & General Independent Governance Committee.

