Colorcon Limited Staff Benefits Plan

DEFINED CONTRIBUTION (DC) SECTION AND ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) ARRANGEMENT

Annual Governance Statement by the Chair of Trustees for the year ended 30 June 2024

INTRODUCTION

Governance standards apply to defined contribution pension arrangements like the Defined Contribution Section of our pension scheme. These standards are designed to help members achieve a good outcome from their retirement savings.

As Chair of the Trustees of the Colorcon Limited Staff Benefits Plan (the Plan), I must provide members with a yearly statement which explains what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards. The information included in my statement is set out in law and regulation. This statement covers the period from 1 July 2023 to 30 June 2024 and will be published on a publicly available website. The law requires me to show information about the return on investments within the statement (after the deduction of any charges and transaction costs paid for by members). These are included to help members understand how their investments are performing.

I welcome this opportunity to explain what the Trustees do to help to ensure the Plan is run as effectively as it can be.

The Trustees are committed to having high governance standards and meet regularly to monitor the controls and processes in place in connection with the Plan's Defined Contribution Section's investments and administration.

Although the Plan is predominantly a defined benefit (DB) arrangement, it has the following defined contribution (DC) elements:

- DC Section - Some members have DC benefits through a policy with Aviva (formerly Friends Life and prior to that London & Manchester), as a result of pensionable service prior to 1 July 1991, when it was replaced by the DB Section of the Plan. It is closed to new entrants and future contributions. The DC Section is administered by Aviva and offers investment funds managed by Aviva. For some members, the DC funds are only part of their entitlement under the Plan and can be taken in addition to any post 1 July 1991 DB entitlement either as an open market option or a scheme pension or can be used as part of the pension commencement lump sum associated with members' DB pensions.

- AVCs with Prudential – this is a legacy money purchase AVC arrangement with Prudential that no longer accepts future contributions.

As the Plan is not being used as a qualifying scheme for automatic enrolment purposes, and there is no default fund for members' investments, the Trustees have applied an appropriate level of governance to meeting the relevant standards.

Within the 2023 Chair Statement, the overall conclusion of our assessment was that the DC Section was representing poor value for members in relation to costs and charges, investment returns, and governance and administration. Therefore, the Trustees began working with our professional advisers to assess the options available to make improvements for members.

Aviva were unable to make the necessary improvements to enhance the value for members within the current Plan, and so we have begun the work required to move members' assets, and to close the DC Section.

Moves of this type are complex and require careful consideration and planning. This is a specialist area, and during the scheme year, the Trustees selected and appointed a legal adviser with sufficient experience to assist with this type of project.

In addition, the nature of the assets within the DC Section, the guarantees attached to some members' benefits, which is a DC underpin, along with the relatively small overall asset size of the DC Section of the Plan within the marketplace, makes finding a suitable replacement provider a lot more complex.

The Trustees are working with their legal and actuarial advisers to identify the most effective strategy to move members' assets to replacement pension arrangements, which will provide improved value for members.

It is anticipated that any member's benefits that contain a pre-1991 DC underpin will be crystallised and placed into the main DB Section of the Plan, along with any remaining DC Section funds within the Aviva policy.

During the Plan year we have progressed the work with the Plan's legal and actuarial advisers to understand the options available to the Trustees. The work will continue into the next Plan year to devise the best way forward and to implement the relevant actions, enabling the completion of this work as soon as possible.

Feedback

If you have any questions about anything that is set out in this statement, or any suggestions about what can be improved, please do let us know.

Signed for and on behalf of the Trustees of the Colorcon Limited Staff Benefits Plan by Kevin Hughes, Chair of Trustees

Investment choices, including default investment arrangement

The Trustees are responsible for investment governance. This includes having a good working knowledge of investment matters relating to the Plan. We take professional advice from regulated investment advisers to manage any DC investments.

Setting an appropriate investment strategy

Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles. The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, The most recent SIP is dated January 2023, and a copy is attached to this statement.

Reviewing the investment arrangements

The Trustees are expected to review the strategy and objectives of any default investment arrangement regularly, and at least once every three years, and take into account the needs of the Plan membership when designing it.

For the first time, trustees are also required to include in the Chair's statement the percentage of assets in the default arrangement allocated to various types of asset class at different ages, as specified in legislation. This is to improve transparency so that members have access to all relevant information surrounding the investments being made with their pension savings and the outcomes these investments could have on their future retirement.

The investments within the Plan are not a default arrangement for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, because the Plan is not used as a qualifying scheme for automatic enrolment purposes.

As a result, no default investment strategy review was undertaken during the Plan year and there is no planned future date for such a review.

Self-select investment choices

The Trustees allow members to self-select from the following range of funds:

DC Section	Aviva Pension Managed Fund Aviva Life & Pensions UK Limited Secure Growth Fund Aviva Pension Cash Fund
AVCs with Prudential	Prudential With-Profits Cash Accumulation Fund Prudential Discretionary Fund Prudential International Equity Fund

Members may wish to take financial advice before choosing between these funds.

Further explanation of the With-Profits arrangements

Some members are invested in the Aviva Secure Growth Fund, which is a unitised With-Profits fund which each year accumulates at a regular interest rate as may be declared by Aviva. In addition, a terminal bonus, where applicable, may be added to a member's personal fund when money is withdrawn to provide benefits. The amount of terminal bonus depends, principally, on the investment performance of the underlying fund and cannot be guaranteed in advance. The rate of bonuses and therefore the rate of growth has not been guaranteed.

Investment returns on the Aviva Secure Growth Fund are distributed in the form of interest and bonuses which are designed to smooth out the fluctuations of the underlying investments.

The bonus setting and market value reduction process give returns to policyholders which fairly reflect the return on underlying assets. Aviva allows for a charge of 1.5% p.a. when declaring With-Profits bonus rates.

Further explanation of the With-Profits arrangements (continued)

A similar process will occur within the Prudential With-Profits Cash Accumulation Fund whereby charges on With-Profits business depend on the performance of the With-Profits fund and, in particular, the investment returns achieved, and expenses incurred. Over time, if investment returns are higher, the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower. With-Profits policyholders also incur a charge to pay for all the guarantees the With-Profits Cash Accumulation Fund supports by making a deduction each year when deciding regular and terminal bonuses. The annual charge is the allowance made for expenses, distributions to shareholders and profits or losses from other sources arising in the With-Profits Fund. During the year 2024, the annual charge was 1.00% of invested funds. The annual charge is reviewed each year as part of the process for setting bonus rates.

The Trustees take a proportionate approach to reviewing these investments based on the size of the funds invested compared to the overall value of benefits that the members hold within the Plan.

In addition, the Trustees note that both Aviva and Prudential have a With-Profits Committee for their With-Profits funds, who consider matters affecting the interests of the policyholders within each fund respectively, including fair pay-outs.

The Trustees periodically review these arrangements to ensure they continue to be fit for purpose and will continue to write directly to members who have such investments if there is anything of significance to make members aware of.

Charges and transaction costs paid by members

The Trustees are required to explain the charges and transaction costs (i.e., the costs of buying and selling investments in the DC Section and AVC arrangement) that are paid by members rather than the employer. In the DC Section and AVC arrangement, members typically pay for the provider administration costs, investment management and investment transactions, while the employer pays all the other costs of running the Plan, such as wider investment support and governance.

The investment management and transaction costs can be explained as follows:

- The total ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges).
- Transaction costs are the costs incurred as a result of the buying, selling, lending, or borrowing of investments within each fund. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and the costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place.
- In addition, there can be switching costs occurred as a result of the buying and selling of funds. This may relate either to member-driven trades (e.g. a self-select member switching their investment arrangements) or to automatic trades (e.g. those associated with fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the fund price used to place the trade and the price which would have applied to that fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.
- From 2017 Aviva introduced a manual ‘charge cap’ of 1% in respect of the Annual Management Charges of the Plan. This means that the current AMC of the Plan will not exceed 1% going forward. As the Plan’s standard AMC exceeds 1%, the charge cap will be applied to funds, from the 2017 cap inception date forward, on the settlement of any policy within the Plan. A refund amount, equal to the current AMC amount over 1% that was deducted since 2017, is added back on to any final settlement payment made by Aviva. The charge cap is not mentioned within the Aviva literature or stated within the Aviva plan Terms and Conditions, so it could change in future and is currently applied as a goodwill gesture by Aviva.

Charges and transaction costs paid by members (continued)

The level of ongoing charges applicable to the DC Section and AVC arrangement investment funds during the last Plan year were confirmed by the managers as being:

	Total charges		Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
DC Section with Aviva				
Aviva Pension Managed Fund	1.00% *	£10.00 *	0.12%	£1.20
Aviva Life & Pensions Limited Secure Growth Fund	1.00% *	£10.00 *	0.03%	£0.30
Aviva Pension Cash Fund	1.00% *	£10.00 *	0.01%	£0.01
AVCs with Prudential				
Prudential With-Profits Cash Accumulation Fund	^	^	0.13%	£1.30
Prudential Discretionary S3 Fund	0.77%	£7.70	0.11%	£1.10
Prudential International Equity S3 Fund	0.78%	£7.80	0.11%	£1.10

Source: Aviva and Prudential

* Inclusive of the Aviva 1% ‘charge cap’

^For information on the Prudential With-Profits Cash Accumulation Fund please see ‘Further explanation of the With-Profits arrangements’ above.

In terms of switching costs, the funds used by the DC Section and AVC arrangement operate on a single-swinging price basis with no explicit switching costs charged to members. However, members may experience implicit switching costs whenever assets are sold.

These costs will vary between members depending on what switches took place for each member and the date at which these occurred. The Trustees are not able to track what costs have been incurred in practice for particular members.

Completeness of transaction cost information

Where information about the member costs and charges is not available, we have to make this clear to members together with an explanation of what steps we are taking to obtain the missing information.

The transaction costs to 30 June 2024 have been provided for all funds used by the DC Section.

Examples of the impact of costs and charges

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on the value of a member’s pension savings.

We were unable to obtain illustrations from the Prudential AVC arrangement because they concluded that the “AVCs that we manage are out of scope of the Occupational Pension Schemes (Administration and Disclosure) Regulations 2018, including the development and provision of illustrative examples for scheme use, as schemes where the only money purchase benefits are in respect of Additional Voluntary Contributions (AVCs) are exempt from the requirements of the regulations”. Ongoing contributions are not made to the DC Section or the AVC arrangement.

Aviva has prepared the following examples, having taken account of the statutory guidance issued by the Department of Work and Pensions.

Examples of the impact of costs and charges (continued)

The table in this section provides an illustration showing the possible effect of costs and charges on an individual's pension savings. Aviva has confirmed the table shows how different cost and charges can impact the pension pot over certain periods, based on a selection of funds. It shows typical funds for the Plan. Under each investment fund, there are two columns. The first shows the projected pension values assuming no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing the two, members can see how charges over the years will impact their pension pot. For example, if a member started their pension at age 40 and expect to retire at 65, the figures at the end of year 25 would give an idea of the effect of charges over the 25 years a member is invested. The assumptions used are below.

Aviva's illustrations shown below are inclusive of the actual cost and charges applicable to the Plan because they have applied their 1% 'charge cap' (as described above) to their illustration.

The figures shown are not personal to members and do not show the actual pension benefits a member could get from the Plan. The table is only illustrating the cumulative effect of costs and charges on a notional investment pot. They do not reflect the level or nature of benefits members will be eligible for under the Plan. The purpose of a pension is to provide members with benefits at their chosen retirement age, which may not coincide with any of the years shown in the table. Aviva cannot predict exactly what will happen in the future, so they have had to make some assumptions which are explained below. The values shown may not represent members' own circumstances, are estimates and are not guaranteed.

A personal projection of a member's pension pot is included in their annual benefit statement, and they should read that to get an individual view of their projected pension benefits.

Illustration of effect of cost and charges for your scheme: Colorcon Limited Staff Benefits Plan						
Assumed current pension pot value						£20,000
			Lowest Charge Fund		Highest Charge Fund	
	Av Secure Growth Fund		Av Cash		Av Managed	
	Assumed costs and charges of 1.028% a year		Assumed costs and charges of 1.009% a year		Assumed costs and charges of 1.125% a year	
	Assumed growth rate of 4% a year		Assumed growth rate of 2% a year		Assumed growth rate of 6% a year	
At end of year	Projected value assuming no charges taken	Projected value with charges taken	Projected value assuming no charges taken	Projected value with charges taken	Projected value assuming no charges taken	Projected value with charges taken
1	£20,200	£20,000	£19,900	£19,700	£20,600	£20,400
3	£20,800	£20,200	£19,700	£19,100	£22,100	£21,400
5	£21,500	£20,400	£19,500	£18,500	£23,600	£22,400
10	£23,100	£20,900	£19,000	£17,200	£27,900	£25,100
15	£24,800	£21,400	£18,500	£16,000	£33,000	£28,200
20	£26,700	£21,900	£18,100	£14,800	£39,100	£31,600
25	£28,700	£22,400	£17,600	£13,800	£46,200	£35,400
30	£30,900	£22,900	£17,200	£12,800	£54,700	£39,700
35	£33,200	£23,400	£16,800	£11,800	£64,700	£44,500
40	£35,700	£24,000	£16,400	£11,000	£76,600	£50,000

Source: Aviva

For these illustrations, Aviva has assumed:

- A starting pot of £20,000 in the Plan. It does not assume any ongoing contributions into the pension pot.
- The figures illustrate the pension pot in 'today's money' which means they take inflation into account by reducing values at 2.5% a year. This shows what the figures could be worth today, but actual inflation could be more or less than this. It is important to note that inflation reduces the worth of all savings and investments. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in 'todays money'.

Past performance of the investment funds

Aviva and Prudential have calculated the return on investments (after the deduction of any charges and transaction costs paid for by the members). We have shown this information for each self-select fund which members are able to select and in which members have been invested during the year.

The net returns for the period ending 30 June 2024 are shown in the tables below and have been included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance. Aviva and Prudential have prepared the following tables, in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and having taken account of the statutory guidance issued by the Department of Work and Pensions[1].

Aviva annualised net returns (%) for the self-select funds over periods to 30 June 2024:

Annualised returns net of charges for a single investment of £10,000 in your scheme - Colorcon Limited Staff Benefits Plan					
	One year (annualised)	**Five years (annualised)**	**Ten years (annualised)**	**Fifteen years (annualised)**	**Twenty years (annualised)**
Time period (start date - end date)	**30/06/2023 - 30/06/2024**	**30/06/2019 - 30/06/2024**	**30/06/2014 - 30/06/2024**	**30/06/2009 - 30/06/2024**	**30/06/2004 - 30/06/2024**
Aviva Pension Managed Fund	8.8 %	2.1%	2.6%	4.1%	3.5%
Aviva Life & Pensions Ltd Secure Growth Fund *	4.3%	4.2%	8.7%	7.4%	6.9%
Aviva Pension Cash Fund	2.3%	-1.1%	-1.8%	-2.0%	-1.0%

Source: Aviva

[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

Past performance of the investment funds (continued)

Please note the following points:

- Returns net of all costs and charges have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance.
- The charges assumed are those currently applicable to a single contribution of £10,000 paid into your scheme at the beginning of the reporting period.
- Returns are annualised geometric means over the time periods displayed. For example, if a net fund return over a 5 year period was 15.9% this would be shown as 3% p.a. in the '5 year' column.
- Returns are net of all costs and charges borne by members. Both initial (where applicable) and ongoing charges are included in the returns provided. When comparing charges you should ensure that comparator schemes have included all charges, including any initial contribution based charges, in the same way.
- The net returns reflect the current charge arrangement. These charges could vary in the future.
- Where fixed £ charges are taken on a per policy basis the assumption has been that the policy is invested in one fund only. Where, in practice, policies are invested in more than one fund, the net return on each fund would be higher.
- Depending on the scheme and product, charges may include:
  - Fund based charges, including but not limited to: Fund management charges, additional fund expenses, asset transaction costs
  - Scheme based charges: Product fees or percentage unit deductions
  - Initial investment expenses: Allocation rates or bid-offer spread
- Aviva Secure Growth Fund. The net returns in each period are based on a lump sum of £10,000 being invested at the start of each period and allow for any special interest additions over the period and any entitlement to final bonus which depends upon the length of investment. This means that net returns that have been provided over the shorter durations need to be interpreted with care.

Prudential annualised net returns (%) for the self-select funds over periods to 30 June 2024:

Annualised returns net of charges for a single investment of £10,000 in your scheme - Colorcon Limited Staff Benefits Plan			
	One year (annualised)	**Three years (annualised)**	**Five years (annualised)**
Time period (start date - end date)	**30/06/2023 - 30/06/2024**	**30/06/2021 - 30/06/2024**	**30/06/2019 - 30/06/2024**
Prudential S3 Discretionary Pension	11.6%	2.2%	4.1%
Prudential S3 International Equity Pension	15.7%	6.8%	8.0%
Prudential With-Profits Cash Accumulation Fund	0.0%	0.0%	0.0%

Source: Prudential

Past performance of the investment funds (continued)

Please note the following points:

- The figures outlined in the table are based on a starting fund size of £10,000, with no further contributions and a calculation date of 30 June 2024.
- The net investment return is calculated using your fund profile applicable in the Plan year ending 30 June 2024.
- The net investment return is an annualised figure. For example, if the net investment return is 4% per annum over 5 years, the overall net investment return is approx. 22%, taking into account compounding the annual net investment return.
- The net investment returns calculation basis assumes the policy status is in-force over the reporting period.
- The net investment return for With-Profits funds may appear low (or negative in some instances). Final bonus is not included in the net investment return calculation as it is not applied until the policy is out of force. The split between Regular Bonus and Final Bonus will depend on the bonus strategy for each With-Profits fund, but it's often the case that most of the growth is allocated to Final Bonus.
- As part of Prudential's regular review to improve their products, many of the charges that have been considered as part of the net investment return calculations (for the historic period) are no longer applicable/applied.
- Further details of the charge information and fund prices can be accessed via pru.co.uk/funds.
- Past fund performance is not an indicator to future fund performance.

Core financial transactions

The Trustees are required to report to members about the processes and controls in place in relation to 'core financial transactions'. The law specifies that these include the following:

- investing contributions paid into the DC Section and AVC arrangement;
- transferring assets relating to members into and out of the DC Section and AVC arrangement;
- transferring assets between different investments within the DC Section and AVC arrangement; and
- making payments from the DC Section and AVC arrangement to, or on behalf of, members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the administrators of the DC Section and AVC arrangement.

Administration of the DC Section is currently delivered by Aviva, while administration of the AVC arrangement is delivered by Prudential. This administration service includes key financial tasks such as paying benefits (or making transfers) and arranging disinvestments of designated investments.

These administrators are required to carry out services in accordance with good industry practice, and to ensure transactions are carried out in a timely and effective manner. Aviva has confirmed that their service standards are to provide scheme information within eight working days, and policy level information, payments out, and transfers within five working days.

In order to monitor this service, the Trustees receive reports confirming the statistics on the level of service that is provided in comparison to agreed targets and timescales as well as information on events such as transactions. The Trustees monitors transactions made via the Trustees' bank account on a regular basis.

Core financial transactions (continued)

The Trustees are aware of some material administration service issues discussed in the last Plan year which need to be reported here. The administration challenges during the Plan year ended 30 June 2024, were specific issues around:

- continued delays in Aviva responses, impacting on the ability of the pension scheme administration service providers to provide information to members on their benefit entitlements;
- delays impacting the settlement of transferring and retirement benefit claims.

Additionally, of the six financial transactions processed by Aviva in the Plan year ended 30 June 2024, only two were completed within their service standard of five working days.

As a result, core financial transactions have not been processed within a reasonable time for the Plan year to 30 June 2024. These issues have been raised with Aviva to resolve. In addition, the Trustees are currently taking steps to transition DC Section benefits in order to provide a better outcome for members in the future.

Trustee knowledge and understanding

The Plan is overseen by a board of Trustees. The Trustees are drawn from a variety of backgrounds with skills and knowledge which complement each other and provide a diverse Trustee Board.

The law requires the Trustees to be conversant with the Plan's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Plan effectively.

The Trustees are aware that we must have a working knowledge of the trust deed and rules of the Plan, the statement of investment principles and the documents setting out the Trustees' current policies. We are also aware that we must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regular training sessions at meetings and attending online seminars.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board.

Trustee knowledge and understanding (continued)

During the Plan year the following training and development activities have taken place:

- The training log is reviewed regularly at Trustee meetings to identify any gaps in the knowledge and understanding across the Trustee Board as a whole. During the Plan year the Trustees received training and information on topics including:
    - Plan DC benefits
    - Removing the DC underpins and simplifying plans
    - Ensuring your matching strategy delivers your objectives
    - Cyber governance
    - Pensions Dashboards
    - Legal updates
    - GMP equalisation – method and assumptions
    - The future of DC
    - Environmental Social & Governance (ESG)
    - Endgame objectives
    - General Code/ building an Effective System of Governance

- Trustees have to complete The Pensions Regulator’s on-line trustee toolkit. New trustees are required to complete the toolkit within 6 months of becoming a member of the Trustee Board. Trustees must review the toolkit on an on-going basis to ensure our knowledge remains up to date. An induction process is in place for any newly appointed trustees.

- The Trustees receive “on-the-job” training. This means that as new topics arise our professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests, as well as training during the meeting so that the Trustees may engage on such topics in an informed manner.

- The Trustees are also provided with any topical updates at every meeting. Covering recent and ongoing developments including legal and regulatory matters relevant to the trustees of DC pension schemes.

Relevant advisers are in attendance at meetings and in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Plan or in respect of pension or trust law.

The Trustees meet all the knowledge and understanding requirements and understand the Plan and its documents.

As a result of the training activities which have been completed by the Trustee Board individually and collectively and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees.

Assessing value for members

The Trustees have carried out a detailed value for members assessment which applies to the DC Section. The assessment involves a comparison of our reported costs and charges and net investment returns with three other schemes, and a consideration of key governance and administration criteria.

In carrying out the assessment, the Trustees have paid regard to the Department for Work and Pensions' statutory guidance on Completing the Annual Value for Members Assessment and Reporting Net Investment Returns.

This section sets out the approach that the Trustees have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Selecting comparison schemes

In order to carry out the value for members assessment, the Trustees select three comparison schemes. We conducted an appropriate selection process with our pension advisers who have the relevant market knowledge of DC pension arrangements. The comparison schemes selected were all greater than £100million in size and of a different structure to the DC Section to ensure that a meaningful comparison was made with a larger pension arrangement. For example, we selected schemes which have purely DC benefits or schemes which are used for automatic enrolment.

When approached, most pension providers in the market were unable to provide terms for this DC Plan, due to the nature of the assets and its relatively small overall asset size within the marketplace. Discussions have taken place with one of the comparator providers, who will be able to accept a transfer of the members' rights if the DC Section should ever be wound up.

The outcomes from our assessment

<u>Test 1: Costs and charges</u>

The Trustees have identified the costs and charges that members pay for directly as well as the costs and charges that are paid for by the employer. As indicated earlier in this statement, the costs and charges that are paid by members are the provider administration costs, fund management charges and transaction costs for the investment funds used within the DC Section.

For all other costs and charges, the employer bears the full cost. This covers such areas as:

- wider investment support and governance (e.g., the costs of regularly reviewing and updating funds available to members, etc);
- the management and governance of the Plan (e.g. the expenses of the Trustees, the costs of legal/actuarial advisers and annual audit, etc).

The Trustees have gathered information about costs and charges from the three comparison schemes and compared them with the costs and charges paid by the members directly in the DC Section. The costs and charges for the Plan year to 30 June 2024 have been gathered for the analysis. NEST are unable to provide transaction costs to 30 June 2024 and have provided transaction costs to 31 March 2024.

We have compared each of the Aviva self-select funds with the default funds and the nearest comparable funds in the three comparison schemes. Within the comparator default funds, we have displayed the funds which members would be invested in at five years prior to the normal retirement age, as this reflects the DC Plan's demographics.

Assessing value for members (continued)

A summary of the comparison is shown in the table(s) below.

Scheme	Charges	Transaction costs	Total of costs and charges
The Plan - Aviva Pension Managed Fund	1.00%*	0.12%	1.12%*
Comparator A - The People's Pension Pre-Retirement Fund ***	0.50%	0.04%	0.54%
Comparator B - Nest 2029 Target Date Fund**	0.30%	0.05%	0.35%
Comparator C – Aviva MYM My Future Consolidation (pre 2025)	0.69%	0.09%	0.78%
Average of the three comparison schemes	0.50%	0.06%	0.56%

Scheme	Charges	Transaction costs	Total of costs and charges
The Plan - Aviva Life & Pensions UK Limited Secure Growth Fund	1.00%*	0.03%	1.03%*
Comparator A – The People's Pension - Global Investments (up to 60% shares) Fund***	0.50%	0.05%	0.55%
Comparator B – Nest Guided Retirement Fund – Safe Fund**	0.30%	0.01%	0.31%
Comparator C – Aviva MYM My Future Consolidation (pre 2025)	0.69%	0.09%	0.78%
Average of the three comparison schemes	0.50%	0.05%	0.55%

Scheme	Charges	Transaction costs	Total of costs and charges
The Plan - Aviva Cash Fund	1.00%*	0.01%	1.01%*
Comparator A – The People's Pension – Cash Fund***	0.50%	0.00%	0.50%
Comparator B – Nest Guided Retirement Fund – Wallet Fund**	0.30%	0.02%	0.32%
Comparator C – Aviva MyM BlackRock Sterling Liquidity	0.65%	0.02%	0.67%
Average of the three comparison schemes	0.48%	0.01%	0.49%

Source: Aviva, the People's Pension and Nest
** Inclusive of the Aviva 1% 'charge cap'*
*** Nest transaction costs provided are to 31 March 2024 and not to 30 June 2024*
**** The People's Pension also has a charge of £4.50 per member for pots over £104.50 and tiered rebate for savings over £3,000 (as at 30 June 2024). Transaction costs are the average of the previous 5 years as of 31 March 2023.*

Assessing value for members (continued)

Comparison results

Our conclusion on costs and charges is that the total charges and transaction costs across the Plan's funds are higher than the average for the comparator schemes and this cannot be mitigated by higher investment returns (as shown in the next section), so it would be reasonable to assume that the DC Section as a whole represents poor value for members from a costs and charges perspective.

Test 2: Investment returns (fund performance)

The Trustees have included past performance of the investment funds for the DC Section earlier in this statement.

The Trustees have also gathered information about investment returns (after the deduction of any charges and transaction costs) from the three comparison schemes and compared them with the net investment returns in the DC Section. We have compared the funds in the DC Section with the nearest comparable funds in the three comparison schemes.

The Trustees have compared net investment returns both in the short term (over a one-year period) to the Plan year ending 30 June 2024 to give an immediate indication of performance trend, and over a longer more sustained term (over a five-year period), for which broadly comparable data could be found.

A summary of the comparison is shown in the table below.

DC Section – Aviva	**Aviva Pension Managed Fund**	**Aviva Life & Pensions UK Limited Secure Growth Fund**	**Aviva Pension Cash Fund**
Net investment return over 1 year to 30/6/2024*	8.8%	4.3%	2.3%
Net investment return over 5 years to 30/6/2024*	2.1%	4.2%	-1.1%
Comparator A – The People's Pension	**Pre-Retirement Fund**	**Global Investments (up to 60% shares) Fund**	**Cash Fund**
Net investment return over 1 year to 30/6/2024	6.56%	11.17%	4.83%
Net investment return over 5 years to 30/6/2024	0.94%	4.08%	1.41%
Comparator B – Nest	**Nest 2029 Retirement fund**	**Nest Guided Retirement Fund – Safe Fund**	**Nest Guided Retirement Fund – Wallet Fund**
Net investment return over 1 year to 30/6/2024	12.70%	4.90%	4.90%
Net investment return over 5 years to 30/6/2024	6.40%	N/A**	N/A**

Assessing value for members (continued)

Comparator C – Aviva Master Trust	Aviva MYM My Future Consolidation (pre 2025)	Aviva MYM My Future Consolidation (pre 2025)	Aviva MyM BlackRock Sterling Liquidity
Net investment return over 1 year to 30/6/2024	9.60%	9.60%	5.40%
Net investment return over 5 years to 30/6/2024	2.80%	2.80%	2.00%
	Average of the three comparison schemes	**Average of the three comparison schemes**	**Average of the three comparison schemes**
Net investment return over 1 year to 30/6/2024	9.62%	8.55%	5.04%
Net investment return over 5 years to 30/6/2024	3.38%	3.44%	1.71%

Source: Aviva, the People's Pension and Nest
**The Aviva net returns have been calculated with the Aviva 1% charge cap being applied*
***Fund launched in March 2020 and so five year returns are not available*

Comparison results

The net return figures for all three Aviva Funds are lower than the average for comparator funds.

Our conclusion on net investment performance is that the net investment returns across the funds offered by the DC Section in which members are invested are lower than the comparator schemes, so it would be reasonable to assume that the DC Section represents poor value for members from an investment returns perspective.

Test 3: Governance and administration

The Trustees have assessed the value delivered by our governance and administration offering as the third and final part of our assessment of value for members, together with costs and net returns. Effective scheme governance is essential for the operational and financial sustainability of the DC Section and AVC arrangement, providing good outcomes from investment, and for the trust and confidence of our members.

Our assessment for governance and administration is based on seven key metrics as prescribed by legislation and does not involve a comparison with other schemes. We have, however, taken advice from our pensions advisers as a reference for 'best practice' along with requirements set out by the Department for Work and Pensions.

Metric	Description	Rating
1.	Promptness and accuracy of core financial transactions	Metric not satisfied
2.	Quality of record keeping	Metric satisfied but steps to be taken to strengthen
3.	Appropriateness of the default investment strategy	Metric not satisfied but no default is applicable to this Plan
4.	Quality of investment governance	Metric not satisfied
5.	Level of trustee knowledge, understanding and skills to operate the pension scheme effectively	Metric satisfied
6.	Quality of communication with scheme members	Metric satisfied
7.	Effectiveness of management of conflicts of interest	Metric satisfied

Assessing value for members (continued)

Having considered all seven metrics within the theme of governance and administration, the Trustees have concluded that the overall governance and administration of the DC Section provides poor value for members.

Overall conclusion

The conclusion of our assessment is that, under the updated statutory guidance, the DC Section continues to represent poor value for members in relation to costs and charges, investment returns and governance and administration and the Trustees now intend to complete a transfer of member’s assets out of the DC Section.

Follow-on actions and investigations

As the Trustees are unable to improve the value for members within the Plan, over the following Plan year to 30 June 2025, the Trustees intend to continue the work commenced in the prior Plan year with our legal and actuarial advisers, to agree and progress the required work to convert and crystalise any benefits with a DC underpin and provide these benefits within the DB Section of the Plan.