

The Thomson-Leng Provident Fund (DC Section)

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 APRIL 2021 TO 31 MARCH 2022

I am pleased to present the Trustee's annual statement of governance, covering the period 1 April 2021 to 31 March 2022. This statement describes how the Trustee seeks to ensure that the Defined Contribution Section of the Fund is well-managed and delivers value to members. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the 'Regulations').

Following the Trustee's annual review, undertaken in conjunction with their advisers, I am happy to advise that the Trustee has concluded that the Defined Contribution Section of the Fund is well-managed and delivers good value to its members.

Executive Summary

This statement covers six key areas. These are highlighted in the summary below and full details are set out in the remainder of the Statement:

1. The investment strategy relating to the Fund's default arrangement
 - *The default investment strategy is the Target Drawdown Retirement Path.*
 - *The Trustee regularly considers the suitability of the default investment arrangement. The last formal investment strategy review was in June 2020. It will be reviewed again in June 2023.*
 - *The performance of the funds, including the default strategy, is reviewed by the Trustee at its quarterly Board meetings.*
2. The processing of core financial transactions
 - *The Trustee seeks to ensure such transactions are processed accurately and promptly.*
 - *Mercer has been appointed fund administrator with the day-to-day management of the Fund's assets delegated to Scottish Widows via Mercer Workplace Solutions (MWS).*
 - *The Trustee is comfortable that core financial transactions have been processed promptly and accurately.*
3. Charges and transaction costs within the Fund
 - *Charges borne by members are set out in Appendix 1 and 2 (Total Expense Ratios and transaction costs).*
 - *Illustrations detailing the impact of the costs and charges typically paid by a member of the Fund on their retirement savings pot are set out in Appendix 3.*
 - *These illustrations are **not** guaranteed and have been prepared only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements.*
4. Net investment returns
 - *Investment returns for the Fund's default arrangements and those self-select investment options in which members have invested, after taking account of transaction costs and charges are set out in Appendix 4.*

5. Value for Members assessment

- *The Trustee has concluded, following receipt of a Value for Member assessment report from its independent Defined Contribution adviser, that in relation to member-borne deductions, the Fund offers good value for members relative to its peers, based on three main areas: Price, Performance and Productivity.*

6. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements

- *During the year, the Trustee undertook a number of training activities with regard to the Defined Contribution Section of the Fund that required the Trustee Directors to give detailed consideration of pensions law and the Fund's governing documents, including its Trust Deed and Rules and Statement of Investment Principles.*
- *These activities and the input from their advisers in relation to them helped the Trustee Directors to maintain their knowledge, understanding and conversance with these areas.*

Christopher HW Thomson
Chair of DC Thomson & Co Pension Trustee Limited

September 2022

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 APRIL 2021 TO 31 MARCH 2022

Background

The Fund is a hybrid pension arrangement comprised of a Defined Benefit Section ("DB Section") that closed to future accrual of benefit on 31 March 2015 and a Defined Contribution Section ("DC Section") into which contributions are paid monthly. This statement is purely in relation to the DC Section.

The term 'defined contribution' means that the value of members' benefits on retirement is unknown in advance and is not guaranteed but is instead dependent on factors such as the amount of contributions paid in, investment returns earned and expenses incurred. The way in which members choose to withdraw their benefits will also have a bearing on their financial outcomes during retirement. The disclosures in this statement relate entirely to the DC Section and include those required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Trustee is committed to compliance with both the letter and spirit of the Regulations and will also seek out and implement best-practice governance arrangements where possible.

The Trustee receives substantial support from professional advisers and the pensions team at DC Thomson and Co Ltd, to deal with any issues as they arise and ensure the continued ongoing development and smooth running of the Fund.

1. The default investment arrangement

The Trustee provides a default investment arrangement for members who do not make active investment decisions on where their Retirement Account is invested.

The Trustee's Statement of Investment Principles (SIP), dated September 2021 is attached. This covers the Trustee's aims and objectives in relation to the default investment arrangement as well as the Trustee's policies on risk and diversification. Additionally, it states why the Trustee believes that the default investment arrangement is designed in members' interests. The SIP was prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This SIP superseded the 16 September 2020 version.

The day-to-day management of the assets is delegated to an investment platform. A comprehensive review of the investment arrangement was initiated in November 2017 and discussions continued through 2018 with the Trustee agreeing to move all DC assets to the Scottish Widows investment platform, accessed through Mercer Workplace Savings (MWS). The transition was finalised in May 2019.

Mercer Workplace Savings ("MWS") provides an overlay on the Fund's DC investments, including:

- Ongoing governance monitoring services (i.e. on the platform provider);
- Investment governance of the platform provider's fund range;
- Investment management services via lifestyle strategies and blended fund portfolios; and
- An annual investment strategy review.

The Trustee regularly considers the suitability of the default investment arrangement. The default investment arrangement targets flexible withdrawal of benefits at retirement and invests 100% of members' assets in a passive multi-asset fund that holds equities and other growth-seeking assets (Mercer Growth Fund) up to eight years prior to their Target Retirement Age. From this point, the assets are switched gradually into a multi-asset fund that targets moderate growth (Mercer Diversified Retirement Fund) and a cash fund that targets 25% tax free cash withdrawal. At Target

Retirement Age, members' assets will be invested 75% in the Mercer Diversified Retirement Fund and 25% in the cash fund. The default Target Retirement Age is 65, although some members have selected an age other than 65.

In addition, two alternative lifestyle strategies are available to members that reflect alternative ways in which members may wish to take their benefits at retirement (annuity purchase or cash). No members were automatically transitioned into any of these lifestyle strategies, therefore none of these are considered default arrangements.

The Trustee recognises that members have differing investment needs and that these may change during the course of a member's working life. The Trustee also recognises that members have different attitudes to risk, therefore a range of self-select funds are also available to members. These funds cater for differing objectives and attitudes to risk. The delegated investment manager, MWS, is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying investment managers.

The Trustee also made a number of changes to the self-select range of funds in May 2019 as part of the transition to the MWS fund range. As a result of the fund mapping exercise that accompanied these changes and since the Trustee did not obtain explicit consent from members for these switches, the following funds are also classed as default investment arrangements:

Mercer Growth Fund
Mercer High Growth Fund
Mercer Moderate Growth Fund
Mercer Defensive Fund
Mercer Diversified Growth Fund
Mercer Active Money Market Fund

The Trustee reviewed the default investment strategy in June 2020. The review noted that the transition to MWS was completed in May 2019 and concluded that the strategy is consistent with the aims and objectives as set out in the SIP and no changes were made.

Taking members' views into account, the Trustee introduced two new self-select funds to the DC Section fund range in June 2021, an active sustainable global equity fund and a passive sustainable global equity fund.

The performance of the funds, including the default strategy, is reviewed by the Trustee at its quarterly Board meetings. The Trustee's professional advisers attend each of these meetings and present their quarterly investment reports that examine performance against benchmark to enable the Trustee to check that they are performing in line with their objectives. The adviser's report also reports on factors that have impacted on performance. These performance-monitoring processes were applied throughout the reporting period and showed that the default investment arrangements are performing in line with expectations.

The Trustee intends to review all of its default investment arrangements again by June 2023.

2. Requirements for processing core financial transactions

The Pensions Regulator defines core financial transactions as including:

- Bulk transfers in and out
- Member fund switches and redirections
- Receipt of contributions
- Investment of contributions

- Individual transfers in and out, quotes and payments
- Benefits payable on death
- Purchase of annuities and payments of lump sums

The Trustee seeks to ensure that such transactions are processed accurately and promptly. To that end, Mercer has been appointed fund administrator and day-to-day management of the assets has been delegated to Scottish Widows via MWS. Together, they have responsibility for processing core financial transactions on behalf of the Trustee. The Trustee has considered the key controls operated by these organisations and has in place Service Level Agreements (SLAs) that cover the accuracy and timeliness of all core financial transactions.

The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately as follows:

- The Trustee operates a system of **internal controls** aimed at monitoring the DC Section's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions, including core transactions such as the payment and investment of contributions, the transfer of member assets into and out of the DC Section and the payment of benefits on retirement.
- The Fund's **Risk Register** outlines the risks to members in relation to financial transactions and these risks are monitored and reviewed on a regular basis.
- The **Schedule of Contributions** sets out timescales for the Company to remit monthly contributions to the DC Section. The Company is responsible for ensuring that contributions in respect of active members are paid to the Fund promptly and the Trustee relies on the Company to ensure contribution payments are accurate. The timing of these payments into the Fund and their subsequent investment is monitored by the Trustee through quarterly reports produced by the Fund administrator.
- The Trustee has delegated the **administration** of member records to a professional third party administrator, Mercer Limited. The Trustee has agreed SLAs with Mercer which cover core financial functions such as benefit quotations, transfer payments and benefit payments.
- The Trustee reviews Mercer's administration reports at its quarterly Board meetings. These reports cover Mercer's performance against SLAs and compliance with statutory regulations. The report also highlights any member cases of note and provides the Trustee with statistics in relation to members' usage of the Mercer OneView member portal and member feedback on the Mercer Customer Relations Centre. The Trustee considered Mercer's performance against the SLAs at each meeting during the reporting period and also reviewed call wait times for telephone queries.

95.6% of SLAs for core financial transactions were passed during the year ended 31 March 2022, which is broadly in line with the standards expected by the Trustee. The Trustee has received information from Mercer on the cases that missed SLA, including the type of transaction involved and the timescale in which it was completed.

Members are invited to rate and comment on four key areas of the Mercer Customer Relations Centre after each call: resolution of enquiry, time to answer, manner of response and if the information provided was clear and easy to understand. The results were strong throughout the year, although the surveys did highlight increased wait times in Q1 2021 and Q2 2022. Mercer have acknowledged this issue and attributed it to increased call volumes. In order to improve

these wait times, Mercer continues to recruit new staff members and promote self-service through OneView where applicable.

- As part of the annual audit, the Fund **Auditor** checks that contributions are paid in accordance with the Fund rules. The Fund Auditor is Henderson Loggie.

3. Charges and transaction costs

As required by the Regulations, the Trustee is required to report on the charges and transactions costs for the investments and its assessment on the extent to which the charges and costs represent value for members.

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (the '2018 Regulations') require schemes to provide an illustrative example of the cumulative effect of costs and charges incurred by members and publish that, within 7 months of the scheme year-end, free of charge and on a publicly available website:

3.1. Charges

The Annual Management Charge ("AMC") and Total Expense Ratio ("TER") payable under the default strategy will vary depending on the stage that each member has reached in the 'lifestyle' de-risking process. Members' assets are de-risked as they approach retirement via the use of target date funds. The TER includes the AMC and additional expenses incurred by the investment manager such as trading fees, legal fees, auditor fees and other operational expenses.

A new set of target date funds are introduced each year as the next group of members reach eight years from retirement. This also applies to the two additional lifestyle strategies.

The table in Appendix 1 shows the TERs of the funds as provided by the fund manager. The TERs are allowed for through the unit prices of the various funds offered. The Provident Fund currently pays all other expenses and running costs of the Fund.

All of the funds have TERs that fall below the charge cap of 0.75% p.a. All fees are as at March 2022.

3.2. Transaction costs

Transaction costs are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. Transaction costs are taken into account by the fund managers when calculating the unit price for each of the funds.

The transaction costs over the year to 31 March 2022 are shown in Appendix 2. These transaction costs are calculated on a method known as 'slippage cost'. This compares the price of the investment being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be positive or negative

Scottish Widows did not provide transaction costs for the other available funds as there were no assets from the Fund invested in these funds over the year to 31 March 2022.

3.3. Illustrations

Based on the statutory guidance and in accordance with the regulatory requirements, the Trustee has prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Fund on their retirement savings pot. In line with statutory guidance, the illustrations are based on the funds that exhibit the lowest and highest levels of assumed growth, the lowest and highest assumed charges and the most popular fund by number of members. In some cases this may be the same fund.

The illustrations represent the youngest active and deferred member and the average active and deferred member.

4. Net investment returns

The Occupational Pensions Plans (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced new requirements for trustees of 'relevant' occupational pension schemes to calculate and publish the investment returns for the Fund's default arrangements, any additional default arrangements and those self-select investment options in which members have invested, after taking account of transaction costs and charges.

Appendix 4 provides the net investment disclosures as at 31 March 2022. The Trustee has taken account of the statutory guidance when preparing these disclosures. As the transition to MWS was completed in May 2019, net investment returns have only been shown over one year.

5. Value for members

The Trustee has assessed the extent to which the charges and transaction costs set out above represent value for members.

Underpinning the Trustee's assessment of value is the belief that value is about using the resources at its disposal effectively to help members achieve good outcomes for life after work. Also, while some measures of value should be scrutinised carefully over the short-term (for example, the performance of the Fund administrator), the Trustee believes that others, such as the suitability and performance of investment funds, span several years. Additionally, some components of member value can be assessed quantitatively, but those that impact on members' experience of the Fund and its services often require a more qualitative assessment.

In conjunction with its professional advisers, the Trustee undertook a value for member assessment which covered the following aspects:

- Investment charges for the default and self-select funds, when benchmarked against comparable funds;
- Net of fees investment performance;
- Fund range;
- Ratings assigned by Mercer to each fund or in the case of blended funds, those assigned to the funds underlying the blends. These ratings provide an indication of Mercer's belief that the funds will attain their stated objectives.

The Trustee has concluded, following receipt of a report from its independent DC adviser, that in relation to member-borne deductions, the Fund offers good value for members relative to its peers.

The reasons underpinning this conclusion include:

- Benchmarking by the Trustee's advisers has shown investment managers' charges to be reasonable when compared against peer funds.

- The Fund's current default arrangement complies comfortably with the charge cap of 0.75% per annum.
- The investment return over the last year for the funds making up the default investment strategy have performed favourably against benchmark (where applicable).
- Investment returns for some of the self-select funds have underperformed their respective benchmarks over the last year. However, these have generally outperformed their benchmarks since inception.
- The Trustee's investment advisers accord high ratings to each of the funds. The ratings are designed to be a measure of the likelihood of the fund attaining its objective.

Members are also in receipt of additional benefits, for example:

- The Trustee Board's advisory costs are borne entirely by the Fund.
- Members bear the investment fees whilst the Fund meets other general running costs such as communication and administration costs.
- The MWS service includes access to a market-leading investment platform and highly rated investment funds. It also includes the ongoing monitoring and oversight of the investment platform. In addition, the service includes the provision of annual reporting to the Trustee on the investment platform service delivery, its compliance with future regulatory changes and future proposition development plans.
- The efficiency of the administration processes and the Trustee's and Company's governance of the services.
- The wide-ranging support and governance of the Fund from the Trustee, the Company pensions team and the Trustee's professional advisers.
- Access to Mercer OneView, an online portal that allows members to view their account balances, notify the Trustee of any change to their personal data, change their contribution rates and/or investment strategy and model future benefit outcomes.
- Member communication services including pension presentations and the production of notices, leaflets and other explanation material.

The changes to investment arrangements completed in 2019 aimed at improving member value by introducing new lifestyle strategies that target different benefit withdrawal options at retirement and improving investment diversification.

6. Trustee knowledge and understanding

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

The Trustee is also required to explain how the combined knowledge and understanding of its Directors, together with the advice which is available to them, enables them to properly exercise their functions as Trustee of the Fund.

During the year, the Trustee undertook a number of activities with regard to the Defined Contribution Section that required the Trustee Directors to give detailed consideration of pensions law and the Fund's governing documents, including its Trust Deed and Rules and Statement of Investment Principles. These activities and the input from their advisers in relation to them helped the Trustee Directors to maintain their knowledge, understanding and conversance with these areas. Examples include:

- The Trustee has undertaken ongoing training within its regular meetings to keep abreast of relevant developments.
- A new Member Nominated Director was appointed during the year, therefore the Trustee had to review its governing documents in relation to the legislative requirements and Fund's policy in relation to the nomination and selection of new Member Nominated Trustee Directors. The new Trustee Director completed an introductory training session in March 2022.
- Three Trustee Directors presented at Pensions Roadshows for members in July and August 2021. Preparation included considering the Fund's governing documents, pensions law and reviewing the overall operation of the Fund.
- The Trustee received training from its professional advisers on the Pension Regulator's expectations of trustees in relation to understanding and assessing general risks in relation to pension schemes and the specific risks faced by the Fund in May 2021. The session focused on funding and investment risks, including the importance of ensuring a suitable default investment strategy and climate change risk. Furthermore, the session also included discussion around mitigations and upcoming expectations from the Pensions Regulator for trustees with regard to this area.
- The Trustee reviewed its DC Section Statement of Investment Principles over the year and therefore gave due consideration to this document. The Trustee's DC investment adviser provided guidance and explained the changes in detail in September 2021.
- The Trustee undertook training in relation to Implementation Statements in June 2021 which covered trustee ESG responsibilities, the content that needs to be included and the publication requirements. The preparation of the Implementation Statement helped ensure that the Trustee remains conversant with their Statement of Investment Principles.
- The Trustee received an introduction to the Taskforce for Climate Related Financial Disclosures (TCFD) from its DC investment adviser in March 2022.
- After considering the existing DC Section fund range and taking into account ESG and Responsible Investment factors the Trustee added two sustainable global equity funds to the fund range in June 2021.

In order to maintain their knowledge and understanding, the Trustee also has additional processes in place. Examples include:

- The Trustee Directors review their training needs regularly and maintain a group training log.

- A Trustee information pack is issued to all new Trustee Directors and all Trustee Directors are expected to complete The Pensions Regulator's Trustee Toolkit.
- The Trustee also receives advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.
- The Trustee meeting agendas are prepared by the Company pensions team with input from the Trustee's professional advisers who do so with a view to ensuring compliance and best practice.
- The Trustee receives detailed quarterly investment reports from its professional adviser.
- The Trustee receives a briefing on pension legislation and relevant regulatory developments at each meeting.

The Trustee believes that the diversity of skills on the Trustee Board, combined with the expert resources available to it, enables it to exercise its functions and keep abreast of emerging risks, opportunities and best practices.

Chair's declaration

I confirm that the above statement has been produced by DC Thomson & Co Pension Trustee Limited.

Signature:

Name: Christopher HW Thomson

**Chairman of DC Thomson & Co Pension Trustee Limited
September 2022**

Appendix 1 - Total Expense Ratio (“TER”)

The funds in bold below are used in the default investment strategy.

| Name | Total Expense Ratio |
|--|---------------------|
| Mercer Defensive | 0.320% |
| Mercer Moderate Growth | 0.310% |
| Mercer Growth | 0.291% |
| Mercer High Growth | 0.310% |
| Mercer Diversified Growth | 0.328% |
| Mercer Active Global Equity | 0.740% |
| Mercer Active Money Market | 0.170% |
| Mercer Active Sustainable Global Equity | 0.664% |
| Mercer Passive Sustainable Global Equity | 0.159% |
| Mercer Drawdown Retirement Fund | 0.333% |
| Mercer Target Drawdown 2023 Retirement Fund | 0.337% |
| Mercer Target Drawdown 2024 Retirement Fund | 0.340% |
| Mercer Target Drawdown 2025 Retirement Fund | 0.343% |
| Mercer Target Drawdown 2026 Retirement Fund | 0.340% |
| Mercer Target Drawdown 2027 Retirement Fund | 0.330% |
| Mercer Target Drawdown 2028 Retirement Fund | 0.320% |
| Mercer Target Drawdown 2029 Retirement Fund | 0.310% |
| Mercer Target Drawdown 2030 Retirement Fund | 0.301% |
| Mercer Annuity Retirement Fund | 0.202% |
| Mercer Target Annuity 2023 Retirement Fund | 0.211% |
| Mercer Target Annuity 2024 Retirement Fund | 0.222% |
| Mercer Target Annuity 2025 Retirement Fund | 0.232% |
| Mercer Target Annuity 2026 Retirement Fund | 0.251% |
| Mercer Target Annuity 2027 Retirement Fund | 0.264% |
| Mercer Target Annuity 2028 Retirement Fund | 0.275% |
| Mercer Target Annuity 2029 Retirement Fund | 0.287% |
| Mercer Target Annuity 2030 Retirement Fund | 0.299% |
| Mercer Cash Retirement Fund | 0.220% |
| Mercer Target Cash 2023 Retirement Fund | 0.232% |
| Mercer Target Cash 2024 Retirement Fund | 0.234% |
| Mercer Target Cash 2025 Retirement Fund | 0.237% |
| Mercer Target Cash 2026 Retirement Fund | 0.239% |
| Mercer Target Cash 2027 Retirement Fund | 0.249% |
| Mercer Target Cash 2028 Retirement Fund | 0.265% |
| Mercer Target Cash 2029 Retirement Fund | 0.280% |

| Name | Total Expense Ratio |
|---|---------------------|
| Mercer Target Cash 2030 Retirement Fund | 0.294% |

*Source: Scottish Widows.
Includes Scottish Widows and Mercer charges.
Figures as at March 2022*

Appendix 2 – Transaction Costs over the year to 31 March 2022

The funds in bold below are used in the default investment strategy.

| Name | Transaction Costs |
|--|-------------------|
| Mercer Defensive | 0.083% |
| Mercer Moderate Growth | 0.110% |
| Mercer Growth | 0.160% |
| Mercer High Growth | 0.141% |
| Mercer Diversified Growth | 0.187% |
| Mercer Active Global Equity | 0.045% |
| Mercer Active Money Market | 0.018% |
| Mercer Active Sustainable Global Equity | 0.268% |
| Mercer Passive Sustainable Global Equity | 0.101% |
| Mercer Drawdown Retirement Fund | 0.087% |
| Mercer Target Drawdown 2023 Retirement Fund | 0.098% |
| Mercer Target Drawdown 2024 Retirement Fund | 0.112% |
| Mercer Target Drawdown 2025 Retirement Fund | 0.125% |
| Mercer Target Drawdown 2026 Retirement Fund | 0.133% |
| Mercer Target Drawdown 2027 Retirement Fund | 0.140% |
| Mercer Target Drawdown 2028 Retirement Fund | 0.146% |
| Mercer Target Drawdown 2029 Retirement Fund | 0.152% |
| Mercer Target Drawdown 2030 Retirement Fund | 0.158% |
| Mercer Target Cash 2029 Retirement Fund | 0.140% |

Source: Scottish Widows.

Appendix 3 – Charges and Transaction Costs - Illustrations

To make the illustrations representative of the membership of the Fund, the illustrations have taken into account the following elements, based on membership data:

- DC pot size
- Pensionable Salary
- Contribution rates
- Real terms investment return gross of costs and charges
- Adjustment for the effect of costs and charges, including transaction costs
- Period of investment

Youngest active member

The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. Furthermore, the illustrations are based on a number of assumptions, including salary growth and investment returns – these are NOT guaranteed fund values.

The illustrative fund values are expressed in today's terms. For example, a projected fund value after 48 years of £129,404 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £129,404 today.

| Year End | Most Popular fund from DC Section fund range | | Fund with highest charges from DC Section fund range | | Fund lowest charges from DC Section fund range | |
|------------------------------|---|-------------------|--|-------------------|--|-------------------|
| | Default Arrangement (Mercer Target Drawdown Path) | | Mercer Active Sustainable Global Equity | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £4,371 | £4,352 | £4,415 | £4,374 | £4,274 | £4,267 |
| 5 | £13,764 | £13,569 | £14,337 | £13,892 | £12,601 | £12,525 |
| 10 | £26,236 | £25,572 | £28,369 | £26,796 | £22,222 | £21,989 |
| 15 | £39,572 | £38,134 | £44,460 | £40,918 | £31,036 | £30,580 |
| 20 | £53,831 | £51,283 | £62,912 | £56,372 | £39,111 | £38,378 |
| 25 | £69,078 | £65,044 | £84,071 | £73,284 | £46,509 | £45,457 |
| 30 | £85,381 | £79,447 | £108,335 | £91,792 | £53,287 | £51,883 |
| 35 | £102,813 | £94,522 | £136,159 | £112,045 | £59,496 | £57,716 |
| 40 | £121,478 | £110,287 | £168,065 | £134,210 | £65,185 | £63,011 |
| 45 | £138,645 | £124,156 | £204,652 | £158,465 | £70,397 | £67,818 |
| 48 | £145,637 | £129,404 | £229,133 | £174,103 | £73,312 | £70,486 |
| Breakdown at Year 48 | | | | | | |
| Initial Pot Size | £2,100 | £2,100 | £2,100 | £2,100 | £2,100 | £2,100 |
| Total Employee Contributions | £33,782 | £33,782 | £33,782 | £33,782 | £33,782 | £33,782 |
| Total Employer Contributions | £73,195 | £73,195 | £73,195 | £73,195 | £73,195 | £73,195 |
| Gross Investment Returns | £36,560 | £36,560 | £120,056 | £120,056 | £-35,765 | £-35,765 |
| Impact of Costs and Charges | £0 | £-16,233 | £0 | £-55,030 | £0 | £-2,826 |
| Total Fund Value | £145,637 | £129,404 | £229,133 | £174,103 | £73,312 | £70,486 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|------------------------------|--------------------|-------------------|--------------------|-------------------|------------------------|-------------------|
| | Mercer Growth | | Mercer High Growth | | Mercer Moderate Growth | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £4,371 | £4,352 | £4,382 | £4,363 | £4,347 | £4,329 |
| 5 | £13,764 | £13,569 | £13,910 | £13,708 | £13,464 | £13,283 |
| 10 | £26,236 | £25,572 | £26,770 | £26,076 | £25,160 | £24,560 |
| 15 | £39,572 | £38,134 | £40,773 | £39,252 | £37,197 | £35,933 |
| 20 | £53,831 | £51,283 | £56,020 | £53,290 | £49,586 | £47,402 |
| 25 | £69,078 | £65,044 | £72,623 | £68,246 | £62,336 | £58,968 |
| 30 | £85,381 | £79,447 | £90,701 | £84,180 | £75,459 | £70,631 |
| 35 | £102,813 | £94,522 | £110,386 | £101,157 | £88,965 | £82,394 |
| 40 | £121,452 | £110,299 | £131,820 | £119,243 | £102,865 | £94,255 |
| 45 | £141,382 | £126,812 | £155,160 | £138,513 | £117,171 | £106,217 |
| 48 | £153,997 | £137,086 | £170,148 | £150,674 | £125,954 | £113,443 |
| Breakdown at Year 48 | | | | | | |
| Initial Pot Size | £2,100 | £2,100 | £2,100 | £2,100 | £2,100 | £2,100 |
| Total Employee Contributions | £33,782 | £33,782 | £33,782 | £33,782 | £33,782 | £33,782 |
| Total Employer Contributions | £73,195 | £73,195 | £73,195 | £73,195 | £73,195 | £73,195 |
| Gross Investment Returns | £44,920 | £44,920 | £61,071 | £61,071 | £16,877 | £16,877 |
| Impact of Costs and Charges | £0 | -£16,911 | £0 | -£19,474 | £0 | -£12,511 |
| Total Fund Value | £153,997 | £137,086 | £170,148 | £150,674 | £125,954 | £113,443 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|----------|--------------------|-------------------|---------------------------|-------------------|----------------------------|-------------------|
| | Mercer Defensive | | Mercer Diversified Growth | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £4,309 | £4,293 | £4,361 | £4,338 | £4,274 | £4,267 |
| 5 | £13,006 | £12,845 | £13,638 | £13,398 | £12,601 | £12,525 |
| 10 | £23,572 | £23,059 | £25,781 | £24,975 | £22,222 | £21,989 |
| 15 | £33,807 | £32,768 | £38,559 | £36,837 | £31,036 | £30,580 |
| 20 | £43,724 | £41,998 | £52,007 | £48,993 | £39,111 | £38,378 |
| 25 | £53,330 | £50,773 | £66,160 | £61,450 | £46,509 | £45,457 |
| 30 | £62,637 | £59,113 | £81,054 | £74,214 | £53,287 | £51,883 |
| 35 | £71,653 | £67,043 | £96,729 | £87,293 | £59,496 | £57,716 |
| 40 | £80,388 | £74,580 | £113,224 | £100,695 | £65,185 | £63,011 |
| 45 | £88,850 | £81,745 | £130,584 | £114,429 | £70,397 | £67,818 |
| 48 | £93,800 | £85,873 | £141,434 | £122,831 | £73,312 | £70,486 |

Breakdown at Year 48

| | | | | | | |
|------------------------------|----------|----------|----------|----------|----------|----------|
| Initial Pot Size | £2,100 | £2,100 | £2,100 | £2,100 | £2,100 | £2,100 |
| Total Employee Contributions | £33,782 | £33,782 | £33,782 | £33,782 | £33,782 | £33,782 |
| Total Employer Contributions | £73,195 | £73,195 | £73,195 | £73,195 | £73,195 | £73,195 |
| Gross Investment Returns | -£15,277 | -£15,277 | £32,357 | £32,357 | -£35,765 | -£35,765 |
| Impact of Costs and Charges | £0 | -£7,927 | £0 | -£18,603 | £0 | -£2,826 |
| Total Fund Value | £93,800 | £85,873 | £141,434 | £122,831 | £73,312 | £70,486 |

Assumptions

- Future inflation assumed to be 2.5% p.a.
- Salaries assumed to increase at 2.5% p.a.
- The assumptions used for the youngest active member are as follows:
 - Age 17
 - Salary £23,460 (based on sample of members)
 - Starting pot size £2,100 (based on sample of members)
 - Total contribution rate 9.5% (based on sample of members)
- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65.
 - Average growth rate above inflation 1.23% p.a. (before charges)
 - Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.13% p.a.
- Mercer Active Sustainable Global Equity Fund growth rate above inflation before charges is assumed to be 2.78% p.a.
 - Average TER is assumed to be 0.66% and transaction costs are assumed to average 0.27% p.a.
- Mercer Active Money Market Fund growth rate above inflation before charges is assumed to be -1.74% p.a.
 - Average TER is assumed to be 0.17% and transaction costs are assumed to average 0.01% p.a.
- Mercer Growth Fund growth rate above inflation before charges is assumed to be 1.35% p.a.
 - Average TER is assumed to be 0.29% and transaction costs are assumed to average 0.14% p.a.
- Mercer High Growth Fund growth rate above inflation before charges is assumed to be 1.72% p.a.
 - Average TER is assumed to be 0.31% and transaction costs are assumed to average 0.13% p.a.
- Mercer Moderate Growth Fund growth rate above inflation before charges is assumed to be 0.58% p.a.
 - Average TER is assumed to be 0.31% and transaction costs are assumed to average 0.10% p.a.
- Mercer Defensive Fund growth rate above inflation before charges is assumed to be -0.63% p.a.
 - Average TER is assumed to be 0.32% and transaction costs are assumed to average 0.06% p.a.
- Mercer Diversified Growth Fund growth rate above inflation before charges is assumed to be 1.03% p.a.
 - Average TER is assumed to be 0.33% and transaction costs are assumed to average 0.20% p.a.

Average active member

The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. **Furthermore, the illustrations are based on a number of assumptions, including salary growth and investment returns – these are NOT guaranteed fund values.**

The illustrative fund values are expressed in today's terms. For example, a projected fund value after 26 years of £97,807 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £97,807 today.

| Year End | Most Popular fund from DC Section fund range | | Fund with highest charges from DC Section fund range | | Fund lowest charges from DC Section fund range | |
|------------------------------|--|-------------------|--|-------------------|--|-------------------|
| | Default Arrangement (Mercer Target Drawdown Path) | | Mercer Active Sustainable Global Equity | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £16,960 | £16,888 | £17,176 | £17,016 | £16,492 | £16,462 |
| 5 | £29,949 | £29,441 | £31,559 | £30,394 | £26,725 | £26,532 |
| 10 | £47,195 | £45,790 | £51,902 | £48,533 | £38,547 | £38,071 |
| 15 | £65,635 | £62,901 | £75,228 | £68,382 | £49,379 | £48,546 |
| 20 | £85,015 | £80,448 | £101,978 | £90,104 | £59,302 | £58,055 |
| 25 | £102,316 | £95,519 | £132,652 | £113,875 | £68,393 | £66,687 |
| 26 | £105,005 | £97,807 | £139,307 | £118,892 | £70,118 | £68,315 |
| Breakdown at Year 26 | | | | | | |
| Initial Pot Size | £13,820 | £13,820 | £13,820 | £13,820 | £13,820 | £13,820 |
| Total Employee Contributions | £24,102 | £24,102 | £24,102 | £24,102 | £24,102 | £24,102 |
| Total Employer Contributions | £52,221 | £52,221 | £52,221 | £52,221 | £52,221 | £52,221 |
| Gross Investment Returns | £14,862 | £14,862 | £49,164 | £49,164 | -£20,025 | -£20,025 |
| Impact of Costs and Charges | £0 | -£7,198 | £0 | -£20,415 | £0 | -£1,803 |
| Total Fund Value | £105,005 | £97,807 | £139,307 | £118,892 | £70,118 | £68,315 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|------------------------------|--------------------|-------------------|--------------------|-------------------|------------------------|-------------------|
| | Mercer Growth | | Mercer High Growth | | Mercer Moderate Growth | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £16,960 | £16,888 | £17,016 | £16,942 | £16,843 | £16,775 |
| 5 | £29,949 | £29,441 | £30,358 | £29,833 | £29,111 | £28,643 |
| 10 | £47,195 | £45,790 | £48,366 | £46,892 | £44,848 | £43,591 |
| 15 | £65,635 | £62,901 | £67,974 | £65,068 | £61,045 | £58,665 |
| 20 | £85,352 | £80,811 | £89,326 | £84,432 | £77,715 | £73,867 |
| 25 | £106,435 | £99,555 | £112,574 | £105,063 | £94,871 | £89,198 |
| 26 | £110,824 | £103,407 | £117,467 | £109,348 | £98,362 | £92,279 |
| Breakdown at Year 26 | | | | | | |
| Initial Pot Size | £13,820 | £13,820 | £13,820 | £13,820 | £13,820 | £13,820 |
| Total Employee Contributions | £24,102 | £24,102 | £24,102 | £24,102 | £24,102 | £24,102 |
| Total Employer Contributions | £52,221 | £52,221 | £52,221 | £52,221 | £52,221 | £52,221 |
| Gross Investment Returns | £20,681 | £20,681 | £27,324 | £27,324 | £8,219 | £8,219 |
| Impact of Costs and Charges | £0 | -£7,417 | £0 | -£8,119 | £0 | -£6,083 |
| Total Fund Value | £110,824 | £103,407 | £117,467 | £109,348 | £98,362 | £92,279 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|----------|--------------------|-------------------|---------------------------|-------------------|----------------------------|-------------------|
| | Mercer Defensive | | Mercer Diversified Growth | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £16,660 | £16,597 | £16,911 | £16,821 | £16,492 | £16,462 |
| 5 | £27,840 | £27,426 | £29,596 | £28,974 | £26,725 | £26,532 |
| 10 | £41,422 | £40,360 | £46,199 | £44,502 | £38,547 | £38,071 |
| 15 | £54,580 | £52,656 | £63,672 | £60,414 | £49,379 | £48,546 |
| 20 | £67,327 | £64,344 | £82,060 | £76,718 | £59,302 | £58,055 |
| 25 | £79,676 | £75,455 | £101,411 | £93,426 | £68,393 | £66,687 |
| 26 | £82,099 | £77,611 | £105,401 | £96,817 | £70,118 | £68,315 |

Breakdown at Year 26

| | | | | | | |
|------------------------------|---------|---------|----------|---------|----------|----------|
| Initial Pot Size | £13,820 | £13,820 | £13,820 | £13,820 | £13,820 | £13,820 |
| Total Employee Contributions | £24,102 | £24,102 | £24,102 | £24,102 | £24,102 | £24,102 |
| Total Employer Contributions | £52,221 | £52,221 | £52,221 | £52,221 | £52,221 | £52,221 |
| Gross Investment Returns | -£8,044 | -£8,044 | £15,258 | £15,258 | -£20,025 | -£20,025 |
| Impact of Costs and Charges | £0 | -£4,488 | £0 | -£8,584 | £0 | -£1,803 |
| Total Fund Value | £82,099 | £77,611 | £105,401 | £96,817 | £70,118 | £68,315 |

Assumptions

- Future inflation assumed to be 2.5% p.a.
- Salaries assumed to increase at 2.5% p.a.
- The assumptions used for the average active member are as follows:
 - Age 39
 - Salary £30,900
 - Starting pot size £13,820
 - Total contribution rate 9.5%
- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65.
 - Average growth rate above inflation 1.12% p.a. (before charges)
 - Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.13% p.a.
- Growth rate above inflation, TER and transaction cost assumptions for the Mercer Active Sustainable Global Equity Fund, Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund is the same as set out in the Youngest Active member illustration above.

Youngest deferred member

The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. **Furthermore, the illustrations are based on a number of assumptions, including investment returns – these are NOT guaranteed fund values.**

The illustrative fund values are expressed in today's terms. For example, a projected fund value after 43 years of £3,065 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £3,065 today.

| Year End | Most Popular fund from DC Section fund range | | Fund with highest charges from DC Section fund range | | Fund lowest charges from DC Section fund range | |
|-----------------------------|---|-------------------|--|-------------------|--|-------------------|
| | Default Arrangement (Mercer Target Drawdown Path) | | Mercer Active Sustainable Global Equity | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £2,230 | £2,220 | £2,261 | £2,240 | £2,162 | £2,158 |
| 5 | £2,352 | £2,303 | £2,523 | £2,408 | £2,016 | £1,997 |
| 10 | £2,515 | £2,410 | £2,893 | £2,635 | £1,847 | £1,813 |
| 15 | £2,689 | £2,522 | £3,317 | £2,883 | £1,692 | £1,646 |
| 20 | £2,876 | £2,640 | £3,804 | £3,155 | £1,550 | £1,494 |
| 25 | £3,075 | £2,763 | £4,362 | £3,453 | £1,420 | £1,356 |
| 30 | £3,288 | £2,892 | £5,002 | £3,779 | £1,301 | £1,231 |
| 35 | £3,516 | £3,026 | £5,736 | £4,135 | £1,192 | £1,117 |
| 40 | £3,684 | £3,099 | £6,578 | £4,525 | £1,092 | £1,014 |
| 43 | £3,692 | £3,065 | £7,141 | £4,777 | £1,036 | £957 |
| Breakdown at Year 43 | | | | | | |
| Initial Pot Size | £2,200 | £2,200 | £2,200 | £2,200 | £2,200 | £2,200 |
| Gross Investment Returns | £1,492 | £1,492 | £4,941 | £4,941 | -£1,164 | -£1,164 |
| Impact of Costs and Charges | £0 | -£627 | £0 | -£2,364 | £0 | -£79 |
| Total Fund Value | £3,692 | £3,065 | £7,141 | £4,777 | £1,036 | £957 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|------------------------|-------------------|
| | Mercer Growth | | Mercer High Growth | | Mercer Moderate Growth | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £2,230 | £2,220 | £2,238 | £2,228 | £2,213 | £2,204 |
| 5 | £2,352 | £2,303 | £2,396 | £2,344 | £2,264 | £2,219 |
| 10 | £2,515 | £2,410 | £2,608 | £2,497 | £2,330 | £2,237 |
| 15 | £2,689 | £2,522 | £2,840 | £2,660 | £2,398 | £2,256 |
| 20 | £2,876 | £2,640 | £3,093 | £2,834 | £2,468 | £2,275 |
| 25 | £3,075 | £2,763 | £3,368 | £3,020 | £2,541 | £2,295 |
| 30 | £3,288 | £2,892 | £3,667 | £3,217 | £2,615 | £2,314 |
| 35 | £3,516 | £3,027 | £3,993 | £3,428 | £2,691 | £2,334 |
| 40 | £3,759 | £3,168 | £4,348 | £3,652 | £2,770 | £2,353 |
| 43 | £3,913 | £3,255 | £4,576 | £3,793 | £2,818 | £2,365 |
| Breakdown at Year 43 | | | | | | |
| Initial Pot Size | £2,200 | £2,200 | £2,200 | £2,200 | £2,200 | £2,200 |
| Gross Investment Returns | £1,713 | £1,713 | £2,376 | £2,376 | £618 | £618 |
| Impact of Costs and Charges | £0 | -£658 | £0 | -£783 | £0 | -£453 |
| Total Fund Value | £3,913 | £3,255 | £4,576 | £3,793 | £2,818 | £2,365 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|-----------------------------|--------------------|-------------------|---------------------------|-------------------|----------------------------|-------------------|
| | Mercer Defensive | | Mercer Diversified Growth | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £2,186 | £2,178 | £2,223 | £2,211 | £2,162 | £2,158 |
| 5 | £2,131 | £2,091 | £2,315 | £2,254 | £2,016 | £1,997 |
| 10 | £2,065 | £1,988 | £2,437 | £2,310 | £1,847 | £1,813 |
| 15 | £2,000 | £1,890 | £2,564 | £2,367 | £1,692 | £1,646 |
| 20 | £1,938 | £1,797 | £2,699 | £2,426 | £1,550 | £1,494 |
| 25 | £1,877 | £1,708 | £2,840 | £2,486 | £1,420 | £1,356 |
| 30 | £1,819 | £1,624 | £2,989 | £2,547 | £1,301 | £1,231 |
| 35 | £1,762 | £1,543 | £3,145 | £2,610 | £1,192 | £1,117 |
| 40 | £1,707 | £1,467 | £3,310 | £2,674 | £1,092 | £1,014 |
| 43 | £1,675 | £1,423 | £3,413 | £2,714 | £1,036 | £957 |
| Breakdown at Year 43 | | | | | | |
| Initial Pot Size | £2,200 | £2,200 | £2,200 | £2,200 | £2,200 | £2,200 |
| Gross Investment Returns | -£525 | -£525 | £1,213 | £1,213 | -£1,164 | -£1,164 |
| Impact of Costs and Charges | £0 | -£252 | £0 | -£699 | £0 | -£79 |
| Total Fund Value | £1,675 | £1,423 | £3,413 | £2,714 | £1,036 | £957 |

Assumptions

- Future inflation assumed to be 2.5% p.a.
- Salaries assumed to increase at 2.5% p.a.
- The assumptions used for the youngest deferred member are as follows:
 - Age 22
 - Starting pot size £2,200 (based on sample of members)
- Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65.
Average growth rate above inflation 1.21% p.a. (before charges)
Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.13%.
- Growth rate above inflation, TER and transaction cost assumptions for the Mercer Active Sustainable Global Equity Fund, Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund is the same as set out in the Youngest Active member illustration above.

Average deferred member

The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements. **Furthermore, the illustrations are based on a number of assumptions, including investment returns – these are NOT guaranteed fund values.**

The illustrative fund values are expressed in today's terms. For example, a projected fund value after 29 years of £8,289 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £8,289 today.

| Year End | Most Popular fund from DC Section fund range | | Fund with highest charges from DC Section fund range | | Fund lowest charges from DC Section fund range | |
|-----------------------------|--|-------------------|--|-------------------|--|-------------------|
| | Default Arrangement (Mercer Target Drawdown Path) | | Mercer Active Sustainable Global Equity | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £6,851 | £6,822 | £6,948 | £6,883 | £6,643 | £6,630 |
| 5 | £7,228 | £7,075 | £7,752 | £7,398 | £6,193 | £6,136 |
| 10 | £7,729 | £7,405 | £8,889 | £8,096 | £5,674 | £5,570 |
| 15 | £8,264 | £7,750 | £10,193 | £8,859 | £5,198 | £5,057 |
| 20 | £8,836 | £8,112 | £11,689 | £9,695 | £4,762 | £4,590 |
| 25 | £9,323 | £8,366 | £13,404 | £10,610 | £4,363 | £4,167 |
| 29 | £9,406 | £8,289 | £14,955 | £11,403 | £4,068 | £3,856 |
| Breakdown at Year 29 | | | | | | |
| Initial Pot Size | £6,760 | £6,760 | £6,760 | £6,760 | £6,760 | £6,760 |
| Gross Investment Returns | £2,646 | £2,646 | £8,195 | £8,195 | £-2,692 | £-2,692 |
| Impact of Costs and Charges | £0 | £-1,117 | £0 | £-3,552 | £0 | £-212 |
| Total Fund Value | £9,406 | £8,289 | £14,955 | £11,403 | £4,068 | £3,856 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|------------------------|-------------------|
| | Mercer Growth | | Mercer High Growth | | Mercer Moderate Growth | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £6,851 | £6,822 | £6,876 | £6,846 | £6,799 | £6,771 |
| 5 | £7,228 | £7,075 | £7,361 | £7,202 | £6,957 | £6,817 |
| 10 | £7,729 | £7,405 | £8,015 | £7,673 | £7,161 | £6,875 |
| 15 | £8,264 | £7,750 | £8,727 | £8,175 | £7,370 | £6,933 |
| 20 | £8,836 | £8,112 | £9,503 | £8,710 | £7,585 | £6,992 |
| 25 | £9,448 | £8,490 | £10,348 | £9,279 | £7,806 | £7,051 |
| 29 | £9,968 | £8,805 | £11,077 | £9,762 | £7,988 | £7,098 |
| Breakdown at Year 29 | | | | | | |
| Initial Pot Size | £6,760 | £6,760 | £6,760 | £6,760 | £6,760 | £6,760 |
| Gross Investment Returns | £3,208 | £3,208 | £4,317 | £4,317 | £1,228 | £1,228 |
| Impact of Costs and Charges | £0 | £-1,163 | £0 | £-1,315 | £0 | £-890 |
| Total Fund Value | £9,968 | £8,805 | £11,077 | £9,762 | £7,988 | £7,098 |

| Year End | Technical Default | | Technical Default | | Technical Default | |
|--|--------------------|-------------------|---------------------------|-------------------|----------------------------|-------------------|
| | Mercer Defensive | | Mercer Diversified Growth | | Mercer Active Money Market | |
| | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) | Before charges (£) | After charges (£) |
| 1 | £6,717 | £6,692 | £6,829 | £6,793 | £6,643 | £6,630 |
| 5 | £6,549 | £6,426 | £7,114 | £6,927 | £6,193 | £6,136 |
| 10 | £6,345 | £6,109 | £7,487 | £7,098 | £5,674 | £5,570 |
| 15 | £6,146 | £5,807 | £7,879 | £7,274 | £5,198 | £5,057 |
| 20 | £5,955 | £5,520 | £8,292 | £7,453 | £4,762 | £4,590 |
| 25 | £5,769 | £5,248 | £8,726 | £7,637 | £4,363 | £4,167 |
| 29 | £5,624 | £5,039 | £9,090 | £7,788 | £4,068 | £3,856 |
| Breakdown at Year 29 | | | | | | |
| Initial Pot Size | £6,760 | £6,760 | £6,760 | £6,760 | £6,760 | £6,760 |
| Gross Investment Returns | £-1,136 | £-1,136 | £2,330 | £2,330 | £-2,692 | £-2,692 |
| Impact of Costs and Charges | £0 | £-585 | £0 | £-1,302 | £0 | £-212 |
| Total Fund Value | £5,624 | £5,039 | £9,090 | £7,788 | £4,068 | £3,856 |
| Assumptions | | | | | | |
| <ul style="list-style-type: none"> - Future inflation assumed to be 2.5% p.a. - Salaries assumed to increase at 2.5% p.a. - The assumptions used for the average deferred member are as follows: <ul style="list-style-type: none"> - Age 36 - Starting pot size £6,760 - Default investment strategy projected growth rates vary with age, given that the strategy's asset allocation changes over the 8 years prior to age 65. Average growth rate above inflation 1.15% p.a. (before charges) Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.13%. - Growth rate above inflation, TER and transaction cost assumptions for the Mercer Active Sustainable Global Equity Fund, Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund is the same as set out in the Youngest Active member illustration above. | | | | | | |

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further to reflect the effect of future inflation.
2. The starting pot size, salary and contribution is the average value appropriate to the youngest / average member respectively.
3. The future contributions are based on the average salary and contribution rate appropriate to the relevant member (youngest / average).
4. Values shown are purely **illustrative** and are **not guaranteed**.
5. The illustrations are designed only to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. They are not intended to provide information or guidance to members on whether a particular fund is best suited to their requirements.

Appendix 4 – Net Investment Returns

(i) Default investment strategy – Target Drawdown Retirement Path

| Default strategy | Annualised returns to 31 March 2022 | |
|----------------------------------|-------------------------------------|------------------|
| | 1 year | Since inception* |
| Age of member at start of period | | |
| 25 | 4.9% | 6.8% |
| 45 | 4.9% | 6.8% |
| 55 | 4.9% | 6.8% |
| 60 | 4.5% | 6.3% |

* Inception was May 2019

Source: Scottish Widows.

(ii) Alternative lifestyle investment strategy – Target Annuity Retirement Path

| Target Annuity Retirement Path | Annualised returns to 31 March 2022 | |
|----------------------------------|-------------------------------------|------------------|
| | 1 year | Since inception* |
| Age of member at start of period | | |
| 25 | 4.9% | 6.8% |
| 45 | 4.9% | 6.8% |
| 55 | 4.9% | 6.8% |

* Inception was May 2019

Source: Scottish Widows.

(iii) Alternative lifestyle investment strategy – Target Cash Retirement Path

| Target Cash Retirement Path | Annualised returns to 31 March 2022 | |
|----------------------------------|-------------------------------------|------------------|
| | 1 year | Since inception* |
| Age of member at start of period | | |
| 25 | 4.9% | 6.8% |
| 45 | 4.9% | 6.8% |
| 55 | 4.9% | 6.8% |

* Inception was May 2019

Source: Scottish Widows.

(iv) Target retirement funds in which members were invested over the year to 31 March 2022

| Self-select fund | Annualised returns to 31 March 2022 | |
|--|-------------------------------------|------------------|
| | 1 year | Since inception* |
| Mercer Drawdown Retirement Fund | 2.8% | 3.2% |
| Mercer Target Drawdown 2023 Retirement Fund | 3.5% | 4.6% |
| Mercer Target Drawdown 2024 Retirement Fund | 4.0% | 5.2% |
| Mercer Target Drawdown 2025 Retirement Fund | 4.2% | 5.6% |
| Mercer Target Drawdown 2026 Retirement Fund | 4.4% | 6.0% |
| Mercer Target Drawdown 2027 Retirement Fund | 4.5% | 6.3% |
| Mercer Target Drawdown 2028 Retirement Fund | 4.7% | 5.5%** |
| Mercer Target Drawdown 2029 Retirement Fund | 4.9% | 5.8%*** |

| Self-select fund | Annualised returns to 31 March 2022 | |
|--|-------------------------------------|------------------|
| | 1 year | Since inception* |
| Mercer Target Drawdown 2030 Retirement Fund | - | 0.1%**** |
| Mercer Target Cash 2029 Retirement Fund | 3.8% | 4.9%*** |

* Inception was May 2019 unless noted otherwise

** Inception was January 2020

*** Inception was January 2021

**** Inception was January 2022

Funds in bold are used in the default investment strategy

Source: Scottish Widows.

(iii) Self-select funds in which members were invested over the year to 31 March 2022

| Self-select fund | Annualised returns to 31 March 2022 | |
|--|-------------------------------------|------------------|
| | 1 year | Since inception* |
| Mercer Defensive | 1.0% | 2.3% |
| Mercer Moderate Growth | 2.9% | 5.8% |
| Mercer Growth | 4.9% | 6.8% |
| Mercer High Growth | 5.6% | 8.3% |
| Mercer Diversified Growth | 3.8% | 5.3% |
| Mercer Active Global Equity | 6.6% | 13.4% |
| Mercer Active Money Market | 0.0% | 0.2% |
| Mercer Active Sustainable Global Equity | - | 5.2%** |
| Mercer Passive Sustainable Global Equity | - | 4.1%** |

* Inception was May 2019 unless noted otherwise

** Inception was June 2021

Funds in bold are used in the default investment strategy

Source: Scottish Widows.

Appendix 5 - Statement of Investment Principles effective September 2021