

## **Northern Life Care Limited Retirement Benefits Scheme (“the Scheme”)**

### **Annual Governance Statement by the Chair of the Trustees of the Northern Life Care Limited Retirement Benefits Scheme (“the Trustees”)**

**For the Scheme Year 1 April 2018 to 31 March 2019**

#### **Introduction**

As the Chair of the Trustees, I am required to provide a yearly statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the relevant governance standards. The law sets out what information has to be included within the statement and this is covered in sections 1 to 4 below.

The Trustees are committed to having high governance standards and meet regularly to monitor the controls and processes in place in connection with the Scheme’s investments and administration.

If you have any questions about anything that is set out below, or any suggestions about what can be improved, please contact me at ubu, 9 Haywra Street, Harrogate, HG1 5BJ.

During the Scheme year we have continued to review and assess our systems, processes and controls across the key governance functions to ensure they remain consistent with those set out in The Pensions Regulator’s:

- Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes.

These are underpinned by the defined contribution (DC) quality features.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe help deliver good outcomes for members at retirement.

#### **1. Default investment arrangement**

The default investment arrangement is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in the default investment arrangement which is set up by the Trustees. As at 31 March 2019, 95% of members had their contributions invested in the default investment arrangement, although it should be noted that one of the underlying funds used in the default arrangement was changed effective from April 2019.

#### ***Setting and reviewing an appropriate investment strategy***

The Trustees are responsible for investment governance. This includes setting and continuously monitoring the investment strategy for the Scheme’s default arrangement.

In April 2019 we chose to amend the default fund to a lifestyling arrangement initially using a combination of the Mobius Life Diversified Growth Fund Solutions Fund, the Newton Multi Asset Growth Fund and the Standard Life Managed Fund and then when you are within seven years of your

normal retirement age gradually utilizing the Standard Life Annuity Purchase fund and the Legal & General Cash Fund as the Scheme's default arrangement.

The objective of this arrangement is to provide investment growth by investing in return seeking assets in a diversified portfolio with a moderate risk profile, with a gradual switching of assets over the remaining years before the member's expected retirement date, towards a final position of 25% cash and 75% gilts.

Currently the default lifestyling arrangement is targeting 25% tax free cash plus annuity purchase at the member's retirement age.

With the introduction of Pension Freedoms, the Trustees have continuously reviewed whether they should amend the default investment lifestyling strategy to take into account the wider range of options now available to members upon retirement. As part of the full review of the default strategy held during the Trustees meetings on 19 March 2018 and prior to that 28 November 2017 and it was concluded that given the size of the membership of the Scheme and its demographics, amending or adding to the present default investment arrangement to cover all potential eventualities on retirement could potentially result in more uncertainty amongst members rather than appreciation of greater choice.

The change made to the underlying fund making up the default strategy was made effective from April 2019. This date was chosen as there was a necessity to amend the contribution rates in line with Pensions Automatic Enrolment legislation from this date and it was felt that a complete communication exercise covering both issues would be better understood and appreciated rather than holding two separate exercises reasonably close to each other.

The Trustees continue to monitor the suitability of the default fund the Scheme as a whole and this is a standing agenda item for all Trustees Meetings.

Members are however encouraged to make their thoughts on this matter known to Trustees at any time.

### ***Monitoring performance and suitability***

The Trustees receive and review the performance and suitability of each of the underlying funds that make up the default investment arrangement at every Trustees meeting and quarterly outside of the regular meeting cycle.

At the Trustees' meetings held on 19 March 2018 and 24 October 2018 the performance of one of the then underlying funds (the Standard Life Global Absolute Returns Strategy Fund) was deemed unacceptable (all other funds were deemed to be performing as expected) and following a full review of alternative suitable funds a change was made to the default structure effective from April 2019. All members received a comprehensive communication pack detailing the changes and the reasons behind them.

The Trustees also monitor the use of the default investment arrangement and the choices being made by members when benefits come into payment. This will help to inform us about changes which may become appropriate in the future.

Details of the investment strategy and investment objectives of the default arrangement are recorded in a document called the Statement of Investment Principles (SIP). A copy of the document applying as at 31 March 2019 is attached for reference in Appendix 1.

## **2. Charges and transaction costs paid by members**

We are required to explain the charges and transaction costs which are paid by members rather than the Employer.

As members may know the Employer pays the cost of actually administering the scheme: the production of scheme literature, annual member statements, annual accounts and external audits, dealing with day-to-day events like processing contribution payments, existing members leaving, members wishing to change their investment funds, paying transfers out for members who have left, providing the member help-line, handling member enquiries, quoting and paying benefits.

Members, however, are subject to the annual management charges (AMCs) and transaction costs incurred in connection with your investments. AMCs are the charges covering the cost of managing members' funds or investments and ensuring they are performing as expected. The AMC applying is dependent on which fund in which investment is made. Transaction costs are the costs incurred when the fund manager buys, sells, lends or borrows assets that make up the fund's investments.

### ***Default investment arrangement***

The AMC applying to the default investment for members more than seven years from their Normal Retirement Age is derived from a blending of three separate charges and was broadly equivalent to 0.65% per annum on the structure to April 2019 and this has subsequently reduced to 0.62% from April 2019 following the change in the default investment structure. Within seven years of Normal Retirement Age two additional funds are introduced making it slightly more difficult to be precise as the fund is then made up of a blend of five separate underlying funds each with different transaction charges applying. This is considered in more detail in the table below.

The Scheme operates a lifestyle strategy using a blend of the three and then five investment funds, as explained in section 1 above; the individual allocation of which changes as retirement approaches. The AMC applying to each of these funds as a standalone investment is shown in the attached SIP. Unfortunately it is therefore not possible to identify a single definitive figure that applies at all times, however we can broadly assess the annual cost to members who are in the default lifestyle arrangement on the date that their fund is rebalanced (which happens each year on 1 April) as follows:

<b>Period to Normal Retirement Age</b>	<b>Annual Management Charge</b>	<b>Annual Management Charge – New Conts from April 2019</b>
<b>7 years or more</b>	0.6463%	0.6200%
<b>6-7 years</b>	0.6025%	0.5800%
<b>5-6 years</b>	0.5488%	0.5300%
<b>4-5 years</b>	0.5138%	0.4950%
<b>3-4 years</b>	0.4788%	0.4600%
<b>2-3 years</b>	0.3975%	0.3900%
<b>1-2 years</b>	0.3000%	0.3000%
<b>1 year or less</b>	0.3000%	0.3000%

### ***Self-select funds***

Members may elect to invest in any of the options set out in the SIP in Appendix 1. Details of the AMC applying for each of these funds are also shown.

As at 31 March 2019, self-select investments were held in the Standard Life Global Absolute Returns Strategy Fund, Standard Life Annuity Purchase Pension Fund, the Standard Life Managed Pension Fund, the L&G Life Cash Fund (the LGIM Cash Fund) and the Newton Multi-Asset Growth Fund.

As part of the strategy review effective from April 2019 additional self select funds have been introduced and so it is expected that further self selection will be made in the future.

### ***Transaction costs***

These costs arise mainly as a result of endeavouring to deliver a fund's target investment return, where an active or passive investment approach is used. For example, a fund will buy or sell assets when a member has money paid into or has money taken out of a fund, and the buying or selling of assets will incur a cost. As these costs arise as a result of participating in a financial market, they are separate from any Scheme administration charge or AMC.

The Scheme invests assets through Mobius Life. As such, the total transaction costs for each fund is made up of two elements: the transaction costs incurred by the underlying fund when buying and selling its underlying assets, and the costs incurred by Mobius Life when buying or selling the underlying fund.

Mobius Life has provided details of the total transaction costs applying for each underlying fund during the Scheme year. These are set out in the following table:

<b>Fund</b>	<b>Total Transaction Costs</b>
<b>Standard Life Annuity Purchase Pension Fund</b>	0.076%
<b>Standard Life Global Absolute Returns Strategy Fund</b>	0.475%
<b>Standard Life Managed Pension Fund</b>	0.092%
<b>L&amp;G Life Cash Fund</b>	0.004%
<b>Newton Multi-Asset Growth Fund</b>	0.225%

The total transaction cost for the Scheme as a whole is 0.285%, determined as the weighted average of all the held funds' transaction costs.

In providing this information, Mobius Life contacted all fund managers to request their transaction cost data for the Scheme year. Some fund managers were constrained with the data they could provide retrospectively and the periods reported did not always match the Scheme year. Where this happened, Mobius Life used the most up-to-date information. The Trustees, via Ascot Lloyd, have requested that Mobius Life pressure any fund manager unable to provide full details to do so as expediently as possible. This matter will be kept under review at Trustees meetings until such time as it is resolved.

The details above show the total transaction costs for each underlying fund, whether used within the default investment arrangement or as a self-select fund. No breakdown of these costs has been provided for the default investment arrangement only or for each of the funds excluding transactions in the default investment arrangement.

The Trustees have taken account of statutory guidance, only deviating from this approach as outlined above.

### ***Illustrative examples***

The Trustees are required to present the costs paid by a member as a "pounds and pence figure". The Department of Work and Pensions (DWP) has prepared a sample table for this purpose which has been used for the examples shown in Appendix 2, duly adapted and populated in accordance with the DWP guidance using Scheme specific information. Unless otherwise stated, the examples have regard to the relevant statutory guidance.

The information in these examples is only intended to be illustrative. Members should therefore exercise caution before relying on the information for the purposes of making any decisions about savings, investment and retirement choices. In particular, the values shown are estimates only, based on a number of assumptions and are not guaranteed. For further information about investment options, members should refer to the Scheme documentation available, and should consider taking independent financial advice where and when appropriate.

### **Good value for members**

In considering the investment strategy (covered in more depth in section 1) the Trustees do, at all times, take into account the charges applying to the different elements and will recommend switches in the event that they considered that overall a particular fund did not represent value for money.

The Trustees define value for money as being a combination of the investment returns achieved, the risks applying and the annual management charges.

The return on the default lifestyle investment policy for the year ended 31 March 2019 for a member more than seven years from retirement was 4.3%. The Trustees had already noted that this return was slightly below what they would hope for hence the decision to make amendments to the one of the underlying default funds effective from April 2019. Over the longer term the Trustees believe that the new asset allocation and associated risks to be appropriate to the aims of the Scheme. However, this will be kept under constant review.

The Trustees pay for and receive independent advice from Ascot Lloyd in order to specifically satisfy themselves that the Scheme provides good value for money for the members, in comparison to the wider pension scheme market, in terms of costs, risks, returns and the quality and level of service provided. Ascot Lloyd report their findings and views at each Trustees meeting to provide comfort that the Scheme continues to provide good value for money. Further, each of the Trustees has extensive experience of pension schemes, both as part of their every day roles with the Employer and in working closely on the additional pension schemes offered by the Employer, and in their opinion, with this advice and experience in mind, the terms that apply in the Scheme do indeed presently represent decent value for money.

The Trustees continuously monitor this position and have a standing item on the Trustees meeting agenda to consider the ongoing suitability of the Scheme and also what can be done further to improve the value for money for members. A formal Trustees meeting was held on 19 March 2018 and an extraordinary Trustees meeting (where investments and the appropriateness of the default strategy was the only agenda item) was held on 24 October 2018 where this issue was discussed in depth.

It should be noted that the fee structure in place between the Trustees and Ascot Lloyd do not include any investment fund performance related element as the Trustees feels that doing so may drive the wrong behaviours.

### **3. Core financial transactions**

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

- ensuring the contributions are paid on time;
- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme 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 Scheme administrator. Our Scheme administration is delivered by Ascot Lloyd.

The Trustees have a Service Level Agreement in place with Ascot Lloyd which includes a defined level of performance (in terms of turnaround times) for all of the key specified events noted above.

Ascot Lloyd report at all Trustees meetings their actual performance against these agreed standards and in the event of any failure to meet the required standard this is noted and discussed with remedial actions agreed where appropriate and any anomalies or discrepancies are explained.

This structure is supported by annual external audits of the Scheme carried out by our auditors, Saffery Champness.

Following receipt of a relevant report from Ascot Lloyd covering the Scheme year, Ascot Lloyd confirmed their overall Service Level Agreement standards had been met on 92% of all occasions. Ascot Lloyd provided explanation regarding the 8% of cases in which this was not achieved, giving the Trustees reassurance that there have been no administrative or financial issues requiring investigation. We remain content that the administrators continue to act promptly and efficiently in all aspects of their work.

#### **4. Trustees knowledge and understanding**

The legal requirement on the Trustees is that they should have, or have access to, sufficient knowledge and ability to run the Scheme correctly. Specifically the Trustees need to demonstrate a continued working knowledge of key Scheme documents, namely the Trust Deed and Rules and any amending deeds and also the SIP.

The present Trustees have an intimate working knowledge of these documents having been involved with the Scheme since its inception. Relevant and comprehensive training was given on each occasion that the Rules have been amended. Further, the agreement between the Trustees and their advisers ensures that they are kept fully abreast of any changes in overriding legislation or law that de facto change the terms and conditions of the Rules and full training is given as necessary. A copy of the Trust Deed and Rules and all subsequent Deeds of Amendment is present at all Trustees meetings and cross referred to as required.

The two Trustees were also responsible for the construction of the first and all subsequent iterations of the SIP and this document is also present at all Trustees meetings and cross referred to as required.

Any new Trustee will, in line with the practices applying to the existing Trustees, within 3 months of their appointment, receive a comprehensive training session which encompasses the duties and responsibilities of a Trustees, a review of all Scheme working documents such as the Trust Deed and Rules and any amending Deeds, understanding how these work and impact on members, a review of all Scheme policies and practices, understanding how these work and impact on members, together with a session concentrating on the principles of investment and how these impact on the Scheme. Such training will be undertaken during normal business hours. Trustees meetings are also undertaken during normal business hours.

The Trustees undertake regular training events in order to meet this requirement. All Trustees meetings include, where possible and practicable, a training event run by the Scheme's advisers, Ascot Lloyd. The training events run during the Trustees meetings are chosen to be relevant to current events or to re-emphasise issues relating to agenda items.

To confirm our capability, a record has been established of past training and development. That record is reviewed regularly and if any gap is identified, an action plan is agreed to ensure that gap is

adequately filled. In March 2018, the Trustees noted a gap in their knowledge pertaining to the new General Data Protection Regulations which was filled by means of a training session delivered by Ascot Lloyd. At the same meeting the Trustees also receive a refresher training session on the new requirements for the Chairs Statement and also what considerations need to be taken in to account when undertaking a review of the Scheme's default arrangements. This latter training took place ahead of the Trustees receiving a report on the new proposals.

An extraordinary meeting of the Trustees took place on 24 October 2018 in order to consider and agree the proposals for the amendments to the default strategy and also to introduce a wider range of self select funds. This was followed up with a series of teleconferences in February 2019 during which the communications suite for members was fully agreed and ultimately issued.

Trustees' training is an agenda item at each meeting. The Trustees are also Trustees of the NLC Passport Pension Scheme and so do receive additional pension training on this scheme also.

This assessment and process, when combined with the training undertaken, is integral to meeting the requirements for knowledge and understanding, which includes the relevant principles relating to the funding and investment of occupational pension schemes.

As Trustees we are also cognisant of the necessity to take advice as and when required and in particular would seek legal advice from our legal advisers in any contentious cases or if we were unclear in any aspect of the operation of the Trust Deed and Rules. We can confirm that there were no contentious cases to consider in the Scheme year and therefore we did not seek any additional legal advice in this period.

We trust that this information has been informative and useful. If you have any questions about any of the matters above, or any suggestions about what can be improved, please contact the Trustees at ubu, 9 Haywra Street, Harrogate, HG1 2BJ.

Signed.....  
**Clive Reed**

Date..... 7.10.19

Chair of the Trustees of the Northern Life Care Limited Retirement Benefits Scheme



## **APPENDIX 1**

### **NORTHERN LIFE LIMITED CARE RETIREMENT BENEFIT SCHEME STATEMENT OF INVESTMENT PRINCIPLES**

This Statement sets out the principles governing decisions concerning investments for Northern Life Limited Care Retirement Benefit Scheme (the Scheme) in accordance with the requirements of the Pensions Act 1995 & 2004 and, the Occupational Pension Schemes (Investment) Regulations 2005. It is subject to periodic review by the Trustees.

The Trustees have obtained the appropriate professional advice from Ascot Lloyd Benefit Solutions and have consulted the Principal Employer.

The Scheme is a Contracted-In Money Purchase Scheme and the assets are held in Trust by the Trustees for the benefit of the members. Investment powers of the Trustees are set out in clause 9 of the Scheme's Rules.

#### **INVESTMENT OBJECTIVE**

To provide a range of investment options suitable to meet members' needs, by providing options that give members a reasonable expectation of:

- optimising the value of their assets at retirement, allowing for individual members' risk tolerances
- maintaining the purchasing power of their savings in real (i.e. post-inflation) terms
- providing protection for accumulated assets in the years approaching retirement against a sudden (downward) volatility in the capital value, and fluctuations in the cost of annuities

whilst taking into account the impact that increased complexity may have on administration requirements and the overall cost of the arrangements.

A Lifestyle default option will be offered which aims to provide an investment option which is suitable for the majority of members, taking into account their proximity to retirement.

#### **STRATEGY**

The Scheme's investment objective is implemented using the range of investment options which were determined as set out below.

The Trustees in consultation with Ascot Lloyd Benefit Solutions decided that it was appropriate to offer actively managed pooled funds as well as passive index-tracking pooled funds. These are designed to produce a return as close as possible to the relevant market benchmark to be accessed via Trustee Investment Plans provided by insurance companies. The choice of these Plans may vary from time to time.

Members can choose a default lifestyle arrangement which operates under a predetermined lifestyle strategy or make their own decisions on the funds in which to invest. The lifestyle strategy is

based on a general principle that investment needs change as a member approaches retirement and that at retirement the member will take part of the account as cash and purchase an annuity with the balance.

The funds that members can choose to invest in, are given risk ratings and members who choose to invest outside of the lifestyle option are made aware of the dangers of investing in lower risk funds some years from retirement and of remaining invested in higher risk funds up until retirement. Members opting for the lifestyle strategy are made aware that it may not be the most appropriate investment strategy for their personal circumstances and attitude to risk.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment consultant. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.

The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than returns on predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash/Deposit style funds will provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

## **RISK MEASUREMENT AND MANAGEMENT**

The Trustees consider the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an on-going basis thereafter.
- Risk of the default fund being unsuitable for the requirements of some members.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle option annually.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance expectations.

### **Social, Environmental and Ethical Considerations**

The Pensions Act 1995 requires the Trustees to include a Statement concerning the extent to which (if any) social, environmental and ethical considerations are taken into account in the selection, management and retention of investments.

The Trustees believe their primary duty is to act in the best financial interests of the scheme beneficiaries. In order to achieve appropriate diversification, the schemes assets and contributions are currently invested in collective investments.

The Investment Manager has discretion over investment policy. The Trustees expect the Manager to take into account social, environmental and ethical considerations to the extent they are judged to have material impact on the projected performance of any particular investment.

### **Corporate Governance**

The Pensions Act 1995 requires Trustees to include a Statement of their policy (if any) on the exercise of rights (including voting rights) attaching to investments.

The Trustees expect the Investment Manager to exercise the rights attaching to investments on behalf of all participants in the manner which supports the investment and performance objectives of the Fund.

### **Investment Realisation and Options**

Having taken advice from Ascot Lloyd Benefit Solutions, the Trustees have chosen to access pooled investment funds via the investment platform offered by Mobius Life under their Trustee Investment Plan. The Mobius Life investment platform was selected as a result of the wide range of funds offered, the availability of daily dealing, free switching between funds which aid the lifestyling process, competitive institutional fund charges and financial strength. The present Investment Options are detailed below.

<b>Funds</b>
<b>LGIM Cash Fund – AMC 0.15% - Risk: Very Low</b>
Invests in deposits and short term money market instruments.
<b>Standard Life Annuity Purchase Fund – AMC: 0.36% - Risk: Low</b>
The fund invests predominantly in fixed interest assets whose prices are normally expected to rise and fall broadly in line with the cost of purchasing pension income. <i>(NB: Previously known as the (Pension Protection Fund)</i>

<b>Standard Life</b>
<b>Global Absolute Return Strategies Fund (GARS) - AMC: 0.745% Risk: Low to Medium</b>
Aims to provide investors with positive investment returns in a variety of market conditions. The Fund objective is to outperform the London Interbank Offer Rate (LIBOR) by 5% over three to five years.
<b>Standard Life Pension Managed Fund – AMC: 0.57% Risk: Medium</b>
A balanced managed fund, investing in a diversified portfolio including equities, fixed interest and property.
<b>Newton Multi-Asset Growth Fund - AMC: 0.65% Risk: Medium</b>
Aims to provide long term growth by investing in a portfolio of Institutional UK and overseas equity assets.

### Default Lifestyle Option

The default lifestyle option makes use of all the funds shown above and the following table sets out how the funds are moved as members approach retirement:

The table below shows the proportions of a member’s fund that will be moved as they approach retirement.

<b>Fund:</b>	<b>SLI GARS</b>	<b>Newton Multi Asset Growth</b>	<b>SLI Managed</b>	<b>SLI Annuity Purchase</b>	<b>LGIM AR-Cash</b>
<b>Years to NRA</b>	<b>Low to Medium Risk</b>	<b>Medium Risk</b>	<b>Medium Risk</b>	<b>Low Risk</b>	<b>Very Low Risk</b>
7 or more	35%	35%	30%	0%	0%
6	30%	30%	30%	5%	5%
5	25%	25%	25%	15%	10%
4	25%	20%	20%	20%	15%
3	25%	15%	15%	25%	20%
2	10%	10%	10%	50%	20%
1	0%	0%	0%	75%	25%
0	0%	0%	0%	75%	25%

## APPENDIX 2

### Charges and transaction costs paid by members

#### Illustrative examples

#### Default investment arrangement

Projected Pension Pot in Today's Money (as at 31 March 2019 with a starting pot size of £10,000)				
Years	Projected fund value		Projected fund value	
	<b>before</b>	<b>after</b>	<b>before</b>	<b>after</b>
	the deduction of costs and charges	the deduction of costs and charges	the deduction of costs and charges	the deduction of costs and charges
1	£10,393	£10,298	£10,298	£10,298
3	£11,226	£10,918	£10,918	£10,918
5	£12,124	£11,576	£11,576	£11,576
10	£14,697	£13,401	£13,401	£13,401
15	£17,819	£15,516	£15,516	£15,516
20	£21,605	£17,966	£17,966	£17,966
25	£25,590	£20,409	£20,409	£20,409
29	£27,156	£21,248	£21,248	£21,248

Notes to the default investment arrangement illustration:

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
3. Inflation is assumed to be 2.5% each year.
4. **The starting pot size is assumed to be £10,000 at age 36 for a member retiring at age 65.** This reflects the median fund size of those currently invested in the default investment arrangement, together with a time horizon reflecting the youngest member in that arrangement.
5. As no charges are levied on contributions made to the Scheme, for the purposes of this illustration, no further contributions are assumed to be made.
6. Assumed investment growth for each of the funds making up the default investment arrangement are in line with those used in the production of the Statutory Money Purchase Illustrations for the Scheme. Thus the accumulation rates used are:

Standard Life Annuity Purchase Pension Fund	4.00% each year
Standard Life Managed Pension Fund	6.00% each year
L&G Life Cash Fund	1.74% each year
Newton Multi Asset Growth Fund	6.50% each year
Standard Life Global Absolute Returns Fund	7.00% each year

7. All charges and transaction costs (TC) have been included as follows:

Standard Life Annuity Purchase Pension Fund	AMC 0.35% each year; TC 0.076% each year
Standard Life Managed Pension Fund	AMC 0.55% each year; TC 0.092% each year
L&G Life Cash Fund	AMC 0.15% each year; TC 0.004% each year

Newton Multi Asset Growth Fund  
Standard Life Global Absolute Returns Fund

AMC 0.65% each year; TC 0.225% each year  
AMC 0.725% each year; TC 0.475% each year

8. The transaction costs noted above are those applying over the Scheme year, being the only data available. These are however subject to the comments under "transaction costs" in this respect.

### Self-select funds

#### Standard Life Annuity Purchase Pension Fund

Projected Pension Pot in Today's Money (as at 31 March 2019 with a starting pot size of £11,000)

Years	Projected fund value	
	<b>before</b> the deduction of costs and charges	<b>after</b> the deduction of costs and charges
1	£11,161	£11,113
3	£11,490	£11,344
5	£11,830	£11,579
10	£12,720	£12,190
15	£13,678	£12,831
20	£14,708	£13,507
24	£15,817	£14,217
26	£16,048	£14,364

#### Standard Life Managed Pension Fund

Projected Pension Pot in Today's Money (as at 31 March 2019 with a starting pot size of £1,500)

Years	Projected fund value	
	<b>before</b> the deduction of costs and charges	<b>after</b> the deduction of costs and charges
1	£1,551	£1,541
3	£1,658	£1,628
5	£1,774	£1,718
10	£2,098	£1,968
15	£2,481	£2,254
20	£2,935	£2,583
25	£3,472	£2,958
26	£3,590	£3,404

#### L&G Life Cash Fund

Projected Pension Pot in Today's Money (as at 31 March 2019 with a starting pot size of £3,000)

Years	Projected fund value	
	<b>before</b> the deduction of costs and charges	<b>after</b> the deduction of costs and charges
1	£2,978	£2,973
3	£2,933	£2,920
5	£2,890	£2,868
10	£2,785	£2,742
15	£2,682	£2,621
20	£2,584	£2,506
25	£2,490	£2,395
26	£2,472	£2,374

## Newton Multi-Asset Growth Fund

Projected Pension Pot in Today's Money (as at 31 March 2019 with a starting pot size of £1,500)

Years	Projected fund value	Projected fund value
	<b>before</b> the deduction of costs and charges	<b>after</b> the deduction of costs and charges
1	£1,559	£1,545
3	£1,684	£1,639
5	£1,818	£1,739
10	£2,202	£2,015
15	£2,667	£2,337
20	£3,229	£2,708
25	£3,910	£3,138
26	£4,062	£3,232

## Standard Life Global Absolute Returns Strategies Fund

Projected Pension Pot in Today's Money (as at 31 March 2019 with a starting pot size of £142,000)

Years	Projected fund value	Projected fund value
	<b>before</b> the deduction of costs and charges	<b>after</b> the deduction of costs and charges
1	£148,234	£146,460
3	£161,535	£155,807
5	£176,030	£165,749
10	£218,215	£193,469
15	£270,511	£225,824
20	£335,340	£263,591
25	£415,705	£307,675
26	£433,955	£317,340

Notes to the self-select funds illustrations:

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
3. Inflation is assumed to be 2.5% each year.
4. The starting pot size reflects the median fund size of those currently invested in the relevant self-select fund, together with a time horizon reflecting the youngest member in that appropriate fund. Thus:

**For the Standard Life Annuity Purchase Fund, the starting pot size is assumed to be £11,000 at age 39 for a member retiring at age 65.**

**For the Standard Life Managed Pension Fund, the starting pot size is assumed to be £1,500 at age 39 for a member retiring at age 65.**

**For the L&G Life Cash Fund, the starting pot size is assumed to be £3,000 at age 39 for a member retiring at age 65.**

**For the Newton Multi-Asset Growth Fund, the starting pot size is assumed to be £1,500 at age 39 for a member retiring at age 65.**

**For the Standard Life Global Absolute Returns Fund, the starting pot size is assumed to be £142,000 at age 39 for a member retiring at age 65.**

5. As no charges are levied on contributions made to the Scheme, for the purposes of these illustrations, no further contributions are assumed to be made.

6. Assumed investment growth for each of the funds are in line with those used in the production of the Statutory Money Purchase Illustrations for the Scheme. Thus the accumulation rates used are:

Standard Life Annuity Purchase Pension Fund	4.00% each year
Standard Life Managed Pension Fund	6.00% each year
L&G Life Cash Fund	1.74% each year
Newton Multi-Asset Growth Fund	6.50% each year
Standard Life Global Absolute Returns Fund	7.00% each year

7. All charges and transaction costs (TC) have been included as follows:

Standard Life Annuity Purchase Pension Fund	AMC 0.35% each year; TC 0.076% each year
Standard Life Managed Pension Fund	AMC 0.55% each year; TC 0.092% each year
L&G Life Cash Fund	AMC 0.15% each year; TC 0.004% each year
Newton Multi Asset Growth Fund	AMC 0.65% each year; TC 0.225% each year
Standard Life Global Absolute Returns Fund	AMC 0.725% each year; TC 0.475% each year

8. The transaction costs noted above are those applying over the Scheme year, being the only data available. These are however subject to the comments under "transaction costs" in this respect.