

Value for Members Assessment

Introduction

Welcome to our annual assessment of the value that Atlas members receive for the charges they pay and transaction costs attributable to their accounts. 'Value for Members' analysis and reports such as this are a legal obligation for trustees such as us for two reasons. Firstly, so that we can continually challenge ourselves to ensure that we are delivering good value. Secondly and more importantly, so that members and the employers that they work for can also understand Atlas value proposition.

Our main role within Atlas is to oversee the smooth, safe and efficient running of Atlas for the benefit of all of our members and all of the employers who have chosen Atlas for their workforces. Ensuring Value for Members, or VFM for short, is one of our most important objectives.

The policy that we have developed to help us assess VFM is based on two central tenets:

- 1. lowest cost isn't synonymous with the best value; cheap isn't always cheerful; and**
- 2. it isn't always true that you get what you pay for – you can pay too much for not enough.**

As in previous years, these beliefs continue to inform our evaluation of Atlas' VFM. There are many costs associated with running pension schemes, some predictable and some not. If charges are too low there is insufficient room for improvement and development, both of which are essential given the long-term nature of pensions. (Many of our members today may still be members in 50 or more years.) Conversely, charging disproportionately more than the actual costs experienced can never be in members' interests. Navigating the fine line between charging too little and charging too much is critical to our VFM assessment.

Building on the evaluations we have carried out in previous years, our focus for this year's evaluation has been our progress in member engagement – and in particular the encouraging levels of increased member participation in our engagement strategies - and the maintenance of administration performance measurements (Service Level Agreements, or SLAs) at levels which have often exceeded our agreement with Capita. We have also considered some significant operational improvements (Help Desk and Mailing) over the course of this reporting period. These are covered in more detail below.

Regulatory expectation

The Pensions Regulator (TPR) – the public body responsible for regulating workplace pensions in the UK - requires trustees to take account of four main attributes in their assessment of VFM. These are:

- Scheme management and governance;
- Administration;
- Investment governance; and
- Communications

Our assessment takes each of these aspects of scheme management into account.

Our VFM Assessment

In making our assessment of whether Atlas levies charges that are fair and reasonable in light of the governance, administration, technological and communications services we deliver, we have considered whether Atlas offers or provides for:

- A good level of services, flexibility and choices to members;
- A governance environment in which good decision-making can thrive;
- An effective, efficient network of service providers and sub-committees (and others) that support both the trustees' day to day and their strategic work;
- Communications that can inform, engage and educate members, and which can give them the confidence to make choices that suit their circumstances, if and when they want to;
- Investment strategies that are designed for appropriate outcomes in an array of different circumstances.
- Robust, accurate, efficient administration platforms;

In assessing the value of the services that Atlas offers members, and the flexibility and choice within that offering, we took into account:

- The flexibility that Atlas members have to increase or reduce their contributions;
- The number of different ways that members are able to contact Capita (Atlas' Administrator) in order to make changes and enquiries or to access information, and the efficiency of those options. Whilst it is our aim for Atlas to be a predominantly on-line experience, it is not exclusively so and members can also write in, e-mail and

call the UK based member helpline which is staffed by dedicated, pension-literate service operatives who will link directly to the Atlas administration team if they are unable to resolve the query. We are currently trialling WhatsApp technology as an alternative way to link members to our helpdesk, with the expectation of rolling the technology out to all members later this year. We measure how quickly members' queries are resolved and regularly review performance metrics such as how quickly a call is answered and how quickly the query is resolved;

- Very importantly, members do not need to transfer their benefits to another pension provider or to buy another pension product in order to access their pension savings. Instead they can take income and/or cash sums direct from Atlas for no additional charge. They can do this, irrespective of the size of their pension pot, over the short, medium and long term – whether retired or still in work - maximising flexibility and allowing them time and opportunity to manage their retirement income in the most appropriate way. We know from our research that this is a feature shared by few other Master Trusts, and it is a feature that we hope will give confidence to members to transfer-in other pension pots from schemes that do not offer the same flexibility;
- The number, quality and suitability of investment choices available to members during both accumulation (the savings stage) and decumulation (the taking benefits stage);
- Our investment strategy and governance oversight.
- That there are no hidden charges - members pay only the charges they've been told about (see also '**Transaction costs**').
- On-line member guidance, modelling tools and educational modules to help guide and support members up to and through retirement.
- In conjunction with Atlas' Executive Team, which has a dedicated Head of Engagement, we continue to explore tools and strategic partnerships with the aim of providing additional, cost effective education, guidance, advice and support to members to help them make appropriate savings and retirement decisions. This work continues, including a free to use 'Financial Wellness' programme. This is a series of on-line modules designed to help members better understand the complexities of today's financial world and provide help and guidance to improve their financial standing. You can find out more about this at <http://financialwellness.capitaemployeebenefits.co.uk/>
- Atlas members also have use of an online investment tool from our investment partner, Schroders. This tool seeks to explain the basics of the investment process and help members identify what type of investor they may be. You can find this tool at <http://www.schroders.com/en/insights/invest-ig/investiq/>

A governance environment in which good decision-making can thrive

In assessing the quality of our governance environment over this period, we considered:

- The knowledge and competence of our Board, its Sub Committees, the Scheme Strategists (the people primarily responsible for Atlas' Commercial direction) and the Atlas Executive (the Capita employees responsible for Atlas' day to day operation). We review this structure formally on an annual basis which gives us the opportunity to identify if there is room for improvement;
- The availability and quality of other governance, technical and legal experts that we are able to call upon;
- The sufficiency, timeliness and accuracy of scheme performance data and other information available to us to:
 - help us ensure that members' contributions are invested correctly and quickly,
 - ensure that members receive the correct benefits,
 - gain adequate oversight and control to ensure that our various strategies are being delivered, and
 - to highlight any areas of concern that we need to focus attention on.

As part of our regular Trustee Board and Sub-Committee meetings we undertake a series of formal annual assessments. These include a review of our own competence and efficiency as a Trustee Board, a review of our Strategists and Sub Committees – both structures and efficiency - and a review of the collective knowledge and competency of the Atlas Executive. We also assess how well our service providers delivered against the performance benchmarks we have set them including:

- the sufficiency and timeliness of legal and other professional advice and support on regulatory and legislative change programmes,
- economic data;
- behavioural data; and
- technology improvements and best practice developments.

We also consider how well - and how often - we listen to others' voices and opinions. 'Others' includes members, participating employers, prospective employers, professional consultants, trade bodies and the regulatory community. In making this assessment we consider the make-up of our Engagement Sub Committee (which includes two trustees), trustee attendance at our Employer Forums and the feedback we get from our Member Forums and the member 'pulse surveys' we undertake.

We review all feedback from professional consultants and other third parties during open tender processes and in our regular engagement with them. We have regular dialogue with the regulatory community - in particular through the supervisory regime that all authorised Master Trusts are subject to. We are required to provide key information to The Pensions Regulator on a regular basis, and have regular, scheduled meetings with them.

The key test of our Governance during this reporting period, and in the months that followed, came about as a consequence of the Covid 19 crisis. The speed and severity of this crisis took continents and countries, Governments and economies, financial markets, major corporations and small independent businesses by complete surprise. The resilience of many long-standing and previously secure organisations and institutions has been challenged like nothing before. Our Chair's Statement covers this in more detail.

An effective, efficient network of service providers, sub-committees and others that support our day to day and strategic work.

With the exception of the Discretions and Appeals Sub Committee, which meets on an ad-hoc basis, each of our sub Committees meets at least quarterly and provides valuable Trustee support. Our Engagement Sub Committee, Risk and Operations Sub Committee and Discretions and Appeals Sub Committee are chaired by a Trustee Director to give us first-hand oversight and leadership. Our Investment Sub Committee is chaired by Paul Trickett, an independent, highly qualified, investment professional. We undertake annual reviews of the competence, membership and efficiency of each of our Sub Committees.

Our Client and Member Forums are up and running. Our Client Forum is a forum for participating employers to meet and discuss development plans and to air any issues they or their employees are experiencing. Our Member Forum is intended to give members a voice in how we work, helping us to identify what we do well and what we can do better. This is predominantly an on-line community to which new members are always very welcome. Members who are interested in joining this group and helping us to shape Atlas' future can contact Atlas' Head of Engagement , Roz Watson, at roz.watson@atlasmastertrust.co.uk.

Communications that can inform, engage and educate members

We continue to develop our engagement strategy; we have a long-term vision of a highly digitalised future where members can engage with their Atlas savings through the medium that best suits them, such as on-line and through Apps. We are, however, committed to retaining more conventional channels (such as post and telephone) for members who prefer to engage in that way.

We publish Trustee Newsletters twice yearly which cover contemporary issues and matters of general interest.

We continue to develop our Benefits Statements to make them as informative and easy to understand as possible. (We call these Annual Updates, which we think better suits the type of information we include.) We have adopted the principles of a recent industry and regulatory initiative to simplify the structure of our annual updates.

Our member engagement strategy focusses on an online journey including using downloadable video and audio content so that members can learn more about pensions and related topics 'on the go' and at a time of their choosing.

We have refreshed our Brand style and are extending that new look and style to more and more of our engagement collateral.

Our Engagement Sub-Committee continues to focus on;

- Feedback generally (including feedback from participants and members, in particular through our client and member forums and from members after any specific interactions with Atlas);
- Input from 'Sparks', Capita's dedicated member-engagement specialist team;
- Specific feedback from participants in respect of 'outcome critical communications' including Trustee Newsletters, new member on-boarding communications, accumulation and decumulation investment nudges, retirement wake-up packs and ongoing retirement support;
- Our communication methodologies and technologies;
- Members' responses to specific and/or targeted communications/messaging;
- Members' responses to different media;
- Feedback from independent evaluators and consultants.

Investment strategies designed for good outcomes in an array of different circumstances

In assessing the quality of our investment decisions, we take into account:

- The quality of Scottish Widows' (see below) investment platform proposition including;
 - platform costs;
 - open architecture capabilities;
 - transition management capabilities;
 - our (and their) ability to negotiate better or 'favoured nation' terms;
 - the security of assets on the platform;
 - error remediation process;
 - ability to provide data – including transaction cost data - accurately and in a timely manner
 - operational effectiveness and efficiency;
 - The cyber-attack prevention capabilities and Business Continuity and Recovery processes; and
 - Environmental, Social and Corporate Governance (ESG) policies.
- The competence and effectiveness of our Investment Sub Committee;
- The skills, judgement and competence of our Investment Consultants, and the flexibility that we as trustees have to use different investment advisers depending on the nature and complexity of the task in hand;
- The capabilities of our primary investment partner (Schroders) and the fees we pay for the three funds we have with them;
- The performance, suitability and effectiveness of our default strategies;
- The range and value of our self-select fund range;

- Whether any investment-related conflicts exist that might impede good member outcomes.
- The research capabilities and analytical methodology employed by our Investment Consultants to help inform our investment strategy;
- The ability of our Investment Managers to identify Transaction costs and their willingness to engage with the regulatory requirements for standardised measurement and disclosure of these costs;
- The reasonableness (or otherwise) of those Transaction Costs (see below).

Transaction Costs

Transaction costs play a vital role in the investment returns that members receive. These are the costs incurred by investment managers in pursuit of their investment objectives. They include activities such as buying and selling stocks, taxes payable on stock purchases, commissions to third parties and costs of third-party investment research. Different investment managers and funds have different investment objectives, and therefore transaction costs can and do differ significantly – not just between different investment funds but also within the same fund over a period of time. That is, transaction costs in any particular investment fund in any year may be more or less than the transaction costs incurred in the previous year, and so on.

All pension schemes like Atlas are required by law to provide more information about charges and transaction costs to their members. We have created a section within the website library specifically for this purpose which members can refer to whenever they wish <http://www.atlasmastertrust.co.uk/library/documents> by selecting on their employer. There are seven fund series. The relevant fund series has been included in the specific employer section within the library. Understanding the magnitude and effect of charges and transaction costs is also very important to us as trustees. It helps us evaluate whether the fund managers we appoint are efficient and whether the funds we make available to Atlas members represent good value. It doesn't automatically follow that the lowest transaction costs are the best value. Some investment funds (like our Multi Asset Portfolio funds managed by Schroders) are expected to incur relatively high transaction costs because we expect Schroders to be actively managing the portfolios in accordance with the mandate we gave them.

Other fund managers - especially those who are managing a passive mandate – will typically undertake less activity and can therefore be expected to incur lower transaction costs. Our responsibility is primarily to evaluate whether managers are efficient or inefficient, and whether the costs of their activity add to or subtract from investment returns.

To aid our evaluation of the Transaction costs incurred by Schroders during the management of our three core Multi Asset Portfolios (MAPs), we have taken into account the conclusions of an independent report undertaken by PTL, a market leading and award winning specialist provider of independent governance services, primarily in respect of UK pension arrangements. Branded as 'Clear Funds' the assessment seeks to evaluate 'the

extent to which the transaction costs incurred in the operation of the Fund (the "transaction costs") represent good value for members'. In brief, the Clearfunds process reviews the control environment operated by Schroders to optimise transaction costs. The assessment considers how comprehensive the controls were and obtained evidence that they were being operated, and the quantum and incidence of transactions costs for each of the MAPS Funds mindful of the respective investment objectives.

The assessments are completed via a combination of desktop analysis of Schroders documents, such as ISAE 3402 / AAF 01/20 (formerly AAF 01/06) reports and a site visit to Schroders to meet a number of their key operational personnel.

The Clear Fund reports are available on-line to members at <http://www.atlasmastertrust.co.uk/library/documents>. We therefore do not propose to include lengthy extracts from those reports in this value for money report, except to reproduce the conclusion reached by PTL for each of our MAPs which was: *'It is our opinion that the incidence and quantum of transaction costs incurred, and the control environment of those transaction costs in the operation of the Fund, represent good value for members/money.'*

For our passive investment manager line-up, we compare the transaction costs of our primary manager (LGIM) against a cross sample of other, similar passive fund managers to ensure that LGIM's transaction costs are at least comparable to a peer group.

Robust, accurate, efficient administration platforms

As we have noted in each of our Value for Money reports, good administration is a pre-requisite for a well-run Master Trust and an area of the upmost importance to us. Our administration service provider is Capita Employee Solutions (CES), whose performance we monitor regularly through our dedicated Head of Operations and formally on a quarterly basis at each of our scheduled Risk & Operations Sub

Committee and Trustee meetings. We review performance more frequently during peaks of activity, such as when on-boarding new schemes or accepting bulk transfers. We may also monitor performance more frequently if there has been any deterioration in performance. Our Risk & Operations Sub Committee, which also reviews performance at each quarterly meeting, supports us with the monitoring and oversight process. Our Head of Operations acts as a permanent interface with the Atlas administration team. Our assessment took into account:

- Process timing;
- Regular monitoring of administration services against Service Level Agreement;
- The sufficiency and quality of the Management Information that is included in our Administration reports;
- Any qualitative assessments of the administration service from members, including complaints and compliments and responses to surveys and questionnaires;

- Security procedures;
- Data integrity and compliance with data protection legislation;
- Business Continuity Plans that ensure business-critical activities can continue to function in the event of disruption (such as a fire at a particular work site); this proved to be vitally important in the wake of the Covid 19 Pandemic (see below);
- Operational scalability – our ability to increase the size and scale of Atlas without undermining the quality of service delivery;
- Errors and error rectification;
- The Audit Assurance Report 01/20 (formerly 01/06) prepared by Capita, which provides reasonable assurance about the controls within their business, including operational, cyber security and Business Continuity and Recovery Plans;
- Helpdesk performance measurements (both qualitative and quantitative).

In last year's value for money assessment, we reported that the agreed timeframe for undertaking each operational activity had been met consistently. We are delighted that over this reporting period, that good work has been maintained and – in some instances – even improved upon. Although not specifically covered by this reporting period, the Covid 19 pandemic has created some significant logistical challenges for most, if not all, businesses. We are delighted with the way Capita has responded to these challenges, seamlessly implementing (and updating where necessary) their Business Continuity & Recovery plan. Homeworking was introduced with impressive speed and efficiency, whilst the on-line capacity to enable system access was improved significantly. Remote working included those staff involved in telephony services, traditionally a call-centre type operation. This allowed Atlas' Help Desk to remain open and effective throughout a period of peak demand from understandably concerned members, with only a small but – in the circumstances – acceptable drop in pick-up times (the time taken to answer calls). We know that many of Atlas' competitor Master Trusts have not fared so well during this crisis and have had to both scale back and reprioritise many operational functions.

Capita also introduced the following new initiatives during this reporting period:

- An automated document printing and enveloping system which reduces the risk of human error;
- A new Help Desk centre which improves call response times and which dovetails with the Atlas Operations Team to ensure that members queries are resolved quickly, no matter how complex they may be.

We both expect and believe that these initiatives will have a very positive impact on the Atlas member experience.

Charges that are fair and reasonable

Atlas operates a 'bundled' pricing model, whereby a charge is levied against members' accumulated funds for the provision of all services – Governance, Administration, Investment and member engagement. We apply a single charge (called a Total Expense

Ratio – or TER) which varies according to the investments selected by members and can vary depending on the size of the organisation for whom they work. (The economy of scale gained through administering larger workforces usually means a lower administration charge for those organisations.)

Over the course of this year, Atlas has continued to participate in competitive tender processes. These are processes whereby potential clients (or their advisers) ask Master Trusts to tender for their business. This includes detailing the charges that we would apply should we be successful. The feedback we receive from these exercises confirms to our satisfaction that our charges are indeed competitive relative to other Master Trusts, and this knowledge gives us a great deal of confidence about our VFM assessment.

In addition to this valuable feedback our VFM review considered:

The competitiveness of our TER (during both the saving and spending cycles) compared to our peer group. Our proposition for members in the spending cycle (taking one off cash payments and/or regular income from their accumulated savings) is something we are especially proud of since we do not levy a higher charge (as do many of our competitors) and we do not impose a minimum pot-size in order to do so – again, as do many of our competitors.

Charges for specific transactions, including transfer penalties, investment switch charges, drawdown charges and UFPLS charges (none of which are charged by Atlas but which are charged by some other Master Trusts);

Benchmarking exercises – both independent exercises conducted by unconnected parties and those that we have commissioned to help us assess ourselves against competitors.

Conclusion

To help us reach our conclusion we asked ourselves two questions.

1. Does the scope and quality of each service provide good value for the relevant costs and charges incurred by members?
2. Does the scope and/or quality of a particular service justify any differences in cost when compared to similar schemes and other options available in the market?'

In respect of the first question, we consider that the foregoing analysis demonstrates that Atlas does indeed provide comprehensive services each of which represents good value for the relevant costs and charges incurred by members.

In respect of the second question, we are confident in our conclusion that all of Atlas' services compare well to other schemes in the market during both the accumulation phase and (especially) during the decumulation phase. As noted above, we can be confident about this from the fact that we do not levy transactional charges for different services, and from feedback (from intermediaries, trustees and employers) that we receive from tender exercises, which confirm that Atlas is indeed competitive relative to similar offerings available in the Master Trust market.

Each of us trustees undertook a 'blind-score' approach in order to give a numerical base to this assessment. Our ratings for each of the above criteria were out of ten. We then took the average of these scores (rounded to the nearest 0.1) to give us a single rating. We intend to use this rating to measure our progress in maintaining - and hopefully improving - the value Atlas offers over time. We have also selected some of our comments to help explain the rationale behind our scoring.

<p>A good level of services, flexibility and choices to members</p> <p><i>'I think we have a genuinely flexible solution that works and can be understood by members. The proposition has all the elements needed.'</i></p>	<p>7.7</p>
<p>A governance environment in which good decision-making can thrive</p> <p><i>'I am proud of our governance structure. It is a small board who are professional, independent of each other, have diversity of backgrounds and are willing to challenge each other. I think it has achieved an excellent blend of trustee oriented control by the executive and proportionate governance/oversight/involvement by the Trustee Directors. I believe that the excellent interplay between the Trustee Board and the Executive is one of the great strengths of Atlas and I believe the inherent rigour and nimbleness in this structure is likely to put us ahead of many other master trust governance structures'</i></p>	<p>9.3</p>
<p>An effective, efficient network of service providers and sub-committees</p> <p><i>'We have a good line-up. The sub-committees work well and operate at the right level. I believe that, over the last year, the demarcation between the work of the main Board and the work of the sub-committees has been further refined, working even better than in previous years. We have a good set of service providers that understand what we are doing with Atlas and which fit together in a coherent fashion'</i></p>	<p>8.7</p>
<p>Communications that can inform, engage and educate members</p> <p><i>'The rebranding of Atlas has been successful, and I am confident that the livery and style employed on scheme communications is of a quality that will be attractive and engaging to many members. We continue to build on tools to make the subject matter come alive for members. We do still fall short on digital solutions, which pulls the score down. Given the Capita commitment to more digital resource, I would expect this score to rise over the next 12 months'</i></p>	<p>7</p>

Investment strategies that are designed for appropriate outcomes in an array of different circumstances <i>'I believe our investment strategy is robust and well thought through. Results have not been as hoped but the high degree of randomness in shorter term outcomes means it is unwise to draw conclusions of significance regarding the quality of the strategy employed or the manager(s) executing the strategy. I believe our investment governance is strong and there is considerable pragmatism/common sense applied to investment decisions.'</i>	7.3
Robust, accurate, efficient administration platforms <i>'Whilst there has needed to be considerable Trustee and Risk & Operations Sub Committee scrutiny over the years, we have developed a way of working with Capita admin that has, I think, resulted in a strong admin team administering the scheme to what is now a consistently high standard. Investment platform admin by Scottish Widows has been sturdy and the interfaces with the member admin from Capita effective. Our administration platforms are not only robust, accurate and efficient but, as demonstrated throughout this Covid pandemic, they have proved to be resilient in a crisis.'</i>	8
Charges that are fair and reasonable in light of the above <i>'Our charging structure is explicable and fair and consistent with the current size of the proposition. More scale could help us to further improve the value proposition.'</i>	7.7
Overall Rating	8

In conclusion, we are confident that Atlas continues to levy charges that are fair and reasonable in light of the governance, administration, technological and communications services we deliver.

We will of course continue to identify and champion product enhancements and improvements in value that will ultimately enhance member retirement outcomes.



Alan Whalley
Chair of Trustee

Date: 18 August 2020