

The Thomson-Leng Provident Fund (“the Fund”)

CHAIRMAN’S ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 APRIL 2022 TO 31 MARCH 2023

I am pleased to present the Trustee’s annual statement of governance, covering the period 1 April 2022 to 31 March 2023. This statement describes how the Trustee seeks to ensure that the Defined Contribution (“DC”) 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 its advisers, I am happy to confirm that the Trustee has concluded that the DC Section of the Fund is well-managed and delivers 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 Fund’s default investment arrangement
 - *The default investment arrangement is the Target Drawdown Retirement Path.*
 - *The Trustee regularly considers the suitability of the default investment arrangement. While outside the reporting period for this statement, the latest formal investment strategy review was undertaken in June 2023.*
 - *The performance of the funds, including the default investment arrangement 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 the Fund’s administrator and the Fund’s assets are invested in Mercer Workplace Solutions (“MWS”) governed funds, accessed on the Scottish Widows investment platform.*
 - *The Trustee is comfortable that core financial transactions have been processed promptly and accurately.*
 - *The Trustee notes that Mercer’s UK pension administration services will be transferring to Aptia UK Limited, subject to conclusion of the transaction and this transfer is expected to be completed by the end of 2023. The Trustee will monitor administration services closely following the transaction.*

3. Charges and transaction costs within the Fund
 - *Charges borne by members are set out in Appendix 1 and 2 (Total Expense Ratios (“TERs”) and transaction costs).*
 - *Illustrations detailing the impact of the costs and charges typically paid by a member of the Fund on their retirement savings are set out in Appendix 3.*
 - *These illustrations are **not** guaranteed and have been prepared 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 investment arrangement, technical defaults and those self-select investment options in which members were able to select over the year, after taking account of TERs and transaction costs are set out in Appendix 4.*

5. Value for Members assessment

- *The Trustee has concluded, following consideration of a Value for Members assessment report from its independent adviser, that in relation to member-borne deductions, the Fund offers value for members, based on three main areas: Price, Performance and Productivity.*
- *The Trustee notes that fund performance has been reasonable relative to benchmark/target over the periods considered. Calendar years 2021 and 2022 were particularly challenging for financial markets due to a range of global and regional headwinds resulting in heightened market volatility and mixed performance over the shorter term. Overall, the Trustee, based on advice received from its adviser, is comfortable with the performance of the funds when considering the broader market context and experience. However, the Trustee will continue to monitor performance closely.*

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 DC Section of the Fund that required the Trustee Directors to give detailed consideration to pensions law and the Fund's governing documents, including the Trust Deed and Rules and Statement of Investment Principles.*
- *These activities and the input from their advisers helped the Trustee Directors to maintain their knowledge, understanding and familiarity with these areas.*

Signature:

Name: Christopher HW Thomson

**Chairman of DC Thomson & Co Pension Trustee Limited
September 2023**

CHAIRMAN'S ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 APRIL 2022 TO 31 MARCH 2023

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 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 and was reviewed in September 2022, but no changes were made.

All DC assets are held on the Scottish Widows investment platform via Mercer Workplace Savings (MWS).

MWS provides an overlay of the Fund's DC investments, including:

- An additional layer of ongoing governance monitoring services (i.e. of 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.

Changes to the strategic asset allocation ("SAA") as a result of the 2022 annual MWS investment strategy review were implemented in Q3 2022. There was a particular focus on increasing inflation protection and increasing resilience. Sustainability was also considered, however there were no specific SAA changes in respect of sustainability following the 2022 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. At this point, the assets

are switched into a multi-asset target date fund that targets flexible drawdown and tax free cash withdrawal at retirement. The default Target Retirement Age is 65, although members are able to select an alternative.

Following the 2022 annual MWS investment strategy review, changes were made to the asset allocations in the default investment arrangement in the approach to retirement. These changes were made in January 2023 for members retiring from January 2026 onwards. In particular, the final allocation to cash was reduced from 25% to 10% with the aim of reducing the cash “drag” on the portfolio and increasing the expected return delivered net of fees whilst continuing to offer protection to the absolute value of a member’s pension savings.

In addition, two alternative glidepath strategies are available to members that reflect alternative ways in which members may wish to take their benefits at retirement (annuity purchase or cash).

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 is also available to members. These funds cater for differing objectives and attitudes to risk. 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 classed as technical 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

While not within the reporting period for this statement, the Trustee formally reviewed the investment strategy of the Fund in June 2023. The review concluded that the strategy is consistent with the aims and objectives as set out in the SIP and no changes were recommended. The next formal investment strategy review will be undertaken in June 2026 or sooner if there are any significant changes in investment policy or member demographics.

Following a review of the self-select options in 2022 and considering members’ views, the Trustee decided to introduce the Mercer Shariah Fund to the DC Section fund range. This index-tracker fund invests in global equities and is compliant with Islamic Shariah principles. The fund was launched in April 2023.

The performance of the funds, including the default investment arrangement 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 monitor whether the funds 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 arrangement is performing in line with expectations.

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 the 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. 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 and if payment of contributions is late, this would be flagged.
- 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 the investment of contributions, investment switches between funds, 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.

98.7% of SLAs for core financial transactions were met during the year ended 31 March 2023, which is an improvement on the previous Fund year and is 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. The Trustee is satisfied that, over the period covered by this statement, the Fund administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA. There have been no material administration errors in relation to processing core financial transactions; and core financial transactions have been processed promptly and accurately.

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, with a positive trend in member satisfaction.

The Fund also utilises the Mercer self-service portal where members can raise queries online and these are fed straight into the appropriate administration team. In addition, Mercer has also introduced a new process to ensure members receive regular updates when they have an outstanding query until it is resolved. These changes have helped to enhance the member experience when dealing with the Fund administrators.

- 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 glidepath strategies.

The table in Appendix 1 shows the TERs of the funds as provided by the investment platform provider, Scottish Widows. The TERs are deducted through the unit prices of the various funds offered. All other governance expenses and running costs are paid by the Fund.

All of the funds have TERs that fall below the charge cap of 0.75% p.a. All TERs are as at 31 March 2023.

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 2023 are shown in Appendix 2. These transaction costs are calculated using the prescribed 'slippage cost' method. 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.

The charges and transaction costs have been supplied by the investment platform provider, Scottish Widows.

3.3. Illustrations

Based on the statutory guidance and in accordance with the regulatory requirements, the Trustee has prepared illustrations detailing the potential impact of the costs and charges typically paid by a member of the DC Section of the Fund on their retirement savings. In line with statutory guidance, the illustrations are for the default investment arrangement, technical defaults and the funds with the lowest and highest charges.

The illustrations represent the youngest active and deferred member and the average active and deferred member. All illustrations are for members who retire after December 2025, therefore picking up the changes to the asset allocations in the default investment arrangement in the approach to retirement.

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 a scheme's default investment arrangement, any additional technical default arrangements and those self-select investment options in which members were able to select over the year, after taking account of transaction costs and charges.

Appendix 4 provides the net investment return disclosures as at 31 March 2023. 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, three years and since inception.

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 members assessment which covered the following aspects:

- Investment charges for the default investment and self-select funds, when benchmarked against comparable funds;

- Net of fees investment performance;
- Fund range;
- Ratings assigned by Mercer's investment research team 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 consideration of a report from its adviser, that in relation to member-borne deductions, the Fund offers value for members.

The reasons for this conclusion include:

- Benchmarking by the Trustee's advisers has shown investment managers' charges to be good when compared against similar funds.
- The Fund's current default arrangement and technical defaults comfortably comply with the charge cap of 0.75% per annum.
- Fund performance has been reasonable, relative to benchmark/target over the periods considered. Calendar years 2021 and 2022 were particularly challenging for financial markets due to a range of global and regional headwinds resulting in heightened market volatility and mixed performance over the shorter term. Overall, the Trustee, based on advice received from its adviser is comfortable with the performance of the funds when considering the broader market context and experience. However, the Trustee will continue to monitor performance closely.
- The Trustee's investment adviser, Mercer, does not rate the top level funds used by the Fund as they are Mercer governed funds, however the underlying constituent funds are highly rated by the Mercer research team.

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 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.

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 the Trustee Board to properly exercise their functions as Trustee of the Fund.

During the year, the Trustee undertook a number of activities with regard to the DC Section that required the Trustee Directors to give detailed consideration to 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 documents. Examples include:

- The Trustee has undertaken ongoing training within its regular meetings to keep abreast of relevant developments.
- In June 2022 the Trustee received an update on the MWS annual investment strategy review. This led to the Trustee Directors reviewing the DC Section fund range and deciding to include a Shariah fund as a self-select option.
- The Trustee received training from its professional advisers on the implementation of the Pensions Dashboard on 13 September 2022.
- The Trustee reviewed its DC Section Statement of Investment Principles in September 2022 in conjunction with its DC investment adviser. No changes were made to the SIP.
- The Trustee reviewed Fund documents such as the annual Chair's Statement, Value for Members assessment and Implementation Statement at a dedicated Trustee meeting on 13 September 2022.
- The Trustee received training on 16 December 2022 on The Pensions Regulator's draft General Code and its implications on the Fund.
- On 15 March 2023, the Trustee received an update on the consultation on "Broadening the Investment Opportunities of DC pension schemes". This informed the Trustee of the draft regulations released by the DWP to exclude performance-based fees from the regulatory charge cap in an effort to drive defined contribution (DC) illiquid investment and new requirements in relation to the annual Chair's Statement, Statement of Investment Principles and Implementation Statement.
- The Trustee received refresher training on DC investment strategy reviews on 15 March 2023 to remind the Trustee Directors what would be required in the review which was due to be completed by June 2023.

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 and administration 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 to the best of my knowledge.

Signature:

Name: Christopher HW Thomson

**Chairman of DC Thomson & Co Pension Trustee Limited
September 2023**

Appendix 1 - Total Expense Ratio (“TER”)

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

Name	Total Expense Ratio
Mercer Defensive	0.320%
Mercer Moderate Growth	0.310%
Mercer Growth	0.281%
Mercer High Growth	0.310%
Mercer Diversified Growth	0.330%
Mercer Active Global Equity	0.711%
Mercer Active Money Market	0.170%
Mercer Active Sustainable Global Equity	0.640%
Mercer Passive Sustainable Global Equity	0.160%
Mercer Drawdown Retirement Fund	0.333%
Mercer Target Drawdown 2024 Retirement Fund	0.336%
Mercer Target Drawdown 2025 Retirement Fund	0.338%
Mercer Target Drawdown 2026 Retirement Fund	0.348%
Mercer Target Drawdown 2027 Retirement Fund	0.337%
Mercer Target Drawdown 2028 Retirement Fund	0.325%
Mercer Target Drawdown 2029 Retirement Fund	0.314%
Mercer Target Drawdown 2030 Retirement Fund	0.303%
Mercer Target Drawdown 2031 Retirement Fund	0.293%
Mercer Annuity Retirement Fund	0.202%
Mercer Target Annuity 2024 Retirement Fund	0.209%
Mercer Target Annuity 2025 Retirement Fund	0.219%
Mercer Target Annuity 2026 Retirement Fund	0.228%
Mercer Target Annuity 2027 Retirement Fund	0.246%
Mercer Target Annuity 2028 Retirement Fund	0.257%
Mercer Target Annuity 2029 Retirement Fund	0.267%
Mercer Target Annuity 2030 Retirement Fund	0.278%
Mercer Target Annuity 2031 Retirement Fund	0.289%
Mercer Cash Retirement Fund	0.220%
Mercer Target Cash 2024 Retirement Fund	0.230%
Mercer Target Cash 2025 Retirement Fund	0.231%
Mercer Target Cash 2026 Retirement Fund	0.233%
Mercer Target Cash 2027 Retirement Fund	0.234%
Mercer Target Cash 2028 Retirement Fund	0.243%
Mercer Target Cash 2029 Retirement Fund	0.257%
Mercer Target Cash 2030 Retirement Fund	0.271%
Mercer Target Cash 2031 Retirement Fund	0.284%

Source: Scottish Widows. Includes Scottish Widows and Mercer charges. Figures as at 31 March 2023

Appendix 2 – Transaction Costs over the year to 31 March 2023

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

Name	Transaction Costs
Mercer Defensive	0.135%
Mercer Moderate Growth	0.115%
Mercer Growth	0.160%
Mercer High Growth	0.115%
Mercer Diversified Growth	0.227%
Mercer Active Global Equity	0.433%
Mercer Active Money Market	0.015%
Mercer Active Sustainable Global Equity	0.156%
Mercer Passive Sustainable Global Equity	0.248%
Mercer Drawdown Retirement Fund	0.082%
Mercer Target Drawdown 2024 Retirement Fund	0.093%
Mercer Target Drawdown 2025 Retirement Fund	0.107%
Mercer Target Drawdown 2026 Retirement Fund	0.123%
Mercer Target Drawdown 2027 Retirement Fund	0.130%
Mercer Target Drawdown 2028 Retirement Fund	0.137%
Mercer Target Drawdown 2029 Retirement Fund	0.144%
Mercer Target Drawdown 2030 Retirement Fund	0.151%
Mercer Target Drawdown 2031 Retirement Fund	0.158%
Mercer Annuity Retirement Fund	0.004%
Mercer Target Annuity 2024 Retirement Fund	0.018%
Mercer Target Annuity 2025 Retirement Fund	0.037%
Mercer Target Annuity 2026 Retirement Fund	0.055%
Mercer Target Annuity 2027 Retirement Fund	0.075%
Mercer Target Annuity 2028 Retirement Fund	0.095%
Mercer Target Annuity 2029 Retirement Fund	0.115%
Mercer Target Annuity 2030 Retirement Fund	0.135%
Mercer Target Annuity 2031 Retirement Fund	0.155%
Mercer Cash Retirement Fund	0.015%
Mercer Target Cash 2024 Retirement Fund	0.031%
Mercer Target Cash 2025 Retirement Fund	0.051%
Mercer Target Cash 2026 Retirement Fund	0.071%
Mercer Target Cash 2027 Retirement Fund	0.091%
Mercer Target Cash 2028 Retirement Fund	0.108%
Mercer Target Cash 2029 Retirement Fund	0.124%
Mercer Target Cash 2030 Retirement Fund	0.140%
Mercer Target Cash 2031 Retirement Fund	0.156%

Source: Scottish Widows. Figures as at 31 March 2023

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 44 years of £170,010 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £170,010 today.

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£4,276	£4,260	£4,311	£4,270	£4,196	£4,188
5	£13,465	£13,287	£13,911	£13,464	£12,484	£12,409
10	£26,658	£26,025	£28,391	£26,746	£23,085	£22,838
15	£42,042	£40,591	£46,219	£42,339	£33,959	£33,439
20	£59,980	£57,250	£68,169	£60,646	£45,113	£44,216
25	£80,895	£76,302	£95,194	£82,139	£56,555	£55,172
30	£105,284	£98,090	£128,466	£107,371	£68,292	£66,309
35	£133,721	£123,007	£169,431	£136,995	£80,332	£77,631
40	£165,122	£149,680	£219,868	£171,773	£92,682	£89,140
44	£189,842	£170,010	£268,491	£203,904	£102,791	£98,485
Breakdown at Year 44						
Initial Pot Size	£2,150	£2,150	£2,150	£2,150	£2,150	£2,150
Total Employee Contributions	£28,209	£28,209	£28,209	£28,209	£28,209	£28,209
Total Employer Contributions	£61,118	£61,118	£61,118	£61,118	£61,118	£61,118
Gross Investment Returns	£98,365	£98,365	£177,014	£177,014	£11,314	£11,314
Impact of Costs and Charges	£0	£-19,832	£0	£-64,587	£0	£-4,306
Total Fund Value	£189,842	£170,010	£268,491	£203,904	£102,791	£98,485

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	£4,276	£4,260	£4,285	£4,268	£4,256	£4,240
5	£13,465	£13,287	£13,576	£13,391	£13,213	£13,040
10	£26,658	£26,025	£27,084	£26,415	£25,711	£25,107
15	£42,042	£40,591	£43,053	£41,506	£39,829	£38,477
20	£59,980	£57,250	£61,931	£58,993	£55,778	£53,292
25	£80,895	£76,302	£84,249	£79,254	£73,795	£69,706
30	£105,284	£98,090	£110,633	£102,731	£94,149	£87,894
35	£133,721	£123,007	£141,825	£129,933	£117,141	£108,046
40	£166,880	£151,503	£178,699	£161,453	£143,115	£130,374
44	£197,330	£177,221	£212,980	£190,233	£166,298	£149,962
Breakdown at Year 44						
Initial Pot Size	£2,150	£2,150	£2,150	£2,150	£2,150	£2,150
Total Employee Contributions	£28,209	£28,209	£28,209	£28,209	£28,209	£28,209
Total Employer Contributions	£61,118	£61,118	£61,118	£61,118	£61,118	£61,118
Gross Investment Returns	£105,853	£105,853	£121,503	£121,503	£74,821	£74,821
Impact of Costs and Charges	£0	-£20,109	£0	-£22,747	£0	-£16,336
Total Fund Value	£197,330	£177,221	£212,980	£190,233	£166,298	£149,962

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	£4,229	£4,213	£4,270	£4,249	£4,196	£4,188
5	£12,885	£12,712	£13,392	£13,166	£12,484	£12,409
10	£24,505	£23,921	£26,383	£25,582	£23,085	£22,838
15	£37,084	£35,816	£41,393	£39,575	£33,959	£33,439
20	£50,702	£48,438	£58,738	£55,346	£45,113	£44,216
25	£65,443	£61,833	£78,780	£73,121	£56,555	£55,172
30	£81,401	£76,049	£101,939	£93,154	£68,292	£66,309
35	£98,675	£91,134	£128,699	£115,732	£80,332	£77,631
40	£117,375	£107,142	£159,621	£141,179	£92,682	£89,140
44	£133,441	£120,651	£187,786	£163,845	£102,791	£98,485
Breakdown at Year 44						
Initial Pot Size	£2,150	£2,150	£2,150	£2,150	£2,150	£2,150
Total Employee Contributions	£28,209	£28,209	£28,209	£28,209	£28,209	£28,209
Total Employer Contributions	£61,118	£61,118	£61,118	£61,118	£61,118	£61,118
Gross Investment Returns	£41,964	£41,964	£96,309	£96,309	£11,314	£11,314
Impact of Costs and Charges	£0	-£12,790	£0	-£23,941	£0	-£4,306
Total Fund Value	£133,441	£120,651	£187,786	£163,845	£102,791	£98,485
<u>Assumptions</u>						
<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 youngest active member are as follows: <ul style="list-style-type: none"> - Age 21 - Salary £21,370 (based on sample of members) - Starting pot size £2,150 (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. <ul style="list-style-type: none"> Average growth rate above inflation 3.03% p.a. (before charges). Average TER is assumed to be 0.24% and transaction costs are assumed to average 0.10% p.a. - Mercer Active Global Equity Fund growth rate above inflation before charges is assumed to be 4.25% p.a. <ul style="list-style-type: none"> Average TER is assumed to be 0.71% and transaction costs are assumed to average 0.24% p.a. - Mercer Active Money Market Fund growth rate above inflation before charges is assumed to be 0.51% p.a. <ul style="list-style-type: none"> 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 3.12% p.a. <ul style="list-style-type: none"> Average TER is assumed to be 0.28% and transaction costs are assumed to average 0.11% p.a. - Mercer High Growth Fund growth rate above inflation before charges is assumed to be 3.40% p.a. <ul style="list-style-type: none"> Average TER is assumed to be 0.31% and transaction costs are assumed to average 0.09% p.a. - Mercer Moderate Growth Fund growth rate above inflation before charges is assumed to be -2.47% p.a. <ul style="list-style-type: none"> Average TER is assumed to be 0.31% and transaction costs are assumed to average 0.08% p.a. - Mercer Defensive Fund growth rate above inflation before charges is assumed to be 1.60% p.a. <ul style="list-style-type: none"> Average TER is assumed to be 0.32% and transaction costs are assumed to average 0.08% p.a. - Mercer Diversified Growth Fund growth rate above inflation before charges is assumed to be 2.93% p.a. <ul style="list-style-type: none"> Average TER is assumed to be 0.33% and transaction costs are assumed to average 0.17% 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 25 years of £141,660 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £141,660 today.

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£22,841	£22,752	£23,072	£22,854	£22,306	£22,265
5	£39,008	£38,383	£40,720	£39,132	£35,292	£35,031
10	£62,221	£60,435	£67,339	£62,650	£51,902	£51,226
15	£89,288	£85,655	£100,112	£90,261	£68,939	£67,689
20	£120,094	£113,666	£140,462	£122,676	£86,417	£84,425
25	£151,836	£141,660	£190,141	£160,731	£104,344	£101,439
Breakdown at Year 25						
Initial Pot Size	£19,100	£19,100	£19,100	£19,100	£19,100	£19,100
Total Employee Contributions	£24,480	£24,480	£24,480	£24,480	£24,480	£24,480
Total Employer Contributions	£53,040	£53,040	£53,040	£53,040	£53,040	£53,040
Gross Investment Returns	£55,216	£55,216	£93,521	£55,216	£7,724	£55,216
Impact of Costs and Charges	£0	-£10,176	£0	-£29,410	£0	-£2,905
Total Fund Value	£151,836	£141,660	£190,141	£160,731	£104,344	£101,439

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	£22,841	£22,752	£22,899	£22,807	£22,707	£22,619
5	£39,008	£38,383	£39,433	£38,779	£38,049	£37,442
10	£62,221	£60,435	£63,472	£61,580	£59,454	£57,765
15	£89,288	£85,655	£91,889	£88,000	£83,635	£80,284
20	£120,848	£114,497	£125,485	£118,613	£110,952	£105,235
25	£157,649	£147,482	£165,201	£154,084	£141,810	£132,881
Breakdown at Year 25						
Initial Pot Size	£19,100	£19,100	£19,100	£19,100	£19,100	£19,100
Total Employee Contributions	£24,480	£24,480	£24,480	£24,480	£24,480	£24,480
Total Employer Contributions	£53,040	£53,040	£53,040	£53,040	£53,040	£53,040
Gross Investment Returns	£61,029	£61,029	£68,581	£68,581	£45,190	£45,190
Impact of Costs and Charges	£0	-£10,167	£0	-£11,117	£0	-£8,929
Total Fund Value	£157,649	£147,482	£165,201	£154,084	£141,810	£132,881

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	£22,529	£22,439	£22,802	£22,689	£22,306	£22,265
5	£36,801	£36,201	£38,731	£37,935	£35,292	£35,031
10	£55,962	£54,348	£61,414	£59,164	£51,902	£51,226
15	£76,705	£73,605	£87,625	£83,089	£68,939	£67,689
20	£99,160	£94,042	£117,911	£110,054	£86,417	£84,425
25	£123,468	£115,729	£152,908	£140,445	£104,344	£101,439
Breakdown at Year 25						
Initial Pot Size	£19,100	£19,100	£19,100	£19,100	£19,100	£19,100
Total Employee Contributions	£24,480	£24,480	£24,480	£24,480	£24,480	£24,480
Total Employer Contributions	£53,040	£53,040	£53,040	£53,040	£53,040	£53,040
Gross Investment Returns	£26,848	£26,848	£56,288	£56,288	£7,724	£7,724
Impact of Costs and Charges	£0	-£7,739	£0	-£12,463	£0	-£2,905
Total Fund Value	£123,468	£115,729	£152,908	£140,445	£104,344	£101,439
<u>Assumptions</u> - 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 40 - Salary £32,640 - Starting pot size £19,100 - 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 2.96% p.a. (before charges). Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.10% p.a. - Growth rate above inflation before charges, TER and transaction cost assumptions for the Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund are 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 42 years of £6,211 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £6,211 today.

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£2,166	£2,157	£2,189	£2,168	£2,111	£2,107
5	£2,449	£2,402	£2,586	£2,465	£2,154	£2,135
10	£2,855	£2,747	£3,183	£2,894	£2,210	£2,170
15	£3,329	£3,141	£3,919	£3,398	£2,267	£2,206
20	£3,882	£3,592	£4,825	£3,989	£2,325	£2,243
25	£4,526	£4,108	£5,941	£4,684	£2,385	£2,280
30	£5,278	£4,698	£7,315	£5,499	£2,447	£2,318
35	£6,149	£5,366	£9,006	£6,455	£2,510	£2,356
40	£7,014	£5,991	£11,088	£7,579	£2,574	£2,395
42	£7,332	£6,211	£12,050	£8,081	£2,601	£2,411
Breakdown at Year 42						
Initial Pot Size	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100
Gross Investment Returns	£5,232	£5,232	£9,950	£9,950	£501	£501
Impact of Costs and Charges	£0	-£1,121	£0	-£3,969	£0	-£190
Total Fund Value	£7,332	£6,211	£12,050	£8,081	£2,601	£2,411

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	£2,166	£2,157	£2,171	£2,163	£2,152	£2,144
5	£2,449	£2,402	£2,483	£2,433	£2,372	£2,327
10	£2,855	£2,747	£2,935	£2,819	£2,680	£2,578
15	£3,329	£3,141	£3,470	£3,267	£3,027	£2,857
20	£3,882	£3,592	£4,102	£3,785	£3,420	£3,165
25	£4,526	£4,108	£4,849	£4,386	£3,863	£3,507
30	£5,278	£4,698	£5,733	£5,082	£4,364	£3,886
35	£6,154	£5,373	£6,777	£5,889	£4,930	£4,306
40	£7,176	£6,145	£8,012	£6,823	£5,570	£4,771
42	£7,631	£6,484	£8,567	£7,237	£5,848	£4,971
Breakdown at Year 42						
Initial Pot Size	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100
Gross Investment Returns	£5,531	£5,531	£6,467	£6,467	£3,748	£3,748
Impact of Costs and Charges	£0	-£1,147	£0	-£1,330	£0	-£877
Total Fund Value	£7,631	£6,484	£8,567	£7,237	£5,848	£4,971

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	£2,134	£2,125	£2,162	£2,151	£2,111	£2,107
5	£2,273	£2,229	£2,427	£2,367	£2,154	£2,135
10	£2,461	£2,365	£2,804	£2,668	£2,210	£2,170
15	£2,664	£2,510	£3,240	£3,006	£2,267	£2,206
20	£2,884	£2,663	£3,744	£3,388	£2,325	£2,243
25	£3,122	£2,826	£4,326	£3,819	£2,385	£2,280
30	£3,379	£2,999	£4,999	£4,304	£2,447	£2,318
35	£3,658	£3,183	£5,776	£4,851	£2,510	£2,356
40	£3,960	£3,378	£6,674	£5,467	£2,574	£2,395
42	£4,088	£3,459	£7,072	£5,735	£2,601	£2,411
Breakdown at Year 42						
Initial Pot Size	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100
Gross Investment Returns	£1,988	£1,988	£4,972	£4,972	£501	£501
Impact of Costs and Charges	£0	-£629	£0	-£1,337	£0	-£190
Total Fund Value	£4,088	£3,459	£7,072	£5,735	£2,601	£2,411
<u>Assumptions</u> - Future inflation assumed to be 2.5% p.a. - The assumptions used for the youngest deferred member are as follows: - Age 23 - Starting pot size £2,100 (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 3.02% p.a. (before charges). Average TER is assumed to be 0.29% and transaction costs are assumed to average 0.10% p.a. - Growth rate above inflation before charges, TER and transaction cost assumptions for the Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund are 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 28 years of £15,801 means that the fund value at the end of that period would be an amount that has equivalent purchasing power to that of £15,801 today.

Year End	Most Popular fund from the DC Section fund range		Fund with the highest charges from DC Section fund range		Fund with the lowest charges from DC Section fund range	
	Default Arrangement (Mercer Target Drawdown Path)		Mercer Active Global Equity		Mercer Active Money Market	
	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)	Before charges (£)	After charges (£)
1	£8,023	£7,992	£8,110	£8,034	£7,820	£7,806
5	£9,072	£8,897	£9,579	£9,134	£7,981	£7,909
10	£10,578	£10,175	£11,793	£10,723	£8,186	£8,040
15	£12,334	£11,637	£14,520	£12,589	£8,397	£8,173
20	£14,389	£13,307	£17,877	£14,780	£8,614	£8,308
25	£16,499	£14,942	£22,010	£17,352	£8,836	£8,446
28	£17,669	£15,801	£24,935	£19,105	£8,972	£8,530
Breakdown at Year 28						
Initial Pot Size	£7,780	£7,780	£7,780	£7,780	£7,780	£7,780
Gross Investment Returns	£9,889	£9,889	£17,155	£17,155	£1,192	£1,192
Impact of Costs and Charges	£0	-£1,868	£0	-£5,830	£0	-£442
Total Fund Value	£17,669	£15,801	£24,935	£19,105	£8,972	£8,530

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	£8,023	£7,992	£8,045	£8,013	£7,972	£7,941
5	£9,072	£8,897	£9,197	£9,015	£8,789	£8,620
10	£10,578	£10,175	£10,873	£10,445	£9,928	£9,551
15	£12,334	£11,637	£12,854	£12,103	£11,216	£10,583
20	£14,382	£13,308	£15,196	£14,024	£12,670	£11,726
25	£16,769	£15,220	£17,965	£16,249	£14,313	£12,993
28	£18,388	£16,496	£19,863	£17,750	£15,399	£13,818
Breakdown at Year 28						
Initial Pot Size	£7,780	£7,780	£7,780	£7,780	£7,780	£7,780
Gross Investment Returns	£10,608	£10,608	£12,083	£12,083	£7,619	£7,619
Impact of Costs and Charges	£0	-£1,892	£0	-£2,113	£0	-£1,581
Total Fund Value	£18,388	£16,496	£19,863	£17,750	£15,399	£13,818

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	£7,904	£7,873	£8,008	£7,968	£7,820	£7,806
5	£8,422	£8,256	£8,990	£8,768	£7,981	£7,909
10	£9,117	£8,761	£10,388	£9,882	£8,186	£8,040
15	£9,869	£9,298	£12,003	£11,138	£8,397	£8,173
20	£10,684	£9,867	£13,870	£12,553	£8,614	£8,308
25	£11,566	£10,471	£16,027	£14,148	£8,836	£8,446
28	£12,129	£10,850	£17,479	£15,201	£8,972	£8,530
Breakdown at Year 28						
Initial Pot Size	£7,780	£7,780	£7,780	£7,780	£7,780	£7,780
Gross Investment Returns	£4,349	£4,349	£9,699	£9,699	£1,192	£1,192
Impact of Costs and Charges	£0	-£1,279	£0	-£2,278	£0	-£442
Total Fund Value	£12,129	£10,850	£17,479	£15,201	£8,972	£8,530
<u>Assumptions</u> - Future inflation assumed to be 2.5% p.a. - The assumptions used for the average deferred member are as follows: - Age 37 - Starting pot size £7,780 - 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 2.97% p.a. (before charges). Average TER is assumed to be 0.30% and transaction costs are assumed to average 0.10% p.a. - Growth rate above inflation before charges, TER and transaction cost assumptions for the Mercer Active Money Market Fund, Mercer Growth Fund, Mercer High Growth Fund, Mercer Moderate Growth Fund, Mercer Defensive Fund and Mercer Diversified Growth Fund are 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 2023		
Age of member at start of period	1 year	3 year	Since inception*
25	-3.5%	9.2%	4.0%
45	-3.5%	9.2%	4.0%
55	-3.5%	9.2%	4.0%

* Inception was May 2019

Source: Scottish Widows.

(ii) Default investment strategy – Target Drawdown Retirement Path for those retiring after 2026

Default strategy post 2026	Annualised returns to 31 March 2023		
Age of member at start of period	1 year	3 year	Since inception*
25	-3.5%	9.2%	4.0%
45	-3.5%	9.2%	4.0%
55	-3.5%	9.2%	4.0%

* Inception was May 2019

Source: Scottish Widows.

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

Target Annuity Retirement Path	Annualised returns to 31 March 2023		
Age of member at start of period	1 year	3 year	Since inception*
25	-3.5%	9.2%	4.0%
45	-3.5%	9.2%	4.0%
55	-3.5%	8.7%	2.8%

* Inception was May 2019

Source: Scottish Widows.

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

Target Cash Retirement Path	Annualised returns to 31 March 2023		
Age of member at start of period	1 year	3 year	Since inception*
25	-3.5%	9.2%	4.0%
45	-3.5%	9.2%	4.0%
55	-3.5%	9.0%	3.4%

* Inception was May 2019

Source: Scottish Widows.

(v) Target retirement funds which were available to members over the year to 31 March 2023

Self-select fund	Annualised returns to 31 March 2023		
	1 year	3 year	Since inception*
Mercer Drawdown Retirement Fund	-2.1%	3.6%	1.8%
Mercer Target Drawdown 2024 Retirement Fund	-3.0%	6.6%	3.0%
Mercer Target Drawdown 2025 Retirement Fund	-3.4%	7.0%	3.2%
Mercer Target Drawdown 2026 Retirement Fund	-3.6%	7.5%	3.4%
Mercer Target Drawdown 2027 Retirement Fund	-3.6%	8.1%	3.6%
Mercer Target Drawdown 2028 Retirement Fund	-3.6%	8.7%	2.5%**
Mercer Target Drawdown 2029 Retirement Fund	-3.6%	-	1.3%***
Mercer Target Drawdown 2030 Retirement Fund	-3.6%	-	-1.9%****
Mercer Target Drawdown 2031 Retirement Fund	-	-	-1.7%*****
Mercer Target Cash 2029 Retirement Fund	-4.8%	-	0.3%***

* Inception was May 2019 unless noted otherwise

** Inception was January 2020

*** Inception was January 2021

**** Inception was January 2022

*****Inception was January 2023

Funds in bold are used in the default investment strategy.

Source: Scottish Widows.

(vi) Self-select funds which were available to members over the year to 31 March 2023

Self-select fund	Annualised returns to 31 March 2023		
	1 year	3 year	Since inception*
Mercer Defensive	-5.5%	0.6%	0.2%
Mercer Moderate Growth	-4.3%	6.4%	3.1%
Mercer Growth	-3.5%	9.2%	4.0%
Mercer High Growth	-3.3%	11.3%	5.1%
Mercer Diversified Growth	-2.2%	8.4%	3.3%
Mercer Active Global Equity	-1.2%	15.4%	9.4%
Mercer Active Money Market	2.1%	0.7%	0.7%
Mercer Active Sustainable Global Equity	-2.8%	-	1.2%**
Mercer Passive Sustainable Global Equity	-7.3%	-	-1.9%**

* 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

To be attached