

Atlas Converting Equipment Ltd Retirement & Death Benefits Scheme

Value for Members Assessment

Prepared by: **Broadstone**

17 July 2025

1 Current Arrangements

1.1 Main Features of Current Arrangements

As at 31 December 2024, the Scheme had 267 members with approximately £6.7 million invested in a life insurance arrangement with Aviva Life and Pensions UK Limited ('Aviva'). A summary of the main features of the current arrangements is provided below:

1.1.1 Fund Range

The only fund made available to members is the Aviva Traditional With-Profits Fund.

Details of the fund are shown in the table below, alongside its objective and total membership fund value as at 31 December 2024:

Fund	Objective	Value (£) at 31 December 2024
Aviva Traditional With-Profits Fund	To provide steady capital growth over the medium to long term by investing in a broad range of assets, while smoothing out some of the fluctuations in investment markets.	£6,675,098
TOTAL		£6,675,098

Source: Aviva.

1.2 Current Investment Manager - Aviva

Aviva is one of the UK's leading Insurance, Wealth and Retirement businesses with assets under management of £407 billion as at 31 December 2024.

We have no concerns at the firm level and rate Aviva highly as an investment manager for a wide range of investment funds.

1.2.1 Charges

Aviva does not deduct an explicit charge from members' accounts, but instead the expenses of running the scheme are taken into account when declaring the annual bonus rates on the With-Profits Fund.

Aviva has however provided information that shows the administration cost of running the fund is 0.68% per annum, as set out below:

Fund	Total Ongoing Charges* (%)
Aviva Traditional With-Profits Fund	0.68%

Source: Aviva. *Total ongoing charges includes the annual management charge and additional fund expenses.

The Trustee deems these costs to be appropriate given the nature of the Scheme and the valuable guarantees that are a feature of the Aviva With-Profits Fund.

1.2.2 Details of Current Default

Current Default Fund

The Aviva Traditional With-Profits Fund is designed to deliver growth for the members over the lifetime of the investment, and to also provide Guaranteed Annuity Rates (GARs) at retirement, for the majority of members (who are paid up). It should be noted that there are a small number of active members who do not have GARs tied to their benefits, although they would still be entitled to receive valuable guarantees in the form of bonuses which are paid out by the fund at retirement.

2 Value for Members Assessment (VFM)

2.1 Requirements

In accordance with the regulations introduced in October 2021, the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (“the 2021 Regulations”), trustees of specified schemes must carry out a holistic assessment against alternative arrangements of how their scheme delivers value for members. The outcome of this assessment must be reported in the annual Chair’s statement and include consideration of reported costs and charges, fund performance (investment returns) and other measures of scheme governance and administration.

The Trustee reviews all member-borne charges (including transaction costs where these are available) on a regular basis, with the aim of ensuring that members are obtaining value.

The Trustee notes that value for members does not necessarily mean the lowest fee, and the overall performance of the investments and quality of the service received has also been considered.

2.2 Comparator Schemes

Utilising our experience of the DC market we have selected three providers to compare how members may fare in an alternative DC scheme so that a value for members assessment can be made by the Trustee. Our selected shortlist of providers, all master trust arrangements, are the National Employment Savings Trust (NEST), Smart, and The People’s Pension (TPP).

A master trust arrangement is a trust-based occupational pension scheme with multi-employer participation. The provider appoints a central board of trustees to undertake all the trustee responsibilities and duties with the result that the employer’s governance requirements are no more onerous than under a contract-based arrangement. A summary of each of the providers’ default lifestyle arrangements is below.

- Members investing into the **NEST** default lifestyle will be invested into their chosen NEST Retirement Date Fund. As the member approaches retirement, the fund will gradually be de-risked from equities, and into less volatile asset classes such as bonds and cash.
- Members investing into the **Smart** default lifestyle will be fully invested into the Smart Growth Fund up to 8 years away from their retirement age. The investment is then gradually reduced, with new allocations introduced to the Smart Income, Smart Annuity and Smart Cash funds over time. When the member retires, they will be invested 15% into the Growth Fund, 50% into the Income Fund, 25% into the Annuity Fund, and 10% into the Cash Fund.
- Members investing into the **TPP** default lifestyle will be fully invested into the Global Investment Fund up to 15 years away from their retirement age. The investment in this fund is then gradually reduced, so that when the member retires, they will be invested 100% into the Pre-Retirement Fund.

2.3 Costs and Charges

2.3.1 Costs and charges of current arrangements versus comparator schemes

The table below details the total ongoing charges and transaction costs of the current arrangements versus comparator schemes over the year to 31 December 2024.

Fund	Total Ongoing Charges	Transaction Costs*	Total
<u>Age 65</u>			
Current Default	0.68%	0.09%	0.77%
NEST**	0.30%	0.00%	0.30%
Smart	0.25%	0.07%	0.32%
TPP	0.50%	0.06%	0.56%
<u>Age 55</u>			
Current Default	0.68%	0.09%	0.77%
NEST**	0.30%	0.06%	0.36%
Smart	0.25%	0.08%	0.33%
TPP	0.50%	0.08%	0.58%
<u>Age 45</u>			
Current Default	0.68%	0.09%	0.77%
NEST**	0.30%	0.06%	0.36%
Smart	0.25%	0.08%	0.33%
TPP	0.50%	0.09%	0.59%

Source: Aviva, NEST, Smart and TPP. *Transaction costs relate to the friction costs incurred by fund investments over the past year to 31 December 2024, due to investment dealing activity. **For NEST, we have illustrated that a member will be invested in the 2040 Retirement Fund during the growth phase and the Lower Growth Fund during the at retirement phase.

Across each of the member age cohorts, the total ongoing charges for the current arrangements are more expensive versus the comparator schemes.

2.3.2 Current Member Self-Select Funds versus Comparator Self-Select Funds

Fund	Total Ongoing Charges	Transaction Costs*	Total
<u>Current Funds</u>			
Aviva Traditional With-Profits Fund	0.68%	0.09%	0.77%
<u>NEST</u>			
NEST 2040 Retirement Fund	0.30%	0.06%	0.36%
NEST Higher Risk Fund	0.30%	0.07%	0.37%
NEST Lower Growth Fund	0.30%	0.00%	0.30%
NEST Ethical Fund	0.30%	0.05%	0.35%
NEST Sharia Fund	0.30%	0.02%	0.32%
<u>Smart</u>			
Smart Sustainable Growth Fund	0.25%	0.08%	0.33%
Smart Income Fund	0.25%	0.09%	0.34%
Smart Annuity Fund	0.25%	0.00%	0.25%
Smart Cash Fund	0.25%	0.09%	0.34%
<u>TPP</u>			
TPP Global Investments Fund (up to 85% shares) Fund	0.50%	0.09%	0.59%
TPP Pre-Retirement Fund	0.50%	0.06%	0.56%
TPP Ethical Growth Fund Fund	0.50%	0.01%	0.51%
TPP Annuity Fund	0.50%	0.01%	0.51%
TPP Cash Fund	0.50%	0.00%	0.50%

Source: Aviva, NEST, Smart and TPP.

*Transaction costs relate to the friction costs incurred by fund investments over the past year to 31 December 2024, due to investment dealing activity.

2.3.3 Other Costs and Fees

- Under both the current arrangement and the comparator arrangements the total ongoing charges include the administration costs.
- All contributions made by the Employer and the member are invested, there are no deductions made on entry, under the current arrangements. For the master trust benchmarks considered, the only other costs that will apply is a £4.50 annual member charge by TPP, while NEST levies a 1.8% contribution charge on new contributions made into a member's pot.

2.4 Investment Returns

The Trustee is required to ensure that the investments available to members represent good value based on the returns achieved, rather than solely on costs. The Trustee is expected to compare net returns against those of other pension schemes.

2.4.1 Performance – Default Arrangements

Net Investment Returns of Scheme’s Default Fund and Comparator Default Lifestyles as at 31 December 2024

Fund	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)
<u>Age 65</u>			
Current Default	6.7	1.6	3.0
NEST*	4.7	2.3	1.6
Smart	9.8	1.2	4.6
TPP	6.5	-1.1	2.6
<u>Age 55</u>			
Current Default	6.7	1.6	3.0
NEST*	11.8	4.1	6.7
Smart	13.0	6.4	7.6
TPP	9.5	2.3	5.9
<u>Age 45</u>			
Current Default	6.7	1.6	3.0
NEST*	11.8	4.1	6.7
Smart	13.0	6.4	7.6
TPP	10.8	3.6	6.8

Source: Aviva, NEST, Smart and TPP. *For NEST, we have illustrated that a member will be invested in the 2040 Retirement Fund during the growth phase and the Lower Growth Fund during the at retirement phase.

For a member aged 65, the current default arrangements have delivered returns which are broadly in line with the median comparator, across all time periods. Meanwhile, for members aged 45 and 55 the current default arrangements have broadly underperformed the comparators across the same timeframe. However, it should be noted that the investment objectives for each of the comparator default strategies versus the existing arrangements will differ in terms of risk and return characteristics, producing differences in performance.

Net Investment Returns of Member Self-Select Funds in the Current and Comparator Arrangements as at 31 December 2024

Fund	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)
<u>Current Funds</u>			
Aviva Traditional With-Profits Fund	6.7	1.6	3.0
<u>NEST</u>			
NEST 2040 Retirement Fund	11.8	4.1	6.7
vs CPI +3.0%	6.2	-4.7	-1.0
NEST Higher Risk Fund	13.5	4.3	7.1
vs PN Mixed Investment 40-85% Shares	4.8	2.4	3.0
NEST Lower Growth Fund	4.7	2.3	1.6
vs PN Money Market	0.1	-0.9	-0.3
NEST Ethical Fund	9.1	0.3	5.5
vs CPI +3.0%	3.4	-8.5	-2.2
Sharia Fund	28.8	11.2	16.4
vs PN Global Equities	13.7	5.4	7.5
<u>Smart</u>			
Smart Sustainable Growth Fund	14.8	6.3	7.4
vs CPI +3.5%	8.4	-3.3	-1.1
Smart Income Fund	8.6	3.2	4.2
vs CPI +2.0%	4.0	-4.5	-2.5
Smart Annuity Fund	-3.9	-9.9	-5.1
vs PN Sterling Long Bond	3.5	4.2	2.5
Smart Cash Fund	5.1	3.5	2.1
vs SONIA	0.0	-0.2	-0.2
<u>TPP</u>			
Global Investments Fund (up to 85% shares) Fund	13.7	3.2	5.5
vs CPI +2.5% p.a.	8.6	-5.1	-1.6
Pre-Retirement Fund	4.8	-0.8	0.6
vs CPI +0.5%	1.7	-6.9	-4.5
Ethical Growth Fund	17.8	7.5	11.2
vs CPI +3.0% p.a.	12.2	-1.3	3.5
Annuity Fund	-7.4	-14.1	-7.3
vs PN Sterling Long Bond	0.1	0.1	0.4
Cash Fund	4.3	2.8	1.4
PN Money Market	-0.3	-0.3	-0.6

Source: Aviva, NEST, Smart and TPP.

We consider the current default with-profits fund to have performed broadly in line with its stated objective, albeit there is no specific benchmark in place. It should also be noted that the self-select funds offered in the NEST, Smart and TPP master trusts are not directly comparable to the with-profits fund in the current arrangement.

3 Governance & Administration

When selecting the comparator schemes, governance and administration were taken into account and master trust authorisation by The Pensions Regulator ('TPR') also assesses these areas.

Under the VFM requirements governance and administration of the current arrangements must be assessed on an absolute basis and there are several key metrics that must be considered:

- Promptness and accuracy of core financial transactions
- Quality of record keeping
- Appropriateness of the default investment strategy
- Quality of investment governance
- Level of trustee knowledge, understanding and skills to properly exercise their functions and operate the pension scheme effectively
- Quality of communication with scheme members
- Effectiveness of management of conflicts of interest

The Trustee has appointed professional advisers and has delegated the day to day running of the Scheme.

The Trustee is aware that the responsibility of the running of the Scheme remains with them and has implemented adequate internal controls, which are reviewed periodically.

The Trustee has appropriate service agreements in place with its advisers and is aware of their key contacts.

Administration of the Scheme is undertaken by Aviva, using a department which is trained and completely conversant with the Scheme's Trust Deed and Rules. The administrator of the Scheme works to industry standards providing timely turnaround times for both non-financial and financial matters.

The Trustee has oversight of the core financial transactions of the defined contribution arrangements.

The Scheme's members invest in a with-profits arrangement insured with Aviva, and the Trustee deems the 'default option' to be suitable for members given the presence of guarantees applying to the policy. The insured arrangement is supported by an appropriate level of investment governance, given the size of the assets under management.

The Trustee has the appropriate level of experience and knowledge to oversee and govern the Scheme, with the support of the appointed professional advisers. The Trustee does not maintain a separate conflicts of interest policy and register; however, potential conflicts of interest are recognised and considered on an ad hoc basis as they arise.

Relevant communications are sent to members regarding their pension entitlements, although the Trustee notes that there are alternative arrangements in the market that would offer members greater engagement and communication support.

In assessing the governance and administration of the current arrangements against the seven key metrics, Broadstone believe that the Scheme is performing at a satisfactory level in these areas.

4 Conclusions

- The costs and charges paid by members in the current arrangements are more expensive versus the comparator schemes. However, we would consider the charges to be competitive versus other insured with-profits arrangements in the market.
- For a member aged 65, the current default arrangements have delivered returns which are broadly in line with the median comparator, across all time periods. Meanwhile, for members aged 45 and 55 the current default arrangements have broadly underperformed the comparators across the same timeframe. However, it should be noted that the investment objectives for each of the comparator default strategies versus the existing arrangements will differ in terms of risk and return characteristics, producing differences in performance.
- In assessing the governance and administration of the current arrangements against the seven key metrics, Broadstone are satisfied that the Scheme is performing at a satisfactory level in these areas. The Trustee, however, notes that there are alternative arrangements in the market that would offer members greater engagement and communication support.
- Broadstone's overall assessment is that the current arrangements provide value for members, with the majority of the Scheme's members entitled to receive Guaranteed Annuity Rates at retirement. Any transfer of the Scheme's benefits to a comparator arrangement would result in the surrender of these guarantees, in addition to the loss of valuable bonuses. Whilst the position will be monitored the Trustee of the Scheme is not required to consider transferring the Scheme's benefits to one of the comparator arrangements at the present time.

5 Next Steps

- Outcome and explanation of the assessment to be reported in the annual Chair's Statement.
- Outcome to be included in the annual Scheme Return.

Appendix A Regulatory Status and Risk Warnings

A.2 Regulatory Status

Broadstone Financial Solutions Limited ('BFSL') is authorised and regulated by the Financial Conduct Authority. BFSL is registered in England & Wales under no. 02131269. Our registered office is 100 Wood Street, London EC2V 7AN.

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A.3 Risk Warnings Relating to Investment Advice

Our investment recommendations are based upon research collated and maintained by us, information provided by relevant investment managers and other third-party providers.

Our advice is based upon reasonable expectations for the future risk and return characteristics of asset classes and investment vehicles, based on their characteristics and past behaviour. Such expectations may not be borne out in practice, which may affect client outcomes (both positively and negatively).

The risk and return characteristics of different investment strategies are assessed using mathematical models. Such models are used for illustrative purposes and to help determine a reasonable practical strategy, taking account of the client's wider circumstances. Models are based upon a range of assumptions and simplifications. They cannot be expected to accurately predict or reflect the real-world behaviour of investment markets and should only ever be taken as a guide in making decisions.

Any recommendation of a specific investment vehicle is based on a reasonable expectation that it will meet its performance objectives in future. This is based on past performance, the investment philosophy and process used within the vehicle, the characteristics of the team managing the vehicle, and the level of investment management and other costs applicable. There are no guarantees that the performance objectives for any investment vehicle will be met in future and, in any case, the characteristics of investment vehicles upon which our recommendations rely could change.

Recommendations are intended to be reasonable for the purposes of the user, given the nature and circumstances of the pension scheme and the size of the mandate. Other recommendations could be given which might generate more favourable outcomes in future.

If the client agrees to implement our recommendations in full or in part, it holds responsibility for monitoring the future performance of the selected strategy and investment vehicles. Of course, we will be happy to assist the client in monitoring and reviewing the performance of the strategy and investment vehicles as requested and agreed.

In providing advice in relation to asset transfers, we will endeavour to recommend the most cost-effective means of implementing the transfer, taking account of practical constraints that may apply in particular cases. However, we cannot guarantee that our recommendation is the most cost-effective approach available. Moreover, the actual costs incurred by investment managers in buying and selling assets will tend to depend on trading volumes and market conditions on a particular day. Consequently, savings on such costs cannot be guaranteed in advance.

Whilst we endeavour to manage market-related risks during asset transfers using phasing, pre-investment and in specie transfer of assets, we cannot guarantee that the outcome of a restructuring will not be adversely impacted by market movements.

Whilst we check that any documents related to an asset transfer meet a client's requirements from an investment perspective, we are not legal advisers and cannot provide advice on the nature and appropriateness of any implied contracts. The client should consider legal advice if they have any particular concerns.

Appendix B Trustee Responsibilities

Prior to the time when defined contribution funds are used to provide benefits, trustees are responsible for investing the funds and recording them separately to the main investments of a scheme. Where a range of fund choices is offered to members, trustees have an implied responsibility under trust law to ensure the range of funds offered is appropriate.

Even if the total defined contribution funds are relatively small in the context of a scheme, this does not reduce trustees' responsibility to ensure that the investment options they offer are appropriate.

Trustees also have a responsibility to ensure that members are periodically reminded to review their investment choices, where such choices are available. This is particularly important in the period prior to retirement when changes in investment markets might have a significant impact on the benefits members ultimately receive.

There is a further responsibility on trustees to ensure that there is adequate communication in place to help members make appropriate decisions. In practice, trustees often rely on the material issued by the provider. However, trustees should be comfortable that such communications are appropriate for the membership and should consider issuing additional material, if necessary.

These responsibilities, which have always applied for defined contribution holdings within trust-based pension schemes, have been re-emphasised and clarified in the Pension Regulator's Code of Practice 13 – Governance and Administration of Occupational Defined Contribution Trust-Based Pension Schemes, which set out a range of 'DC quality features' that well-run defined contribution schemes might have.

The Occupational Pension Schemes Regulations introduced on 5th October 2021 adds additional requirements for trustees of occupational pension schemes with under £100m in assets which have been operating for three or more years. Trustees of specified schemes must carry out a holistic assessment of how their scheme delivers value for members. The outcome of this assessment must be reported in the annual Chair's statement and include consideration of reported costs and charges, fund performance (and net investment returns) and other measures of scheme governance and administration. The new regulations now require the Trustees to test the Scheme against the largest UK schemes or DC arrangements, including one which is ready and able to take on the assets and liabilities of DC members if necessary.

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