

AFE Group Pension Plan (the Pension Plan)

Information on forthcoming changes to the Pension Plan and Default Fund Investment structure

Background to the AFE Group Pension Plan

The AFE Group Ltd workplace pension plan has now been in existence for 15 years. The plan is managed by AEGON and currently has approximately 2000 active and deferred members and a fund asset value of £37.5M held for the benefit of its members

Our monitoring of the Pension Plan to deliver good governance and better outcomes

AFE Group Ltd (the Company) undertakes regular monitoring of the pension arrangements in place for its staff. Independent governance and compliance reviews are undertaken for the company by Mercer Marsh Benefits. A recent detailed review of the pension arrangements in place across the operating businesses with the Company, has recommended that in maintaining good governance and member outcomes for a scheme of this size that the Company and AEGON change the structure of the pension plan and the investments held within the Default Fund.

We are therefore announcing the following changes and set out below the rationale to support our decision.

- **Switch the Workplace Pension Plan from the AEGON Group Personal Pension Plan (GPP) to the AEGON Master Trust Arrangement**

Master Trusts operate in a similar way to GPP schemes, and remains a defined contribution, occupational pension scheme. Uniquely, Master Trusts are set up to provide a cost effective platform that can be used by multiple unrelated employers. The Master Trust is governed by Independent Trustees who are jointly liable for ensuring good governance, good legal and administration standards and decision making solely in the interests of the scheme members.

Master Trusts benefit from economies of scale, which means they are more capable of delivering the increasing level of governance demanded by the regulator now and in the future. Scale also gives the Master Trust access to efficiency savings around scheme administration, investment expertise and professional advice and member communication solutions.

We believe it is right that the AFE Group Ltd Pension scheme is now managed in a more professional way with the expertise of appointed Trustees to better manage the pension accounts of the members, manage the default fund and provide greater support and guidance once someone reaches their retirement date. The Company believes this is best resourced via the AEGON Master Trust rather than in the current Group Personal Pension (GPP) environment.

- **Change to the Default Fund Arrangements- About the current default fund**

The current Default Fund, which approximately 98% of members are using, was last changed in August 2013 and uses a lifestyle mechanism that targets the purchase of an Annuity once retirement age is reached. Since April 2015, legislation changed to introduce pension freedoms on how someone is able to withdrawal their pension fund in much more flexible ways.

We know from the information provided by AEGON that the majority of members now choose to access their funds under the pension freedom options and only a very small number of people have used the Annuity method of securing their pension income.

- **Member response to previous Default Fund reviews**

When the default fund had been reviewed previously, we know that the majority of members failed to take action to move their existing funds or redirect future contributions to the updated default fund. This has created a legacy situation whereby members are left in inappropriate life styling mechanism and so may find they achieve poorer outcomes in terms of optimising their retirement pot and options.

The move to the AEGON Master Trust is intended to resolve the issue of legacy default funds still being used as it is expected most members would prefer to move their fund into the AEGON Master Trust so that funds are not only managed in one place but it will now target the modern methods of pension freedom options.

- **Transferring to the AEGON Master Trust**

It is not possible to transfer the GPP funds to the AEGON Master Trust automatically. Individual member consent is required to do this under Financial Conduct Authority regulations.

AEGON is providing a high degree of communication and support to encourage members to move their funds to the AEGON Master Trust.

- **Reduced Annual Management Charges**

As part of the review, we are pleased to confirm it has been possible to negotiate a reduced Annual Management Charge (AMC) for active members in the Master Trust of 0.29% p.a.

- **When will the pension scheme change from a GPP Scheme to a Master Trust Arrangement**

The planned change to the pension scheme is effective from 1 May 2022.

Members in the plan are not exposed to any costs on the proposed switch from the AEGON GPP scheme to the AEGON Master Trust arrangement

There are no changes to the contribution basis or how salary exchange operates.

- **Why is the Company taking this action?**

The Company takes the management of its pension arrangements seriously and staff would expect the business to take action if it is likely to be in the best interest of the people who are members of the pension plan. Following the review carried out with the support of independent advisers, we felt there were clear outcomes to be addressed due to the collective size of the funds, issues about legacy default fund investors, as well as the need to professionalise the monitoring of the Company's pension plan. The business believes the change is in the best, long term, interests of current and future members of the pension plan.

- **What information will I receive from AEGON?**

AEGON will be supporting the roll out of presentations on the AEGON Master Trust in advance of the 1 May 2022 implementation. Details of these sessions will be published separately through line managers.

- **Do I have to do anything?**

In respect of future contributions, these will be automatically paid into the AEGON Master Trust from the 1 May 2022. To transfer the GPP funds to the Master Trust, this must be authorised by each member individually.

- **How do I transfer my funds from the GPP to the AEGON Master Trust**

AEGON will write to each active member in the GPP inviting them to authorise the transfer of their GPP fund into the AEGON Master Trust. AEGON will then collate all the responses and collectively move the assets from the GPP to the member's new AEGON Master Trust account.

- **Will I be able to choose my investment funds?**

The Master Trust has the AEGON LifePath Flexi as its default Fund that targets the use of pension drawdown on reaching retirement. There are 17 other fund choices that make available other risk rated, regionally invested, assets classes and ethical fund choices that members may prefer to select from. The range of funds can be found on the following link: <https://www.aegon.co.uk/workplace/intermediaries/targetplan/master-trust.html>

- **Can I leave the fund invested as it is now?**

In the communication information AEGON will be sending will be a response form to allow a member to sign the form and authorise the movement of funds from the GPP to the AEGON Master Trust. Anyone not completing this form will have their fund remaining in the GPP but future contributions go into the AEGON Master Trust. If the GPP funds are not moved to the AEGON Master Trust, both accounts will be visible in the online portal – Target Plan.

- **Is there a cost the change?**

There are no extra charges levied for the change to the AEGON Master Trust, either for future contributions nor for the transfer of GPP funds into the AEGON Master Trust.

Annual Management Charges are being reduced slightly to 0.29% p.a.

- **Can I still access AEGON's guidance and advice services?**

Yes, these services will continue to be provided if a member wishes to seek guidance and information about their pension planning and retirement options.

- **Will I still have online access to view my pension savings?**

Yes, Target Plan will still be the portal through which you log into your account to view your pension accounts.



T.S. Smith
Chief Executive Officer