

Investments - April 2020

Governed Retirement Income Portfolios

We've received independent validation of the governance structure and processes which underpin the ongoing delivery of our Governed Retirement Income Portfolios from AKG.

AKG independent assessment

The independent assessment of the Governed Retirement Income Portfolios (GRIPs) looks at how governance works in practice and how it responds to, and deals with, change. AKG has also looked at how the GRIP proposition has evolved in order to continue to be able to address the requirements of financial advisers and customers.

MiFID II – Governance considerations

The introduction of MiFID II has brought significant product governance requirements, with companies across the UK financial services sector giving greater consideration to their approach and processes when designing, distributing and recommending products and funds in the future. The aim is to achieve best practice within these companies and to target positive outcomes for consumers in a transparent manner.

AKG has listed various considerations for firms when it comes to MiFID II's governance requirements, including the following:

- Better acquisition and demonstration of knowledge and intelligence relating to a company's target customers and their requirements.
- Ensure solutions are going to the right customers through a detailed management information and reporting capability.
- Investigate and report instances where funds are not being used by the right customer.
- Senior management teams must ensure governance is embedded in internal processes, with relevant and appropriate levels of resource and expertise.

AKG also comments:

“Royal London will also need to keep many of these MiFID II product governance considerations in mind as it continues with the evolution of the GRIP proposition, acting, where relevant, to establish commensurate processes and systems.”

“Royal London's senior management team can be seen to embed governance in its internal processes in relation to the ongoing delivery of the GRIP proposition, with relevant and appropriate levels of resource and expertise deployed.”

The AKG independent assessment review was issued to Royal London on 28 February 2020.

The use of Centralised Investment Propositions (CIPs)

When working with Centralised Investment Propositions (CIPs) and outsourced investment solutions, including multi-asset funds/portfolios, financial advisers need to understand what they are signing up to, for themselves and their customers.

By that AKG means due considerations and recognition of some of the following items, as taken from the AKG independent assessment:

- What are they responsible for? What is the solution responsible for?
- Do they understand how the investment solution works, what methods it employs, approach to Strategic Asset Allocation (SAA)/Tactical Asset Allocation (TAA)? Asset classes, funds/stocks employed?
- How is the investment proposition managed/governed on an ongoing basis?
- How do they report on investment process, performance etc. to their customers?
- Do they understand the costs associated with the solution?
- How does it evidence ongoing governance?
- How does it respond to change and challenge?

GRIPs and CIPs

Our GRIPs investment proposition is a risk-managed CIP with a strong emphasis on investment governance. It forms part of our Governed Range which is available as part of our individual and corporate pension products and is designed for advisers looking for support to deliver quality ongoing investment advice, at a low cost.

GRIPs can help you to fulfil both you and your clients CIP requirements as follows:

- Clients can choose an investment option to suit their particular risk attitude and term to retirement.
- Our Investment Advisory Committee regularly monitors your client's investment options.
- Any changes required as part of our governance process are made automatically.
- Governance is at no extra charge.
- Our GRIPs offer your clients exposure to a diverse range of assets with a dynamic asset allocation.
- Our Risk Profiling Tool helps you to establish how your client feels about risk.
- Monthly fund performance is available to both you and your clients on our websites.
- Minutes of our quarterly Investment Advisory Committee meetings are also available to both you and your clients on our websites.

AKG has addressed some of these key adviser considerations when assessing our GRIPs:



TRANSPARENCY

“Royal London strives to be as transparent as possible in terms of how the operations and management of the portfolios are communicated to advisers. Their efforts to target further improvements, given the focus on transparency in the asset management industry, should continue moving forward.”



GOOD GOVERNANCE IN PRACTICE

“The financial services industry, and the pensions/investment markets more specifically, continue to experience a period of great change and challenge. Through its ongoing review and development of the GRIP proposition, the contributory role of the

IAC, and the material produced to support the communication of change, Royal London continues to provide a strong example of good governance in practice.”



EVOLVING

“Royal London's GRIP proposition will need to continue to evolve in order to meet customer requirements and respond to the various changes and challenges of a dynamic drawdown market.”

“With the GRIP proposition and its associated income planning and drawdown management support tools, Royal London is seeking to provide a comprehensive retirement planning resource and toolkit for advisers.”

Find out more

You can download a copy of the AKG Assessment of Royal London's GRIP Proposition (28 February 2020) report at adviser.royallondon.com/pensions/investment/our-investment-options/GRIPS/ to refer to when considering the recommendation of GRIPs to your clients.

It is important to remember AKG cannot guarantee that any particular comment will remain appropriate at any future date. Future developments in the market could have significant impact upon the comments.

To find out more about GRIPs:

visit adviser.royallondon.com/pensioninvestments or get in touch with your usual Royal London contact. (AKG's reliances and limitations are outlined in full within the review document.)



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