bcf
INTELLIGENT INVESTMENT

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Value for Members Assessment

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Introduction

Trustee Duties

This report has been prepared for the Trustees of BCF Pension Trust ("BCF" or the "Scheme").

Following the 2015 amendments to the Occupational Pension Scheme (Scheme Administration) Regulations 1996 ("the Regulations"), trustees are required to annually assess the value provided by occupational pension schemes' money purchase benefits.

Two key documents published by the Pensions Regulator ("TPR") set out how schemes might conduct assessments:

- Value for members guide, last updated in September 2019.
- Single Code of Practice, came into force in January 2024, replacing Code of Practice 13: Governance and Administration of Occupational Pension Scheme providing money purchase benefits.

Over 2025 and 2026, the Department for Work and Pensions (DWP), Financial Conduct Authority (FCA), and The Pensions Regulator (TPR) continued to develop the Value for Money (VfM) framework.

The proposed new framework outlines specific metrics and disclosure requirements for DC pension schemes, including consistent measurements of investment performance, costs, and service quality, as well as assessing outcomes using an enhanced VFM rating system, with trustees required to assign a 'red, amber, green or dark green' (RAGG) rating.

The latest FCA consultation closed in March 2026, and responses are currently being reviewed to inform the final framework.

In addition, the Pensions Scheme Bill received Royal Assent in April 2026, now referred to as The Pensions Act 2026, which also include details on the VfM requirements, focusing on regulatory oversight and member protection. As implementation of these changes is likely in 2028, the Trustee will need to consider how best to implement the required changes in line with this timeline.

Under the current regulations, smaller DC pension schemes with less than £100 million in assets and which have been in operation for at least three years are required to prepare a more detailed VfM assessment of how their scheme delivers value for members. The assessment will have to include:

- Cost and charges (compared to three other schemes)
- Fund investment net returns (compared to three other schemes)
- Self-assessment of scheme governance and administration criteria.

If trustees are unable to demonstrate their scheme provides good value for members when compared to the other schemes, they are required to consider whether members would be better served by transferring to an alternative arrangement. The rationale behind these requirements is to assess whether members are likely to receive good value over the long term in their current scheme, or if improved outcomes could be achieved elsewhere.

For the purposes of the comparisons of cost and charges and net investment returns, trustees may select appropriate comparator schemes, including larger occupational pension schemes or relevant personal pension arrangements, to provide a meaningful benchmark.

Being an occupational pension scheme with less than £100 million in assets, BCF is required to complete more detailed VfM assessment.

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Summary

The following pages propose an assessment of the value delivered to members by the Trustees of BCF Pension Trust during the year ending 31st March 2026.

We propose the following summary text to include in the Chair Statement:

“Overall, the Trustees have determined that, based on their investment beliefs, the Scheme continues to provide good value for members. This conclusion reflects:

- **Strong governance and oversight from the Trustee Board**, supported by a structured governance framework and robust monitoring processes. The Scheme’s governance approach and transparent reporting of data quality metrics compare favourably with larger master trusts; and
- **A default investment strategy designed to reflect the investment beliefs of the membership**, while seeking to deliver appropriate long-term outcomes.

Over the 2025-2026 scheme year, the Trustees undertook the following steps to improve value for members:

- Increasing diversification and return potential through the introduction of equity exposure via structured products, with an investment completed in March 2025;
- Continuing to explore, with the support of the Scheme’s advisers, further investment opportunities, including a commitment to private markets to enhance long-term outcomes; and
- Ongoing investment in member communications, including improvements to engagement and accessibility of information.”

We recommend that the Trustees include the detailed VfM assessment (found on slides 4-7) within the Chair’s Statement.

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Detailed assessment – Costs and charges

The National Employment Savings Trust (NEST), People's Pension, and Smart Pension have been selected as comparator DC schemes because they are all authorised master trusts with total assets exceeding £100 million as of 31st March 2026.

The table below compares the charges and transaction costs of BCF versus the comparator schemes. BCF does not have a combination charging structure or any employer subsidised charges.

Default Fund	Charges	Transaction costs
BCF Scheme	Annual management charge of 0.69%	None
NEST 2040 Retirement Fund	There is a contribution charge of 1.8% on each new contribution + an annual management charge of 0.3% on the total value of pension pot each year	0.059%
People's Pension Global Investments (up to 85% shares) Fund	Annual management charge of 0.5% + annual fee of £4.50 (a charge rebate on savings over £3,000)	0.09%
Smart Pension Smart Sustainable Growth Fund	Annual management charge is 0.29% - 0.38% + a monthly fee of £1.85	0.077%

Sources: Nest Scheme annual report and accounts 2024/25, The People's Pension annual report and financial statements for the year ended 31 March 2025 and Smart Pension Chair Statement 30 June 2025.

Compared to the three other schemes, BCF's charges are broadly comparable, with some important points to note:

- BCF's investment strategy is driven by the religious beliefs of the Plymouth Brethren Christian Church. In particular, BCF is not permitted to invest via pooled or collective funds, which limits access to investment structures typically used by larger schemes to achieve diversification and lower costs. As a result of these constraints, BCF has a narrower investible universe and may face higher implementation and administration costs relative to comparator schemes;
- BCF is a much smaller scheme, with assets of around £87 million, compared to £50bn, £31bn and £10bn respectively for the three comparators. This means the administration costs are comparatively higher (c.50bps) than for the other schemes, reflecting the reduced ability to benefit from economies of scale;
- The requirement to implement the investment strategy using permissible structures (e.g. direct holdings and structured solutions) can also increase operational complexity and associated costs compared to more standard pooled fund approaches used by larger schemes.

Overall, while BCF's charges are higher than those of the comparator schemes, this reflects the combined impact of its smaller scale and the investment constraints under which the Trustee operates. Within this context, the level of costs is considered reasonable and appropriate in order to implement a strategy that is aligned with the Scheme's objectives and governing principles.

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Detailed assessment – Net investment returns

The Trustees place greater weight on investment outcomes than on costs and charges when assessing overall value for members. The Trustees noted that due their investment restrictions, BCF's investment strategy differs materially from those of the comparator schemes, making direct performance comparisons less meaningful. In particular, BCF operates a single default strategy with no self-select options, reflecting its focused investment approach.

The net investment returns both in the short term (i.e. one-year period) and a longer more sustained period (i.e. 3-year and 5-year periods) for BCF's default strategy, as well as the comparator schemes are listed below.

Net Investment Returns of Default Fund up to 31 December 2025	1-year (%)	3-year (%p.a.)	5-year (%p.a.)
BCF Scheme Default Strategy	**4.5**	**4.2**	**1.8**
NEST 2040 Retirement Fund	13.4	12.5	8.1
People's Pension Global Investments (up to 85% shares) Fund	14.7	13.2	7.8
Smart Pension Smart Sustainable Growth Fund	11.6	13.0	8.9

- The Trustees cannot hold investments within the Trust that infringe the core beliefs of the Brethren, not exceed the charge cap of 0.75% imposed on DC default options. As such, the asset allocation of BCF is more conservative than the comparable schemes, with the majority of the portfolio being invested in cash during the Scheme year.
- Over the 1, 3 and 5-year periods, BCF's net investment returns are lower than those of the comparator schemes. This is expected given the lower allocation to higher return-seeking assets for much of the Scheme year and the more constrained opportunity set available to the Scheme. However, these returns are consistent with the risk profile and asset allocation adopted by the Trustees, which prioritise capital preservation, stability and alignment with the Scheme's governing principles. While not explicitly measured here, risk-adjusted returns would be expected to compare more favourably, reflecting the lower overall level of investment risk taken.
- The Trustees continue to review the investment strategy and assess permissible opportunities to improve diversification and enhance returns over time, including further use of structures that provide exposure to growth assets within the Scheme's constraints. Towards the end of the previous Scheme year, the Trustees made an investment via structured notes, in order to gain exposure to equity returns. In this Scheme year, the Trustees explored the opportunity of gaining exposure to private markets, to improve diversification and investment outcomes.
- Overall, while headline returns are lower than those of the comparator schemes, this reflects the Scheme's specific investment restrictions and strategic objectives. Within this context, the Trustees are satisfied that the investment approach remains appropriate and continues to deliver reasonable outcomes and good value for members.

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Detailed assessment – Governance and administration

Area Reviewed	Key Highlights	Comparison with other schemes
Promptness and accuracy of core financial transactions	• Quarterly administration reports are prepared by the Scheme's third-party administrator on core financial transactions. • These reports include details of contributions received and processed, funds invested, transfers of member assets both in and out of the Scheme, member payments processed, member quote requests processed, and death benefits processed. • The Quarterly reports note the actual performance against the SLAs to assure the Trustee that the transactions are being processed promptly. In addition, the Scheme management have a weekly progress call with the third-party administrator to monitor progress on all outstanding cases. • During the 2025-26 scheme year BFF's third-party administrator automated parts of its cash management processes which have led to improvements in productivity, controls, accuracy and turnaround times.	• **NEST**: Public disclosures confirm that performance of core financial transactions is monitored against SLAs with trustee oversight, although specific SLA achievement rates are not disclosed in the Chair's Statement. • **The People's Pension**: Processed £4.3bn in contributions and £536m in benefit payments during the year, alongside significant transaction activity (including c.577,000 new members and c.90,000 transfers out), demonstrating the ability to process a high volume of core financial transactions
Quality of Record Keeping	• Work in recent years to ensure readiness for Pensions Dashboard connection have improved both the completeness and accuracy of BCF's data. • This has resulted in a noticeable improvements in the pass rates for both common and conditional data. • In addition, a data cleansing process was carried out by Lumera, a third-party, during 2025 in preparation for BCF's connection to the Pensions Dashboard.	• Comparable schemes typically do not disclose quantitative common or scheme-specific data scores within their Chair's Statements, instead providing narrative assurance over record-keeping processes and governance oversight. • **The People's Pension**: Reinforced its administration capability through continued investment, including approximately £14m reinvested during the scheme year into member services and administration improvements
Appropriateness of the default investment strategy	• The Trustees acknowledge that higher allocations to growth-seeking assets, like equities, are normally deemed appropriate for long term investment strategy associated with retirement planning. In the Scheme year, the Trustees explored the opportunity to gain diversified exposure to private markets. The Trustees made a commitment to invest in the Vision Opportunities Fund, a private markets vehicle compliant with the Brethren core beliefs, to improve diversification and member outcomes at retirement. It is hoped an allocation will be made during 2026. • The Trustees, alongside their investment adviser, are also exploring further opportunities to add to their current investment in government bonds. • The default investment strategy continues to utilise assets that are aligned with the core beliefs of the Brethren.	• **Smart Pension**: Approximately 98% of members are invested in the default investment arrangement, demonstrating the central role and broad suitability of the default strategy for the membership. • **The People's Pension**: Reports positive investment outcomes with its flagship default fund delivering over 14% returns (net of fees) over the year, supporting continued member growth and scale. • **NEST**: Reports long-term default fund outperformance relative to its CPI+3% objective, supported by large-scale, diversified investment strategies.

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Detailed assessment – Governance and administration

Area Reviewed	Key Highlights	Comparison with other schemes
Quality of Investment Governance	• The Trustees continue to receive written advice in relation to the buying, selling and retention of investments, which will detail all relevant financially material considerations. • The Trustees recognise the restrictions faced when setting the investment strategy but continue to explore investment opportunities that take into account the core beliefs of the Brethren, and increase return for members. This includes government bonds, secured loans, property, private markets and derivatives. • The Trustees established an investment sub-committee during the Scheme year in order to provide more focus to investment matters.	• **NEST**: Demonstrates active investment governance through large-scale strategic allocations, including approximately £1.5bn invested in infrastructure and over 20% of assets allocated to UK investments, reflecting a structured and long-term investment approach. • **Smart Pension**: Investment governance is supported by at least quarterly performance monitoring, reviewed by both an Investment Sub-Committee and the full Trustee Board, alongside input from internal and external advisers.
Level of trustee knowledge, understanding and skills to operate pension scheme effectively	• The Trustees hold monthly Board meetings to discuss the running of the Scheme. On a quarterly basis, the investment advisers provide a monitoring report that highlights the performance of the default strategy over the previous quarter and the impact on member outcomes at retirement. • Over the Scheme year, the Trustees received training sessions on the trust Deed & Rules, provider contracts, Scheme Business Plan, Scheme IDRP, Member Booklet and Scheme risk priorities. • In addition, a formal trustee effectiveness review was carried out.	• **Smart Pension**: Trustee Board met 9 times during the year, supported by 12 sub-committee meetings, demonstrating regular governance oversight. Trustees completed 3 formal training sessions and 2 administration-focused site visits, evidencing ongoing development of trustee knowledge and understanding.
Quality of communication with scheme members	• The Trustees continue to invest in improving communication, with a webinar being planned which will cover key questions received from members. • Member newsletters and blog posts are regularly updated. • Annual benefit statements have been updated in line with the simpler annual statement guidance	• **The People's Pension**: Reports over 312,000 app downloads, indicating strong digital engagement and accessibility of member communications. • **NEST**: Reports an opt-out rate of approximately 9%, suggesting sustained member engagement with pension saving and effective communication to support participation.
Effectiveness of management of conflicts of interest	• All potential conflicts of interest are declared annually via the trustees' COI returns. • Declaration of any interests is also a standing items at trustee meetings and these conflicts are mitigated or removed as appropriate. All conflicts are also noted on the Scheme's COI Register.	• **Smart Pension**: Operates a formal governance structure including a dedicated Risk & Governance Sub-Committee, supporting oversight of risks including conflicts of interest and ensuring compliance with regulatory requirements.

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