

AXA UK Group Pension Scheme
Scheme Registration Number: 477312

**Trustee's Annual Report and Financial Statements
For the Year Ended 31 March 2020**



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Trustee, Principal Employer and Advisers

Trustee

AXA UK Pension Trustees Limited

Principal Employer

AXA UK plc (AXA UK)

Employers

Architas Ltd

AXA Assistance (UK) Limited

AXA Business Services (Private) Limited

AXA Global Healthcare (UK) Ltd (*previously known as Global Protect Ltd*)

AXA Group Operations UK Ltd (*previously known as AXA Global Services UK Limited*)

AXA Group Services Limited

AXA ICAS Limited

AXA Investment Managers UK Limited

AXA Liabilities Managers (UK Branch)

AXA Partners Services Limited

AXA PPP Healthcare Group Ltd

AXA Services Limited

AXA Strategic Ventures

AXA Travel Insurance Limited

Health-on-Line Company UK Limited

PPP Taking Care Ltd

The Permanent Health Company Limited

XL Caitlin Services SE (to 31 December 2019)

Actuary

Jonathan Howes, FIA (to 9 August 2019)

Neil Mobbs, FIA (from 9 August 2019 to 9 December 2019)

Tina Kripps, FIA (from 10 December 2019)

Willis Towers Watson

Independent Auditor

KPMG LLP

Administrators

Capita Employee Solutions

Aegon (*previously BlackRock Life Limited*)

Trustee, Principal Employer and Advisers

Investment Managers

Defined Benefit Sections

Alliance Bernstein
AXA Investment Managers UK Limited
Ardian Investment UK Limited
AXA Real Estate Investment Managers UK Limited
BlackRock
Grosvenor Capital Management LP
M & G Investment Management Limited
Schroder Investment Management Limited
Wellington Management International Limited
Wells Fargo Asset Management Limited

Defined Contribution Sections

Architas Multi Managers Limited
Artemis Fund Managers Limited
AXA Investment Managers UK Limited
BlackRock Life Limited
HSBC Global Asset Management UK Limited
Invesco Perpetual Life Limited
JP Morgan Life Limited
Kames Capital Investment Company (Ireland) plc
Legal & General Investment Managers
MFS Investment Management Company (Lux) s.à.r.l
Schroder Investment Management Limited

Investment Custodian

J P Morgan plc

Investment Advisers

Defined Benefit Sections

Redington Limited

Defined Contribution Sections

Hymans Robertson LLP

Defined Contribution Sections AVC Providers

Aegon (*previously BlackRock Life Limited*)

Trustee, Principal Employer and Advisers

Defined Benefit Sections AVC Providers

Equitable Life Assurance Society (to 31 December 2019)

Utmost Life and Pensions Limited (from 1 January 2020)

Aviva (*previously Friends Life Services Limited*)

ReAssure Life

Banks

Chase Manhattan Bank BA

National Westminster Bank plc

Legal Advisers

Travers Smith LLP

Linklaters LLP (additional adviser for Longevity Swap Transaction)

Sackers (additional adviser for investment manager mandates for securitised investments and LDI)

Annuity Broker (Independent Financial Adviser)

Hargreaves Lansdown Pensions Direct Limited

Contact for Further Information

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Trustee's Report

The Trustee of the AXA UK Group Pension Scheme ("the Scheme") is pleased to present its report together with the Financial Statements for the year ended 31 March 2020. The Scheme is a hybrid scheme, comprising Defined Benefit ("DB") sections and Defined Contribution ("DC") sections.

The purpose of this report is to describe how the Scheme and its investments have been managed during the year.

The financial position of the Scheme is fully investigated by the Scheme Actuary on behalf of the Trustee at least once every three years. The latest formal actuarial valuation as at 31 March 2018 was completed in December 2018 with revised Schedules of Contributions certified 21 March 2019 & 13 July 2020.

Scheme Management

Trustee

The Scheme has one corporate Trustee AXA UK Pension Trustees Limited (AXAPTL).

The Directors during the year, and since the year end were:

Mr A Bradshaw – Ross Trustees Services Limited, Company-appointed
Ms D Chua – Company-appointed
Ms A Colombatti – Member-nominated (appointed 15 April 2019)
Mr D Felder – The Law Debenture Pension Trust Corporation plc – Independent Trustee (to 30 June 2020)
Ms S Pitt – The Law Debenture Pension Trust Corporation plc – Independent Trustee (from 1 July 2020)
Mr K Smith – Member-nominated
Mr M Taylor – Member-nominated (appointed 15 April 2019)
Mr S Yandle – Company-appointed

In addition to the Trustee Board meetings which are usually held quarterly, a number of Trustee Committee meetings are held to deal with particular areas of the Scheme's administration in greater detail. Committee members are chosen by the directors of AXAPTL. During the year to 31 March 2020, there were five Trustee Board meetings.

With effect from 1 January 2019 a revised meeting structure and committee structure was put in place with increased delegation of powers to the Committees. Trustee meetings from 1 January 2019 are on a quarterly basis.

Trustee's Report

DB Investment Committee

Trustee Directors:

Mr S Yandle – Chair

The Law Debenture Pension Trust Corporation plc: Mr D Felder
(to 30 June 2020) Ms S Pitt from 1 July 2020

Ross Trustees Services Limited: Mr A Bradshaw

Ms D Chua

The Investment Committee meets quarterly to deal with investment matters (relating to the Defined Benefit sections of the Scheme).

Governance and Audit Committee (GAC)

Trustee Directors:

The Law Debenture Pension Trust Corporation plc: Mr D Felder –
Chair (to 30 June 2020) Ms S Pitt from 1 July 2020

Ross Trustees Services Limited: Mr A Bradshaw

Mr K Smith

The GAC currently meets at least four times a year to ensure that the Scheme complies with all legal and regulatory requirements including the production of the Scheme's Annual Report and Financial Statements, monitoring of the Scheme's risk exposures and reviewing of the strategic and annual plans. In January 2020 it had its remit expanded to cover the administration aspects for the DB Sections of the Scheme.

Strategy Committee

Trustee Directors:

Mr S Yandle - Chair and one other Trustee Director

The Law Debenture Pension Trust Corporation plc: Mr D Felder
(to 30 June 2020) Ms S Pitt from 1 July 2020

The Strategy Committee deals with specific matters that may arise relating to the Scheme. It makes recommendations to the Trustee on matters that are specifically referred to it by the Trustee Board or matters of such urgency that they cannot be reviewed by the Trustee Board (or a Committee of the Trustee Board which has the appropriate authority) within the requisite time scale or the requisite detail. It normally has no decision-making powers and meets on an ad hoc basis.

Defined Contribution Committee (DCC)

Trustee Directors:

Ms A Colombatti – Chair

Mr S Yandle

Mr K Smith

Mr M Taylor

The Defined Contribution Committee currently meets at least four times a year to review and approve member communications, to review the Scheme's Third Party Defined Contribution (DC) Sections Administrators and deal with matters in relation to DC investments. In addition to the above members the committee has AXA UK representatives, (in relation to member communications from outside the pensions team). These are Jess Hardy and Edward Mardle.

Benefits Committee (BCC)

Trustee Directors:

Mr A Bradshaw - Chair

The Law Debenture Pension Trust Corporation plc: Mr D Felder
(to 30 June 2020) Ms S Pitt from 1 July 2020

The Benefits Committee meets on an ad-hoc basis to deal with complex complaints or complex discretionary benefits claims such as ill health cases and death benefit claims.

Trustee's Report

Valuation Working Party

Trustee Directors:

Mr A Bradshaw – Chair – Ross Trustee Services Limited

The Law Debenture Pension Trust Corporation plc: Mr D Felder
(to 30 June 2020) Ms S Pitt from 1 July 2020

Mr S Yandle

The Valuation Working Party meets regularly during the triennial valuation process. It negotiates with the Company in relation to the Valuation and makes recommendations to the Trustee Board.

Joint Longevity Working Group

Trustee Directors:

Mr S Yandle – Chair

The Law Debenture Pension Trust Corporation plc - Ms S Pitt

The Joint Longevity Working Group is an ad-hoc committee. It is a joint Company and Trustee Committee. The committee is a working group to negotiate and transact any longevity swap transactions.

The Trustee and the Principal Employer encourage and support trustee training; in addition to the provision of external training courses for both new and existing Trustee Directors (including The Pension Regulator's online training), education items are regularly included on Trustee and Committee meeting agendas and at least two trustee training days are held each year. Two trustee training days were held during the year to 31 March 2020.

The power of appointment and removal of Trustee Directors, including Ross Trustee Services, is vested in the Company. In addition, Law Debenture must be replaced by another Independent Trustee (to be chosen by AXAPL) if it and the Principal Employer were to come under the same control or if it is no longer entitled to act as a Trustee of the Scheme. AXAPL and the Principal Employer have the power to remove Law Debenture in which case AXAPL must appoint a replacement Independent Trustee.

Further information about the Scheme is given in the explanatory booklets that are issued to all members. Details are also available on the website (www.axa-employeefbenefits.co.uk).

Financial Development

The Financial Statements on pages 55 to 79 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

The value of the fund at 31 March 2019 and 31 March 2020 was £6.3 billion. There was a slight decrease that comprised of net withdrawals from dealings with members of £170.2 million (2019: £124.0 million) together with net increases on investments of £166.4 million (2019: £327.1 million).

Parent Company Guarantee

To ensure the security of members' benefits for the future, AXA UK had provided a funding guarantee of £1.4 billion which means that, should any of the AXA companies with employees in the Scheme be unable to pay their contributions, or those of other AXA companies in the UK, then AXA UK would pay the required contributions up to this amount. Should AXA UK not meet its obligations under the guarantee, AXA Group in Paris (AXA SA) would pay the required contributions up to the same maximum of £1.4 billion.

The level of funding guarantee from the Principal Employer would reduce over time reflecting the expected improvement in the Scheme's funding position; however, the Principal Employer had agreed that until 2025 the guarantee would never be less than £650 million and from 2026, it would be re-assessed, based on future valuations. It was expected that, by 2025, the Scheme should be in a much stronger funding position so that further funding guarantees would no longer likely to be required.

Under the terms of the AXA SA guarantee, the Initial Guarantee Amount could be reduced to £300 million, but no lower, to the extent that AXA UK makes an acquisition of assets funded by the proceeds of a cash injection by way of a subscription for ordinary share capital. No reduction in this amount took place in the year ended 31 March 2020. Each Guarantee (and the minima to which the Guarantees may be reduced) was increased by £50 million by a supplemental agreement dated 8 May 2013.

Trustee's Report

Changes as a result of the 2018 Valuation agreement

The 2018 Valuation negotiations resulted in an amendment to the Guarantees, the term was extended to 30 March 2028 with AXA having the ability to extend the Guarantee by up to 3 years at each of the 2021, 2024 and 2027 valuations, but only where a triennial valuation shows funding is behind plan. The Guarantees can also be terminated early in the event that the Valuation shows that the Scheme has no deficit (as measured on the "2018 Basis"), or the Trustee fails to follow investment parameters (and does not remedy this within 6 months). The Guarantee covers mutually agreed contributions and s75 debts, the cap starts at £1.2bn and may reduce over time (under a downwards only mechanism), in line with expected reduction in deficit level (so that cap may potentially reduce, but not below £495m whilst the guarantee is in force).

Scottish Limited Partnership

On 30 March 2015, the Trustee acquired an interest in a Scottish Limited Partnership ("SLP"), the other interests being held by AXA SA, (the ultimate parent company), and AXA UK plc ("AXA UK"). The purpose of this transaction is to reduce AXA UK's funding deficit in respect of the Scheme and at the same time provide the Trustee with a regular income over a 20 year time frame. The participants in the SLP are AXA Scotland, as general partner, with the Scheme and AXA UK being limited partners.

The Scheme's acquisition of its interest in the SLP was funded by a monetary contribution of £310 million made by AXA UK plc to the Scheme. The SLP has been capitalised by AXA UK by the assignment of a 20-year loan of £350 million from AXA UK to AXA SA to the SLP as its sole asset. The Scheme receives a series of contractually determined cash flows over the period of the loan agreement payable on 31 March annually. Effectively, the SLP is the lender to AXA SA and the Scheme is the sole recipient of any economic interest.

There are no funding triggers in the structure and the intention is for the Trustee's interest in the SLP to cease following the maturity of the loan in 2035.

The Scheme's interest in the SLP is accounted for as an asset of the Scheme at the year end and is valued at least annually by Willis Towers Watson, the firm appointed by the Trustee for this purpose, and is disclosed in note 20 to the Financial Statements.

Longevity Swap Transaction

At the beginning of July 2015, the Trustee entered into insurance and re-insurance arrangements to provide long term protection to the Scheme against the cost that pension members live longer than currently projected. These arrangements cover the benefits of broadly 11,000 existing pensioners in the DB sections of the Scheme. They represent the Scheme's exposure to improvements in longevity covering some £2.8 billion of the Scheme's total liabilities. The impact of the transaction was taken into account in both the 31 March 2015 and 31 March 2018 triennial valuations.

All pensioners were informed in writing of these arrangements and it was confirmed that their benefits would not be changed as a result and that they would continue to receive their pensions from the Scheme each month as normal.

In December 2019 the Trustee entered into a further insurance and re-insurance arrangement to provide long term protection to the Scheme against the cost that pension members live longer than currently projected. This arrangement covered the benefits of an additional 2,100 pensioners who retired between 1 January 2015 and 31 March 2019. They represent the Scheme's exposure to improvements in longevity covering broadly £550 million of the Scheme's total liabilities.

All pensioners were informed in writing of these arrangements and it was confirmed that their benefits would not be changed as a result and that they would continue to receive their pensions from the Scheme each month as normal.

Closure of DB Sections

On 31 August 2013, AXA UK closed the DB sections of the Scheme to future accrual.

Pensions in Payment

The Principal Employer, in conjunction with the Trustee, reviewed pensions in payment for Scheme pensioners with effect from 1 January 2019. This is with the exception of pensioners in the Winterthur Section who have their pension increase reviewed from 1 October annually. Factors taken into account were the rate of inflation, past practices, the cost of reviews in the recent past and the funding position of the Scheme.

Trustee's Report

The majority of pensioners have annual increases based on the rise in the Retail Prices Index (RPI) over the year to the previous September up to a maximum of 5% per annum on pensions above any Guaranteed Minimum Pension (GMP) for service before 1 April 2007. For service after 1 April 2007 the maximum is 2.5% per annum. The change in the RPI to September 2019 was 2.4% (September 2018: 3.3%). Pensioners in the Winterthur Section have annual increases based on the RPI over the year to the previous June on pensions above any Guaranteed Minimum Pension (GMP) for the service before January 2010. For service after 1 January 2010 the maximum is 2.5% per annum. The change in RPI to June 2019 was 2.9% (June 2018: 3.4%).

No discretionary increases were awarded during the year.

Defined Contribution Arrangements

The 2008 Section is within the Defined Contribution sections of the Scheme.

This Section was closed to new members (with the exception of those employed by AXA IM, AXA CS, AXA LM, AXA Ireland and Health services) with effect from 31 August 2017. The 2017 Section was opened for new employees from 1 September 2017. AXA Ireland closed the 2008 Section for their new employees from 31 December 2017 and introduced the 2017 Section from 1 January 2018.

The 2017 Section has a matching contribution structure plus 3%. The minimum employee contribution is 3% and the maximum employer contribution is 12%. All new members are defaulted to the minimum contribution level.

The 2008 Section has a different contribution structure depending on the employer. The majority of employers have the same age-related contribution structure with a scale of minimum contributions and a scale of additional employee contributions which are matched by additional employer contributions; the level of employer matching is doubled for members with more than five years' service in the Scheme. To comply with automatic enrolment legislation, from 1 April 2018, the option to pay the minimum contribution level was removed for members under the age of 25. The contribution structure was reviewed in 2019 in order to comply with the automatic enrolment contribution levels required and changes made to the members in the lower age brackets.

AXA Investment Managers UK Ltd has a 10% employer contribution rate with zero employee contribution. AXA Liability Managers (UK Branch) has an age-related employer contribution rate with a zero-employee contribution. AXA LM closed the 2008 Section for new employees with effect from 1 April 2019 and all new members join the 2017 Section of the Scheme. AXA Liability Managers (UK Branch) reviewed their contribution structure during 2018 in order to comply with automatic enrolment requirements effective from 1 April 2019.

From 1 July 2014, Health on Line Company UK Ltd and AXA ICAS (Health Services) joined the Scheme. The employees' contribution rate is 2.5% with the employer rate fixed at 3.5% from 1 April 2018. This increased to 4.5% for both employee and employer from 1 April 2019.

From 1 November 2016 AXA PPP Taking Care joined the Scheme. Employees pay a minimum contribution of 2% and the employer rate is 4%. The employee can pay more and get a higher contribution; the maximum employer contribution is 9%. From 1 April 2018 all new employees were moved to the same structure as Health on Line UK Ltd and AXA ICAS (Health Services) with employee contributions at 2.5% and employer at 3.5%. This increased to 4.5% for both employee and employer from 1 April 2019.

Trustee's Report

DC Sections Investment Changes

Over the Scheme's financial year ended 31 March 2020, there were no changes made to the DC investment options. However, the Trustee undertook a review of the default strategy during late 2019 with the intention of implementing a new default in 2020.

Potential changes to the DC arrangements

The Principal Employer is currently consulting with employees to close the current DC arrangements to future accrual and provide future pension arrangements through a Mastertrust with Lifesight. If this is agreed, then the Trustee will make a bulk transfer of members accrued assets to the Mastertrust arrangement.

PaySmart, Bonus Sacrifice and Pension Top Up

Salary sacrifice of member contributions became automatic via an arrangement called PaySmart from 1 October 2008 for Scheme employers offering this facility. Members can opt out of PaySmart if they wish.

In addition, a facility for members to elect to sacrifice part or their entire annual bonus and convert it into a Defined Contribution investment was launched in January 2009.

In July 2012, Pension Top Up was introduced which is a facility for members to have additional contributions made to their pension through salary sacrifice for Scheme employers offering this facility.

Scheme Website

The Scheme's website (www.axa-employeefbenefits.co.uk) provides members with information in relation to the Scheme. Active and deferred members with defined contribution benefits are able to view details of their own personal accounts (which are updated daily) through MyPath at www.lwp.aegon.co.uk/targetplan. Confidentiality for members is protected by the use of individual registration and password details.

Actuarial Position of the Scheme

An actuarial valuation of the Scheme was carried out with an effective date of 31 March 2018.

The latest formal actuarial valuation showed that as at 31 March 2018, the assets of the Scheme (which included the value of the asset backed structure supporting the Scheme) could be expected to cover around 90% of the liabilities. This represented a shortfall of assets of around £631 million.

This is a slight increase in the shortfall compared to the last valuation as at 31 March 2015. However, the main reason for the increase is that the Trustee and AXA UK have agreed to a stronger funding target as at 31 March 2018 than was adopted for the 2015 valuation.

In particular, when assessing how much money is needed to pay for members' benefits into the future, the Trustee and AXA UK have made more cautious assumptions about the level of expected future investment returns on the Scheme's assets than they did at the last valuation. This means that more money is expected to be needed now to pay for members' benefits in the future (leading to the increase in the shortfall). Once the shortfall on this basis is eliminated, the security of members' benefits should therefore be improved.

More information regarding the Trustee's long-term strategy for funding the Scheme, and the security of member benefits, is set out below (in the section headed "funding strategy").

The Trustee and AXA have agreed a recovery plan to eliminate the shortfall in the Scheme assets. Under this recovery plan, AXA will not pay additional contributions to the Scheme in 2019, 2020 or 2021. From 2022 onwards, AXA will pay an additional £81m into the Scheme each year, which will be adjusted up or down depending on how the funding position progresses. Contributions of around £20m per year in respect of the asset-backed structure supporting the Scheme will continue throughout.

In addition to the deficit payments, AXA has agreed to extend the funding guarantees from AXA UK plc and AXA SA to the Scheme. These guarantees provide additional security to support the recovery plan if the Scheme's sponsoring employers are not able to make the contributions due, subject to certain limits.

Trustee's Report

Funding strategy

A key focus of the Trustee and its advisers in respect of the 31 March 2018 valuation was securing a material improvement in the long term security of members' benefits.

Whilst significant progress had been made in improving the funding position of the Scheme and de-risking the Scheme's investment strategy over recent years, the "employer covenant" (i.e. the financial support provided by the relevant AXA companies to the Scheme) had some limiting features. For example:

1. The main UK trading business, AXA Insurance UK plc, is not a sponsoring employer of the Scheme;
2. The Scheme's sponsoring employers have very limited trade in their own right. Scheme deficit contribution affordability is therefore effectively reliant on AXA UK plc receiving dividends from its trading subsidiaries; and
3. Whilst the Scheme currently benefits from guarantees from AXA UK plc and AXA SA, these were due to fall away by June 2025 at the latest.

In addition, in common with most pension schemes, the Scheme's funding objective was based on a "Technical Provisions" basis. The Technical Provisions funding basis is fully compliant with current regulatory guidance and contains elements of prudence. However, achieving full funding on the Technical Provisions basis would not result in there being no risk to members' benefits. The Principal Employer agreeing to a stronger / more prudent funding basis would therefore improve the security of members' benefits in the future.

In the context of the above, supported by the Scheme's professional advisers and following extensive negotiations, the Trustee have agreed a revised support package in respect of the 31 March 2018 valuation.

In essence, this package "trades" some short-term cash contributions into the Scheme for higher deficit contributions in the medium term, extended Scheme guarantees and AXA agreeing to the adoption of a stronger, more prudent Scheme funding basis. Key features of this package include:

1. AXA will not pay additional deficit contributions into the Scheme in 2019, 2020 and 2021. Please note that contributions of around £20 million per year in respect of the asset backed structure supporting the Scheme will continue to be paid;
2. Adoption of a more prudent "self-sufficiency" style funding basis, which once achieved, will improve the security of members' benefits compared to the current Technical Provisions funding objective;
3. A three-year extension to the guarantees provided to the Scheme by AXA UK plc and AXA SA;
4. Scheduled deficit contributions of up to £81 million per year between 2022 and 2027, and up to £20 million in 2028, with these amounts covered by the AXA UK plc and AXA SA guarantees. These amounts would be in addition to the contributions paid under the asset backed funding arrangement;
5. Changes to the Scheme guarantees such that they provide a material level of cover for under performance in the Scheme investment strategy, including payment of additional contributions if the Scheme's funding is behind track;
6. Agreement to structured de-risking of the Scheme's investment strategy over time, reducing risk; and
7. The Trustee retaining the right to negotiate additional deficit contributions and consider the impact of corporate activity (e.g. a sale of part of the business) on the employer covenant without the guarantees and support summarised above falling away.

Trustee's Report

Actuarial Position of the Scheme (continued)

A new Schedule of Contributions was agreed following completion of the 31 March 2018 actuarial valuation and were certified by the Actuary on 21 March 2019. A further new Schedule of Contributions was agreed and certified by the Actuary on 13 July 2020.

Further information on the actuarial valuation is available in the Report on Actuarial Liabilities on pages 24 to 25.

On 9 August Jonathan Howes resigned as Scheme Actuary and was replaced by Neil Mobbs also of Willis Towers Watson, he confirmed in his statement of resignation there were no circumstances that might significantly affect the interest of Scheme members or beneficiaries. Neil Mobbs resigned on 9 December 2019 and was replaced by Tina Kripps also of Willis Towers Watson. He confirmed in his statement of resignation there were no circumstances that might significantly affect the interest of Scheme members or beneficiaries.

Going Concern

The Trustee has taken external advice in relation to the employer covenant. It is not aware of any intention to wind up the Scheme either through a buy-out event or through scheme merger consolidation. It has no concerns about the ability of the employer to continue to support the Scheme. It has also considered the limited impact of covid-19. It considers that it is appropriate to prepare the financial statements on a going concern basis.

Brexit Impact

The implications to the Scheme of the United Kingdom's departure from the European Union have been considered, specifically the effects this could have on estimations and judgements made in the preparation of the financial statements. Whilst this assessment is ongoing with management carefully monitoring the latest events, as described above the Trustee has in place robust and effective capital and risk management processes, and the risks arising from Brexit are being managed alongside a range of risks inherent to its business. The Directors anticipate limited operational impacts arising from Brexit.

Membership

The membership movements of the Scheme for the year are given below:

Defined Benefit Sections

	Deferred members	Pensioners	Total
At 31 March 2019	16,221	12,080	28,301
Adjustments*	26	(48)	(22)
Retirements	(562)	562	-
Retirements from DC*	-	2	2
III-health (DC Sections)	-	2	2
Deaths	(18)	(332)	(350)
Transfers out	(126)	-	(126)
Spouses and dependants	-	106	106
Pensions commuted for cash	(18)	-	(18)
Pensions stopped**	-	(41)	(41)
At 31 March 2020	15,523	12,331	27,854

* These membership figures do not include movements notified to the Administrator after the completion of the annual renewal, these are instead included as adjustments in the following period.

** Pensions stopped relate to the ending of Child's pensions on reaching 23 years old or ceasing to be in education.

Trustee's Report

Membership (continued)

Defined Contribution Sections

	Active members	Deferred members	Total
At 31 March 2019	10,410	15,465	25,875
Adjustments	-	-	-
New entrants	1,902	1,864	3,766
Ported (multiple accounts merged)	-	(40)	(40)
From deferred to active	44	(44)	-
Retirements	(14)	(99)	(113)
Leavers with deferred benefits	(1,864)	-	(1,864)
Leavers with refunds	(43)	(29)	(72)
Transfers out	(34)	(487)	(521)
Deaths	(9)	(12)	(21)
Cancelled/declined	(4)	(5)	(9)
At 31 March 2020	10,388	16,613	27,001

	Deferred Members	Pensioners	Total
At 31 March 2019	38	-	38
Adjustments	(1)	-	(1)
Retirements*	(2)	-	(2)
Deaths	(2)	-	(2)
At 31 March 2020	33	-	33

* retired from DC section with a DB benefit therefore included in DB membership movements

Members with DC investments, including Additional Voluntary Contributions (AVCs), have the option of having an annuity purchased in their name outside the Scheme by their funds on reaching retirement using the services of Hargreaves Lansdown or transferring to an income drawdown policy with an external provider. Members also have the Uncrystallised Funds Pension Lump Sum option (UFPLS).

Guaranteed Minimum Pension

On 26 October 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and woman in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit schemes. The Trustee of the Scheme is considering the impact on the Scheme but is not currently in a position to obtain a reliable estimate of the backdated benefits and related interest and will recognise in the Scheme accounts when it is in a position to do so.

Trustee's Report

Trustee's Summary of Contributions payable under the Schedule of Contributions in respect of the Scheme year ended 31 March 2020

During the year ended 31 March 2020, the contributions payable to the Scheme by the Employers were as follows:

	2020 Defined Benefit Sections £000	2020 Defined Contribution Sections £000	2020 Total £000
Contributions payable under the Schedules of Contributions:			
Contributions from employer:			
Normal	-	59,092	59,092
Other – administration expenses	5,559	-	5,559
Group life	<u>3,901</u>	-	3,901
	<u>9,460</u>	<u>59,092</u>	<u>68,552</u>
Contributions from members:			
Normal	-	193	193
Contributions payable under the Schedules of Contributions (as reported on by the Scheme Auditor)			
	9,460	59,285	68,745
Other contributions:			
Additional voluntary contributions	1	1,928	1,929
Total contributions reported in the fund account	<u>9,461</u>	<u>61,213</u>	<u>70,674</u>

Investment Matters

This section has been prepared by the Trustee, assisted by its investment consultant, using information that has been supplied primarily by its global custodian, performance measurer and investment managers.

Investment policy

The assets of the Scheme are invested in accordance with the Statement of Investment Principles ("SIP") adopted by the Trustee.

Investment review

The Trustee's investment strategy considers the Scheme's investments in the following groupings:

- **Return-seeking assets:** Where the objective is to achieve growth within the constraints of the risk profile set by the Trustees.
- **Liability-driven assets:** Predominantly bonds, LDI funds and swaps, where the objective is to secure fixed or inflation-adjusted cash flows in future, and where the investments are generally expected to be held to maturity.

Trustee's Report

Management and custody of investments

The investments are managed within the restrictions set out in the investment management agreements and prospectus which are designed to ensure that the objectives and policies set out in the SIP are followed.

The mandates put in place by the Trustee specify how rights attaching to the Scheme's segregated investments are acted upon. The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme but reviews the managers' policies and statements of compliance in respect of these matters.

The Trustee has appointed JP Morgan to keep custody of the Scheme's investments, other than pooled investment vehicles and derivatives, where the manager makes its own arrangements for custody of underlying investments.

Environmental, Social and governance issues (ESG)

Environmental, social and governance considerations

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The DB Investment Committee (IC) may consider non-financial factors (such as ethical or moral beliefs) in their investment decision-making, but only to the extent that these do not have a negative financial impact.

The Trustee believes that ESG factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

Stewardship

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee's investment advisors assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments.

When appointing a new investment manager, the Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

Investment Performance

The Trustee assesses the performance of the Scheme's investments in the following groupings consistent with the overall strategy:

- Return-seeking assets are assessed by reference to benchmarks and performance targets set and agreed with each manager.
- Liability-driven assets are compared with benchmarks but the Trustee's main concern is security of cash flows and therefore growth in these assets (which is normally linked to growth in Scheme liabilities, or vice versa) is less relevant.

Trustee's Report

Performance of the Scheme's investments over short and longer periods is summarised as follows (as at 31 March 2020):

Defined Benefit Sections

	Current Holdings (£m)	12 Month Return (%)	3 Year Return (%) pa)	5 Year Return (%) pa)
LDI and Overlay Strategies				
BlackRock LDI Assets	2,689	6.4%	N/a	N/a
Rebalancing Account	76	-	-	-
Liquid Market Strategies				
Grosvenor Multi-Strategy	0	-57.4%	-35.8%	-21.7%
Synthetic Equity	287	-14.6%	N/a	N/a
Liquid and Semi-Liquid Strategies				
AXA IM UK Corporate Bonds	196	0.9%	2.3%	N/a
AXA IM European Loan Fund	206	-0.7%	-3.6%	N/a
AXA IM Global Securitised	142	-6.6%	N/a	N/a
AXA IM CRE Debt*	56	N/A	N/A	N/A
AXA IM Infrastructure Debt*	42	N/A	N/A	N/A
Wellington Global Securitised	151	-5.8%	N/a	N/a
M&G Alpha Opportunities	98	-3.9%	0.1%	1.4%
Schroders US Credit	253	10.1%	5.6%	N/a
AB Transitional loans*	61	N/A	N/A	N/A
Illiquid Credit Strategies				
AXA IM Alternative Credit Fund	1,007	-6.5%	0.7%	1.9%
M&G Social Housing	39	1.4%	3.1%	4.8%
AXA IM Long Lease	237	4.4%	7.1%	6.8%
Illiquid Market Strategies				
Ardian Mezzanine Debt	2	-10.0%	N/a	N/a
Ardian Private Equity	7	1.7%	N/a	N/a
AXA IM Property	85	-4.6%	N/a	N/a
Total	5,634	4.0%		

*AB Transitional Loans, AXA IM CRE Debt and AXA IM Infrastructure Debt funds are in the process of ramping up and therefore performance information is not available.

Please note: AVC and insurance policies are not included.

Trustee's Report

Defined Contribution Sections

Description	1 Month	3 Months	Year to Date	1 Year (p.a)	3 Years (p.a)	5 Years (p.a)
Aegon Architas MA Passive Moderate Class AX	-6.01	-8.39	-8.39	-2.15	1.49	3.84
Composite benchmark	-9.45	-11.80	-11.80	-4.40	1.33	4.35
Relative Return	3.44	3.41	3.41	2.24	0.16	-0.52
Aegon AXA Framlington UK Select Opps Class AX	-18.51	-27.81	-27.81	-19.44	-5.02	-1.49
FTSE All-Share TR Index	-15.07	-25.13	-25.13	-18.45	-4.24	0.57
Relative Return	-3.45	-2.68	-2.68	-0.98	-0.78	-2.08
Aegon BlackRock 30/70 Ccy Hgd Gbl Eq Idx Class Y	-13.58	-21.56	-21.56	-13.03	-0.69	2.44
Composite benchmark	-13.74	-21.67	-21.67	-12.79	-0.37	2.78
Relative Return	0.16	0.10	0.10	-0.24	-0.31	-0.34
Aegon BlackRock 50/50 Global Equity Index Class Y	-12.12	-20.83	-20.83	-13.18	-1.85	3.09
Aquila Life (50:50) Global Equity Benchmark	-12.70	-20.60	-20.60	-12.76	-1.52	3.43
Relative Return	0.59	-0.24	-0.24	-0.42	-0.33	-0.34
Aegon BlackRock Cash Class E	0.03	0.11	0.11	0.48	0.32	0.27
ICE BofAML 7 Day Sterling LIBID	0.02	0.11	0.11	0.54	0.42	0.38
Relative Return	0.01	0.00	0.00	-0.06	-0.10	-0.09
Aegon BlackRock Cautious Div Growth Class T	-2.84	-4.28	-4.28	-1.67	0.69	0.35
Bank of England Base Rate Index - GBP	0.03	0.15	0.15	0.72	0.58	0.51
Relative Return	-2.87	-4.43	-4.43	-2.39	0.11	-0.17
Aegon BlackRock Diversified Growth Class T	-5.63	-8.51	-8.51	-3.74	1.13	0.49
Bank of England Base Rate Index - GBP	0.03	0.15	0.15	0.72	0.58	0.51
Relative Return	-5.66	-8.66	-8.66	-4.46	0.55	-0.02
Aegon BlackRock Diversified Growth Plus Class T	-6.87	-11.12	-11.12	-5.03	0.55	1.51
Bank of England Base Rate Index - GBP	0.03	0.15	0.15	0.72	0.58	0.51
Relative Return	-6.90	-11.27	-11.27	-5.76	-0.02	0.99
Aegon BlackRock Globalisation Class T	-7.30	-14.81	-14.81	-7.19	-0.44	4.89
MSCI All Country World Net TR Index - in GBP	-10.89	-15.99	-15.99	-6.74	1.79	6.62
Relative Return	3.60	1.18	1.18	-0.45	-2.23	-1.73
Aegon BlackRock LifePath Flexi Class Y	-6.33	-7.29	-7.29	-1.68	1.71	-
Composite for LifePath ACS	-6.67	-7.74	-7.74	-2.04	1.81	-
Relative Return	0.34	0.45	0.45	0.36	-0.10	0.00
Aegon BlackRock Long Gilt Class T	2.20	11.11	11.11	17.14	7.56	7.61
FTSE Actuaries UK Conventional Gilts over 15 Years Index	2.52	11.21	11.21	17.58	7.98	8.01
Relative Return	-0.32	-0.10	-0.10	-0.44	-0.40	-0.41
Aegon BlackRock Over 15 Years Gilt Index Class Y	2.93	12.45	12.45	18.18	7.94	7.89
FTSE Actuaries UK Conventional Gilts over 15 Years Index	2.52	11.21	11.21	17.58	7.98	8.01
Relative Return	0.41	1.25	1.25	0.60	-0.02	-0.12
Aegon BlackRock Pacific Rim Equity Index Class Y	-16.09	-21.68	-21.68	-17.51	-4.81	2.23
FTSE All World Dev Asia Pac ex Japan 11am UK time Netof Tax	-15.04	-21.55	-21.55	-17.09	-4.39	2.62
Relative Return	-1.05	-0.13	-0.13	-0.42	-0.42	-0.38
Aegon BlackRock Pre-Retirement Class T	-1.75	3.18	3.18	8.08	4.35	4.88
DC Pre-Retirement Fund Benchmark	-1.42	3.60	3.60	8.27	4.66	5.09
Relative Return	-0.33	-0.42	-0.42	-0.19	-0.31	-0.21
Aegon BlackRock UK Focus Class T	-13.24	-20.53	-20.53	-9.40	-1.20	2.71
FTSE All-Share TR Index	-15.07	-25.13	-25.13	-18.45	-4.24	0.57
Relative Return	1.83	4.60	4.60	9.06	3.04	2.13
Aegon Standard Life GARS Class H11	-2.72	-2.06	-2.06	0.90	0.25	-0.81
MAPS Sterling 6 Month Libor	0.05	0.18	0.18	0.84	0.78	0.72
Relative Return	-2.77	-2.24	-2.24	0.06	-0.51	-1.53
Architas Diversified Real Assets Class AX	-9.63	-11.30	-11.30	-5.74	-1.53	0.89
GBP - 3M LIBOR Plus 400 BPS	0.39	1.15	1.15	4.83	4.68	4.61
Relative Return	-10.02	-12.46	-12.46	-10.57	-6.21	-3.72
AXA Absolute Return Bond Class AX	-3.38	-2.88	-2.88	-1.37	-0.32	0.18
3 Month Sterling LIBOR (Daily Average)	0.05	0.17	0.17	0.77	0.63	0.58
Relative Return	-3.43	-3.05	-3.05	-2.15	-0.95	-0.40
AXA Cash Active Class AX	0.04	0.14	0.14	0.63	0.47	0.42
ICE BofAML 7 Day Sterling LIBID	0.02	0.11	0.11	0.54	0.42	0.38
Relative Return	0.02	0.03	0.03	0.09	0.05	0.06
AXA Diversified Growth Active Fund Class X2	-5.16	-6.48	-6.48	-2.99	-0.88	0.24
Composite benchmark	0.21	0.13	0.13	1.08	1.33	1.10

Trustee's Report

Description	1 Month	3 Months	Year to Date	1 Year (p.a)	3 Years (p.a)	5 Years (p.a)
Relative Return	-5.37	-6.61	-6.61	-4.08	-2.20	-0.91
AXA Emerging Markets Class AX	-12.51	-17.72	-17.72	-6.50	3.23	6.67
MSCI Emerging Markets Gross Returns in GBP (official levels)	-12.83	-18.34	-18.34	-13.16	-0.97	3.67
Relative Return	0.32	0.62	0.62	6.66	4.20	2.99
AXA Global Equity Active Class AX	-10.70	-16.86	-16.86	-6.92	2.09	6.85
MSCI World NET TR in GBP Index	-10.62	-15.85	-15.85	-5.83	2.21	7.03
Relative Return	-0.08	-1.21	-1.21	-1.09	-0.12	-0.18
AXA Global Equity Passive Class AX	-13.57	-21.53	-21.53	-12.87	-0.51	2.61
Composite benchmark	-13.74	-21.67	-21.67	-12.79	-0.37	2.78
Relative Return	0.17	0.14	0.14	-0.08	-0.14	-0.16
AXA Overseas Equity Passive Class AX	-8.85	-15.13	-15.13	-4.82	2.89	7.86
FTSE All World Developed ex UK Net of Tax GBP	-10.33	-15.11	-15.11	-4.87	2.76	7.75
Relative Return	1.48	-0.02	-0.02	0.05	0.12	0.11
AXA Property Fund Class AX	-2.52	-3.49	-3.49	-1.96	3.11	3.95
IPD All Balanced Funds Index - No Exposures	-0.45	-1.30	-1.30	-0.22	4.78	5.71
Relative Return	-2.07	-2.19	-2.19	-1.74	-1.67	-1.76
AXA Shariah Law Passive Class AX	-4.66	-9.23	-9.23	5.99	8.48	11.20
Dow Jones Islamic Market Titans 100 Total Return Index (GBP)	-4.68	-7.85	-7.85	6.48	8.98	11.62
Relative Return	0.02	-1.37	-1.37	-0.49	-0.48	-0.42
AXA SRI Fund Class X2	-9.93	-15.64	-15.64	-3.88	2.89	7.26
FTSE4GOOD Developed Gross TR Index in GBP	-10.21	-15.57	-15.57	-3.39	3.42	7.84
Relative Return	0.28	-0.07	-0.07	-0.49	-0.53	-0.58
AXA UK Corp Bond Passive Class AX	-5.45	-3.25	-3.25	1.60	2.20	3.16
iBoxx Sterling Non-Gilts Index	-5.67	-3.38	-3.38	1.45	2.12	3.17
Relative Return	0.22	0.12	0.12	0.16	0.08	-0.01
AXA UK Equity Active Fund Class AX	-21.34	-30.54	-30.54	-18.04	-7.24	-1.77
FTSE All-Share TR Index	-15.07	-25.13	-25.13	-18.45	-4.24	0.57
Relative Return	-6.27	-5.41	-5.41	0.41	-3.00	-2.34
AXA UK Equity Passive Class AX	-15.64	-25.32	-25.32	-18.79	-4.40	0.41
FTSE All-Share TR Index	-15.07	-25.13	-25.13	-18.45	-4.24	0.57
Relative Return	-0.57	-0.18	-0.18	-0.33	-0.16	-0.16
AXA UK Long Gilts Passive Class AX	2.95	12.50	12.50	18.39	8.13	8.08
FTSE Actuaries UK Conventional Gilts over 15 Years Index	2.52	11.21	11.21	17.58	7.98	8.01
Relative Return	0.43	1.29	1.29	0.80	0.17	0.06
AXA UK Long ILG Passive Class AX	-2.40	6.58	6.58	6.38	4.16	6.97
FTSE Actuaries UK Index-Linked Gilts over 5 Years Index	-4.57	1.89	1.89	2.39	2.90	6.25
Relative Return	2.17	4.69	4.69	3.99	1.26	0.72

Stock lending

The Scheme does not engage in stock lending.

Investment Strategy

The investment objective of the Defined Benefit Sections (DB Sections) is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Sections payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB Sections taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the DB Sections and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP"), a copy of which is available upon request.

Trustee's Report

The Scheme's Asset Allocation as of 31 March 2020 and 31 March 2019:

Asset Class	31-Mar-20 (£m)	31-Mar-19 (£m)
LDI and Overlay Strategies	2,765	2,590
BlackRock LDI Assets	2,689	2,500
Rebalancing Account	76	90
Liquid Market Strategies	287	309
Grosvenor Multi-Strategy	0	1
Synthetic Equity	287	308
Liquid and Semi-Liquid Strategies	1,205	1,141
AXA IM UK Corporate Bonds	196	200
AXA IM European Loan Fund	206	232
AXA IM Global Securitised	142	152
AXA IM CRE Debt	56	42
AXA IM Infrastructure Debt	42	
Wellington Global Securitised	151	151
M&G Alpha Opportunities	98	102
Schroders US Credit	253	220
AB Transitional loans	61	42
Illiquid Credit Strategies	1,283	1,440
AXA IM Alternative Credit Fund	1,007	1,173
M&G Social Housing	39	39
AXA IM Long Lease	237	228
Illiquid Market Strategies	94	149
Ardian Mezzanine Debt	2	6
Ardian Private Equity	7	11
AXA IM Property	85	132
Total	5,634	5,629

Please note that the following are not included:

- AVC
- Insurance policies
- Longevity swap mark-to-market

Trustee's Report

Investment Risk

Information on investment risk is included in note 24 of the financial statements on pages 73 to 77.

Market Review – Over the period 31 March 2019 to 31 March 2020

Economic Backdrop:

UK

For the majority of the year, Brexit dominated domestic politics as the UK Government lost its majority in the House of Commons and was unable to push the EU Withdrawal Agreement through Parliament. However, following the Conservative party winning a majority in the December 2019 General Election, there was greater clarity around the future relationship with the EU and therefore the UK economy.

In March 2020, the UK Government imposed a national lockdown and social distancing in response to the Covid-19 pandemic, which resulted in a 2.2% GDP contraction during Q1. In response to the widespread collapse in economic activity the Bank of England reduced the base rate to 0.1% and increased the size of its asset purchase programme from £435bn to £645bn to help support the economy.

Global

Global economic growth weakened considerably in 2019 as the US-China trade war impacted Chinese demand across the globe. As a result, central banks began to loosen monetary policy, which started to feed through the economy towards the end of the year.

However, in 2020 the coronavirus pandemic is having unprecedented impacts on the global economy as restrictions to contain the virus have been imposed worldwide leading to reduced economic activity and global trade. It is widely expected that 2020 will see the first global recession since the 2008/2009 financial crisis.

Equities:

Global equities preformed strongly over the first 10 months of the scheme year with indices showing a 7%-10% increase. However, equities markets fell sharply in February and March as a result of Covid-19 and the associated uncertainty affecting global companies.

UK Inflation:

UK Consumer Price Index (CPI) inflation and Retail Price Index (RPI) inflation remained broadly at the same level as in 2019 at 1.5% and 2.6% respectively.

UK Gilts:

UK Gilt yields fell over the 12 months with 20-year yields falling to 0.85% and 10-year yields falling to historically low levels of 0.15% as investors sought the safety of government bonds during the Covid-19 crisis and the increased levels of Quantitative Easing announced by the Bank of England.

Corporate Debt:

Over the first 10 months of the scheme year, global credit spreads continued to fall due to the US Federal Reserve's more accommodative monetary policy announcements. However, following the beginning of Covid-19 lockdown measures across the globe, credit spreads widened significantly to levels seen in 2008/2009 Financial Crisis. Due to the nature of the Covid-19 crisis, some sectors were particularly affected such as airlines and hospitality due to the uncertainty around the lifting of lockdown restrictions.

Trustee's Report

Compliance Matters

Employer-related Investments

During the year the Scheme invested in private equity funds managed by Ardian Investments UK Limited. The Pensions Regulator has confirmed the view of the Trustee's legal advisers that only the Mezzanine Debt in these funds constitutes an employer related investment. These investments are monitored and at no time during the year ended 31 March 2020 did they exceed the statutory limit of 5% of the total Scheme assets. As at 31 March 2020 these funds were valued at £1.2m (2019: £6.1m)

The Trustee has taken legal advice and the Scheme's interest in the SLP does not constitute an employer related investment (see note 17 of the financial statements for more detail).

Related Party Transactions

The Principal Employer has paid the majority of the costs of administering the Scheme for the year, and has invoiced the Scheme during the year.

Further details of related party transactions are given in note 24 to the financial statements.

Taxation

The Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004.

Calculation of Transfer Values

Transfers values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pensions Schemes Act 1993. None of the transfer values paid was less than the amount provided by the Regulations.

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Terrace
Brighton BN1 4DW

Telephone: 0345 600 7060
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pensions Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU

Telephone: 0800 731 0193

Trustee's Report

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.

The Pensions Advisory Service

TPAS is available to assist members and beneficiaries of the Scheme on pension matters. A local TPAS adviser can usually be contacted through a Citizens Advice Bureau. Alternatively TPAS can be contacted at:

Money and Pensions Service
120 Holborn
London EC1N 2TD

Telephone: 0800 011 3797
Email: enquiries@pensionsadvisoryservice.org.uk
Website: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

Any concerns connected with the Scheme should be referred to Mrs R Shevill, Head of Pensions Administration and Trustee Services, at the address on page 4, who will try to resolve the problem as quickly as possible.

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. The contact details for the Pensions Ombudsman are shown below:

The Pensions Ombudsman
1st Floor
10 South Colonnade
Canary Wharf
London E14 4PU

Telephone: 0800 917 4487

The Pensions Ombudsman can be contacted online via the web site at: www.pensions-ombudsman.org.uk or you can email your enquiry to: enquiries@pensions-ombudsman.org.uk. For early resolution email: helpline@pensions-ombudsman.org.uk.

Trustee's Report

Statement of Trustee's Responsibilities for the Financial Statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustees. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- (i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- (ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employers in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Trustee's Report

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, occupational pension schemes with defined benefit liabilities are subject to the "Statutory Funding Objective", which is to have sufficient and appropriate assets to cover their technical provisions. The technical provisions represent the present value of the benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to members upon request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2018. This showed that on that date:

The value of the Technical Provisions was: £6,074 million

The value of the assets at that date was: £5,444 million

The value of the assets excludes Defined Contribution assets and money purchase AVCs, both of which have also been excluded from the value of the technical provisions.

The method and significant actuarial assumptions used to determine the technical provisions are set out in the Statement of Funding Principles. The method and significant actuarial assumptions are detailed below.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant Actuarial Assumptions

	% per annum
Discount rate	Gilt yield curve plus 0.6% pa, Single equivalent rate 2.21%
	pa
Price inflation (RPI)	3.30
Price inflation (CPI)	2.30
Pension increases in payment:	
RPI with a cap of 5%	3.15
RPI with a cap of 4%	2.84
RPI with a cap of 2.5%	2.09
RPI with a cap of 5% and a floor of 3%	3.76
RPI with no cap	3.33
CPI with a cap of 3%	2.14
Deferred pension revaluation:	
CPI with a cap of 5% pa over the period to retirement	CPI curve
CPI with a cap of 2.5% pa over the period to retirement	CPI curve
GMP equalisation reserve	1% of Scheme liabilities

Mortality

Deferred pensioners

SAPS (S2) Light mortality table (with a 105% multiplier for males and a 92% multiplier for females), for each individual member's year of birth, with CMI Core Projection Model 2017 improvements commencing in 2007, subject to a 1.5% p.a. long term trend rate.

Pensioners

SAPS (S2) Light mortality table (with a 101% multiplier for males and a 87% multiplier for females), for each individual member's year of birth, with CMI Core Projection Model 2017 improvements commencing in 2007, subject to a 1.5% p.a. long term trend rate.

Trustee's Report

Longevity Hedge

An allowance has been made for the longevity hedge which covers the whole of life longevity risk for the pensioner population of the Scheme as at 1 January 2015. This allowance will be calculated based on the defined demographic assumptions and expense charges agreed with the reinsurer as part of the longevity hedge and will be expressed as a loading relative to the Trustee's Scheme specific demographic assumptions.

Rates of Retirement

Members who joined the Scheme before 1 October 2003 are assumed to retire at their pre 1 October 2003 Normal Retirement Date, with an early retirement reduction applying to the post 30 September 2003 service.

Members who joined the Scheme after 30 September 2003 are assumed to retire at the Normal Retirement Date.

Transfer out of the Scheme from Deferred Pensioner Status

No allowance.

Spouses' and Dependents' Pensions

Up to the point of retirement, 85% of male and 60% of female member pensions are assumed to give rise to a spouse's or dependant's pension on death. The assumption is reduced post-retirement, to reflect the mortality assumption made for the spouse.

Age difference between Members and their Dependents

Male members assumed to be three years older than their dependants, and female members are assumed to be one year younger than their dependants.

Allowance for Option of Members to Commute Pension for Cash at Retirement

An allowance has been made for deferred members to commute 20% of their pension at retirement based on the commutation factors which came into force following agreement of this valuation.

Expenses

Investment management costs are assumed to be met out of future investment returns. The valuation discount rate is therefore net of such costs.

Administrative and other non-investment expenses are met from the Scheme's resources. The employers will contribute to the Scheme to reflect the Scheme's estimated expenses. The employers' contributions in respect of expenses are currently expressed as a percentage of pensionable salary roll.

Approval of the Annual Report and Financial Statements.

The Trustee's Report on pages 5 to 25 was approved by the Trustee and signed on its behalf on 29 September 2020 by:

Stephen Yandle.....Director Samantha Pitt..... Director

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

What is this Statement for?

It's important that you can feel confident that your savings in the AXA UK Group Pension Scheme ("the Scheme") are being looked after and give good value.

This Statement sets out how the Trustee Directors have managed the Scheme in the last year and what they aim to do in the coming year. A copy of this Statement, together with other key Statements about how the Scheme is managed are posted on-line at www.axa-employeefbenefits.co.uk.

What's in this Statement?

We've included information on the following areas in this Statement:

1. How we manage your Scheme – who the Trustee Directors are and what guides our decision making;
2. Investment options – what we have done to check the performance and suitability of the Scheme's investment options, especially those used by members who don't want to make an investment choice (known as the "default arrangement");
3. Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time;
4. Value for Members - how the quality of the Scheme's services (including the investment returns on your savings) which you pay for compare to other pension schemes.
5. Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;
6. Trustee knowledge – what we as Trustee Directors have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you;
7. Feedback – what feedback we have received from the Scheme's members in the last year; and
8. Our plans for the next year – what key actions the Trustee took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

1. How we manage your Scheme

Anna Colombatti and Marcus Taylor were appointed as new Trustee Directors in the year to 31 March 2020 with Nirali Patel leaving the Board.

The Statement of Investment Principles, which sets out the Trustee's policies on how your contributions should be invested, was updated on 20 September 2019 to reflect the Trustee's beliefs in managing Environmental, Social and Governance (ESG) and climate risks.

At 31 March 2020 the DC Section of the Scheme had 27,001 members and was worth a total of £676.0 million.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

2. Investment options

We completed an in-depth review of the Scheme's default arrangement in two parts, on 26 February 2018 and 25 April 2019. We're satisfied that the default arrangement has performed in-line with our expectations and remains suitable for most members because the membership profile remains broadly unchanged. During the review we identified areas for further improvement. These changes are pending and there have been no changes to the investment options in the last year.

Over the last year, the funds in the default arrangement have performed in line with benchmark except the AXA Diversified Growth Active Fund. This fund has a benchmark based on cash and inflation plus a margin which is not expected to correlate with the movements of growth assets in a time of market downturn. We believe that the underperformance compared to the benchmark over the year to 31 March 2020 can be justified for this fund – see section 2 for more details.

There is a possibility of moving the Scheme to a Master Trust arrangement in the coming year. At the time of writing this option is under consultation with members. No full review of the investment options is scheduled to be completed until a decision has been reached with regards to this.

3. Cost and charges

You pay for your investment and administration costs (which includes communications issued by the administrator) while the Company pay for governance costs.

We monitored the costs and charges going out of members' pension pots during the last year:

- The charges in the last year for the "default arrangement" were 0.21% to 0.66% of the amount invested (or put another way £2.10 to £6.60 for every £1,000 invested) – which is within the "charge cap" for auto-enrolment in our Scheme required by the Government.
- We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. The projected pots for typical members can be found in Appendix 3 ("Tables illustrating the impact of charges and costs").

Being part of a large pension scheme means that you are able to benefit from bulk-purchasing which gives you lower investment and administration costs than you might be able to achieve in other pension arrangements.

4. Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes. We found that the Scheme gave **good** value in the last year.

5. Administration

The Trustee monitors the performance of the Scheme's administration against the agreed service levels, through quarterly administration reports, and notes the following:

- Core financial transactions were mostly processed promptly, accurately and efficiently for the year to 31 March 2020;
- Over the 12-month period, the administrator, Aegon, achieved 92% adherence to service standards; this was below the target service levels of 95%; and
- The Trustee monitored this underperformance and met with Aegon each quarter to review and consider the required action to improve performance. In addition, the in-house pension team undertook regular operational reviews with Aegon to monitor overall service to members. The Trustee notes that service levels have since improved in the latter half of the Scheme's year end and have met the required overall service standards.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

The Covid19 coronavirus pandemic inevitably affected the Scheme in March 2020:

- Aegon arranged for most of its staff to work from home and dealt with increases in staff absences;
- Trading in property funds was suspended because of the difficulty in fairly valuing properties; and
- There were delays in getting some funds' unit prices because the prices of investments were fluctuating more than normal.

6. Trustee knowledge

It's important that we as Trustee Directors keep our knowledge of pension and investment matters up to date and have access to sound professional advice. The Trustee has a programme of training for Trustee Directors to update their knowledge of pension matters and undertake an annual skills and knowledge assessment. The Trustee is satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled it to properly exercise its duties during period covered by this Statement— see section 6 for more details.

There have been no changes to the Trustee's advisers during the year. Overall, the Trustee believes that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

7. Feedback

Aegon has set up a website (<https://lwp.aegon.co.uk/targetplan/>) specifically for our members where you can find information on how your savings are building up and your investment options.

If you need more information, please visit <http://pensions.axa-employeebenefits.co.uk/> and if you have any comments or questions please contact the Scheme's administrator on 0345 603 4048 or by email axapensionsadmin@aegon.co.uk.

8. Our plans for the next year

During the next year the Trustee aims to:

- Communicate a summary of the results of this value for member assessment in the Chair's Statement, which will be posted on-line;
- Assist the Company with moving the DC membership to a Master Trust arrangement to enhance value through lower charges, access to better quality communications and retirement support for members;
- Update the Statement of Investment Principles ("SIP") to reflect the 2019 Regulations on Responsible Investment which come into force on 1 October 2020;
- Complete their first Statement describing how they have followed the policies in the Scheme's Statement of Investment Principles over the Plan year;
- Continue to monitor administration performance levels each quarter and to review and consider any required action to ensure that any missing information is obtained; and
- Undertake a mid-year review to monitor value for members progress and further embed value into the Scheme's governance.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

We were unable to obtain some information on the Scheme – this is set out at the end of section 8. We are chasing the administrator for this missing information.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Scheme in the last year.

The Annual statement by the Chair of the Trustee Board for the year to 31 March 2020 on pages 26 to 50 is approved by:

Stephen Yandle

Date: 29 September 2020

Mr Stephen Yandle

Chair of the Trustee Board of the AXA UK Group Pension Scheme

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Introduction

Governance requirements apply to defined contribution (“DC”) pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 1 April 2019 to 31 March 2020.

For the record

This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879); and

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233).

1. How we manage your Scheme

At 31 March 2020, the Trustee Directors of the Scheme were:

Stephen Yandle; David Felder on behalf of the Law Debenture Trust Corporation plc; Dianne Chua; Andrew Bradshaw on behalf of Ross Trustee Services Limited; Anna Colombatti; Ken Smith; Marcus Taylor.

Marcus Taylor and Anna Colombatti became Trustee Directors on 15 April 2019. Nirali Patel resigned as a Trustee Director on 12 April 2019.

The Trustee, with the help of their advisers, review the Statement of Investment Principles at least every three years. This statement sets out the Trustee’s investment policies. The last review was carried out in 2019 and the Statement was changed on 20 September 2019 to reflect the Trustee’s beliefs in managing Environmental, Social and Governance (ESG) and climate risks.

The Trustee plans to complete its annual report and accounts in advance of 1 October 2020. This means that there would be no requirement for the production of an implementation statement setting out how the Trustee complied with the Statement of Investment Principles during the year to 31 March 2020. If the accounts are completed after 1 October 2020 an implementation statement will be published after completion of the accounts.

Over the year to 31 March 2020 the number of members grew to 27,001 while the total value of Schemes’ assets fell from £697.8m to £676.0m. It should be borne in mind that, as a result of the Coronavirus pandemic, global equity markets fell by up to 28% between 12 February 2020 and 23 March 2020.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

2. Investment options

Default arrangement

The Scheme's default arrangement, the Drawdown Lifecycle Strategy, is designed for members who join the Scheme and do not choose an investment option. The Trustee is responsible for the governance, of the default arrangement which includes setting and monitoring its investment strategy.

The Trustee decided that the default arrangement should be a lifestyle strategy, which means that members' contributions are automatically moved between different funds as they approach their selected retirement date.

The main objective of the default arrangement is to provide good member outcomes at retirement. The Trustee believes that it is in the best interests of the majority of members to offer a default which:

- Manages the principal investment risks members' face during their membership of the Scheme;
- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for the majority of members who do not make investment choices;
- Enables investments to be readily realisable subject to market conditions;
- Considers Environmental, Social and Governance (ESG) issues; and
- Reflects members' likely benefit choices at retirement.

The Statement of Investment Principles covering the default arrangement is appended to this Statement. Please note that the Statement of Investment Principles covers all the Scheme's investments – the principles guiding the design of the default arrangement are set out on page 81.

The Trustee believe that the default arrangement is appropriate for the majority of the Scheme's members taking into account a number of aspects of the Scheme's membership including:

- The members' age and salary profile;
- Members' projected personal account sizes at retirement; and
- Contribution levels.

The default has been constructed to:

- Gradually move investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and
- Target members who are expected to use Flexible Access Income Drawdown during their retirement.

The Trustee regularly monitors the investment performance of the default arrangement and formally reviews both the investment performance against the default arrangement's objectives and the suitability of the investment strategy at least every three years.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

No full review of the performance and suitability of the default arrangement was due to be undertaken during the year. The last full review was completed in two parts, on 26 February 2018 and 25 April 2019. The next full review is intended to take place by April 2022 or immediately following any significant change in investment policy or the Scheme's member profile.

The Trustee is satisfied that the default arrangement remains appropriate for the majority of the Scheme's members at this time because:

- Its investment performance has been consistent with its investment objectives;
- Its design continues to meet its principal investment objectives;
- The demographic profile of the membership has not changed materially; and
- Members' needs and likely benefit choices at retirement have not changed materially.

However, the Trustee has proposed the following change to be made as a result of this review to further improve the default arrangement:

- Introduction of a new fund for the consolidation phase of the glidepath called the AXA Diversifiers Fund. This will form part of the default arrangement to replace the AXA Diversified Active Fund and AXA Absolute Return Bond Fund.
- The Trustee believes that a better approach to the consolidation phase of the default arrangement would be to gain access to the easily replicable elements of the AXA Diversified Active Fund through direct holdings in these asset classes, and then to gain the remainder of the required asset class exposure through a packaged pooled fund.

The AXA Diversifiers Fund is due to be implemented in the coming year.

Other investment options

The Trustee recognises that the default arrangement will not be suitable for the needs of every member and so the Scheme also offers members a choice of other investment options including the Annuity Lifecycle lifestyle option and 18 self-select funds. The main objectives of these investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default arrangement;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches including ethical investment; and
- To support members who want to take a more active part in how their savings are invested.

The Trustee carries out an in-depth review of the performance and suitability of these other investment options at least every three years. The last full review was completed on 25 April 2019 where the Trustee found that the investment options for the funds were suitable. Some of the actively managed funds have had mixed performance compared to their respective benchmarks and the Trustee continues to closely monitor the suitability of these funds.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

In keeping with the Pensions Regulator's guidance, the Trustee also carries out an annual high-level review of the performance and suitability of these other investment options. There were no issues with these investment options last year.

3. Costs and charges

The charges and transaction costs borne by members and/or the Company for the Scheme's services are:

Service	By members	Shared	By the Company
Investment management	Yes	-	-
Administration & Communications	-	Yes	-
Governance	-	-	Yes
Investment transactions	Yes	-	-

Basis for cost sharing: Members pay an annual management charge that covers the costs of investment fees; administration and communications issued by the administrator.

The presentation of the charges and transaction costs, together with the projections of the impact of charges and costs on members' benefits over time, have taken into account the statutory guidance issued by the Department for Work and Pensions. The Trustee of the Scheme has followed the statutory guidance in all areas.

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

The investment-based charges borne by members include 0.18% p.a. towards the costs of the Scheme's administration.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

The Financial Conduct Authority (“FCA”) requires fund managers and providers to calculate transaction costs using the “slippage method”, which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this statement are those taken from funds while members are invested in them. The transaction costs shown here do not include any costs members may incur from time to time when buying or selling units in the funds caused by the fund manager’s unit price for a fund moving from a “bid” to “offer” basis (or vice versa) or any other “dilution levy” when units in that fund are bought or sold to protect the value of the fund for other investors.

Member-borne charges and transaction costs

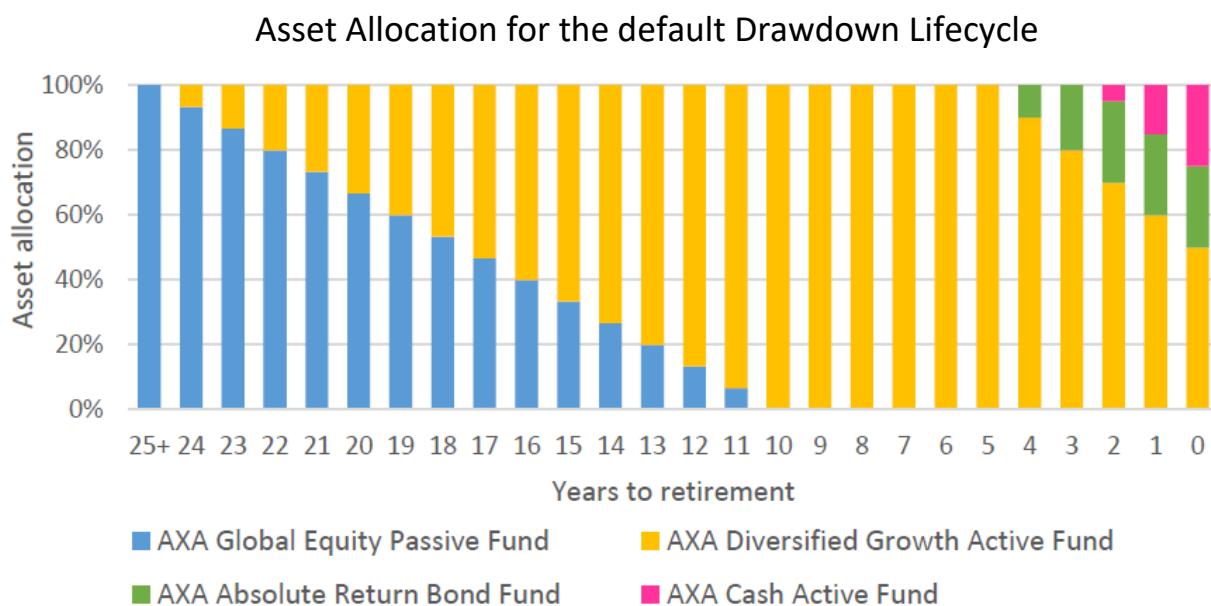
The charges and transaction costs have been supplied by the Aegon. It was not possible to obtain the charges and transaction costs for some funds and some of the information was missing for the period covered by this Statement. More details are given in “Missing Information” in section 8.

Default arrangement

The Trustee is required to provide the level of charges applicable to each default arrangement during the Scheme year.

Drawdown Lifecycle - charges and transaction costs

The default arrangement is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time. The asset allocation at each point in time is shown in the chart below.



Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

During the year covered by this Statement the member-borne charges for the default arrangement were in a range from 0.21% to 0.66% of the amount invested or, put another way, in a range from £2.10 to £6.60 per £1,000 invested.

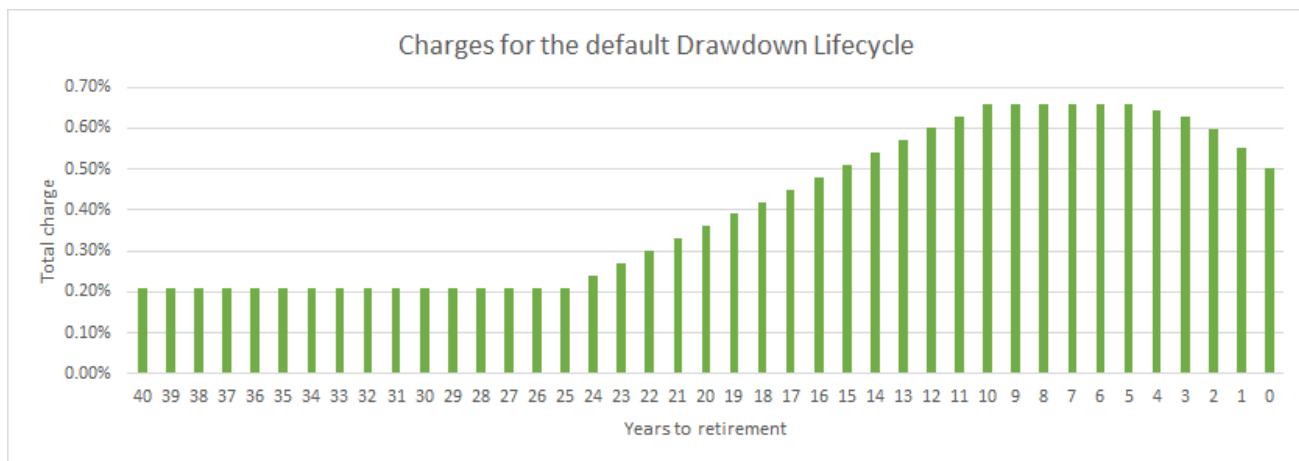
The transaction costs borne by members in the default arrangement during the year were in a range from 0.01% to 0.40% of the amount invested or, put another way, in a range from £0.10 to £4.00 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
40 to 25 years	0.21%	£2.10	0.01%	£0.10
24 to 11 years	0.24% to 0.63%	£2.40 to £6.30	0.04% to 0.37%	£0.40 to £3.70
10 to 5 years	0.66%	£6.60	0.40%	£4.00
4 to 1 years	0.65% to 0.55%	£6.50 to £5.50	0.40% to 0.33%	£4.00 to £3.30
At retirement	0.50%	£5.00	0.29%	£2.90

Source: Aegon

The following chart also shows graphically how these charges vary from year to year:



Over a 40-year saving period the average charge for the default arrangement is 0.40% p.a. The table in Appendix 2a gives the charges and transaction costs for each fund used by the default arrangement.

The following investment options are also considered to be "default arrangements" for some members:

- The AXA Cash Active Fund, where regular contributions to the AXA Property Fund have been directed to as the AXA Property Fund is currently suspended.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

During the year covered by this Statement the member-borne charges for the AXA Cash Active Fund were 0.18% of the amount invested or, put another way, £1.80 per £1,000 invested.

The transaction costs borne by members in the default arrangement during the year were 0.01% of the amount invested or, put another way, £0.10 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
All terms	0.18%	£1.80	0.01%	£0.10
At retirement	0.18%	£1.80	0.01%	£0.10

Source: Aegon

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the year covered by this Statement.

Charges and transaction costs for the investment options outside the default arrangement

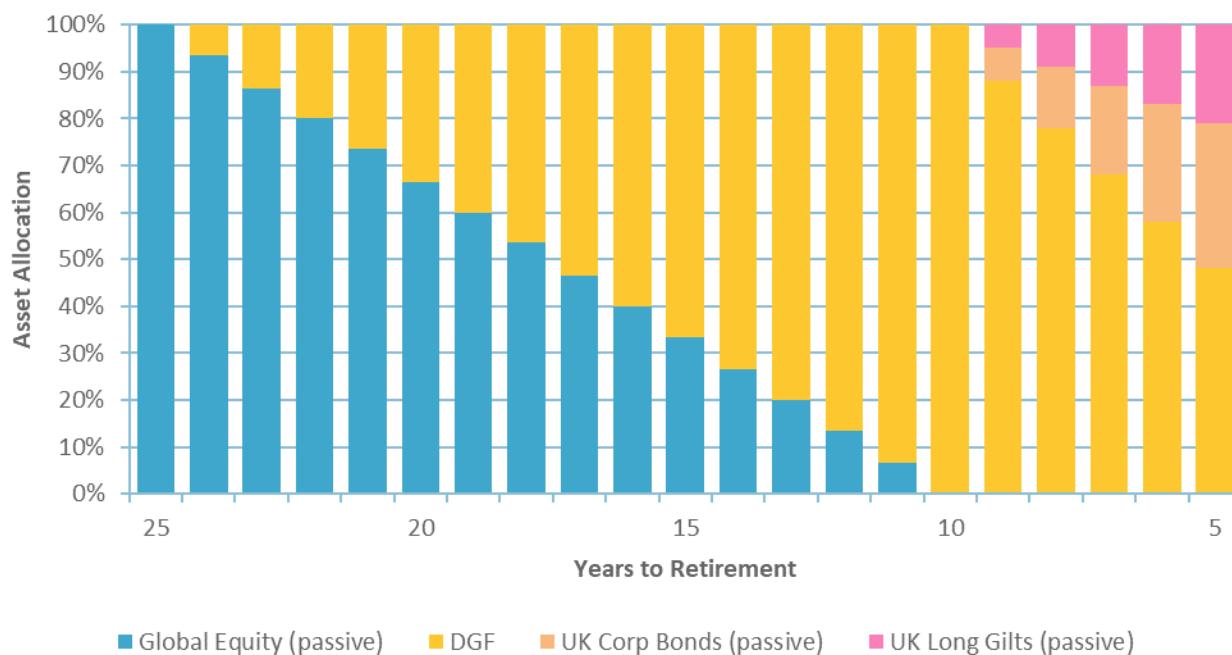
In addition to the default lifestyle, members also have the option to invest in one other lifestyle arrangement, targeting annuity purchase and 18 self-select funds.

Annuity Lifecycle Strategy

The Annuity Lifecycle Strategy outside the default arrangement also invest contributions in different funds according to how far each member is from retirement. The charges borne by each member can also vary from one year to the next.

The Annuity Lifecycle Strategy (outside the default arrangement) also invests contributions in different funds according to how far each member is from retirement. The charges borne by each member can also vary from one year to the next.

Asset Allocation for the Annuity Lifecycle



Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

During the year covered by this Statement the member-borne charges for the Annuity Lifecycle Strategy were in a range from 0.19% to 0.66% p.a. of the amount invested or, put another way, in a range from £1.90 to £6.60 per £1,000 invested.

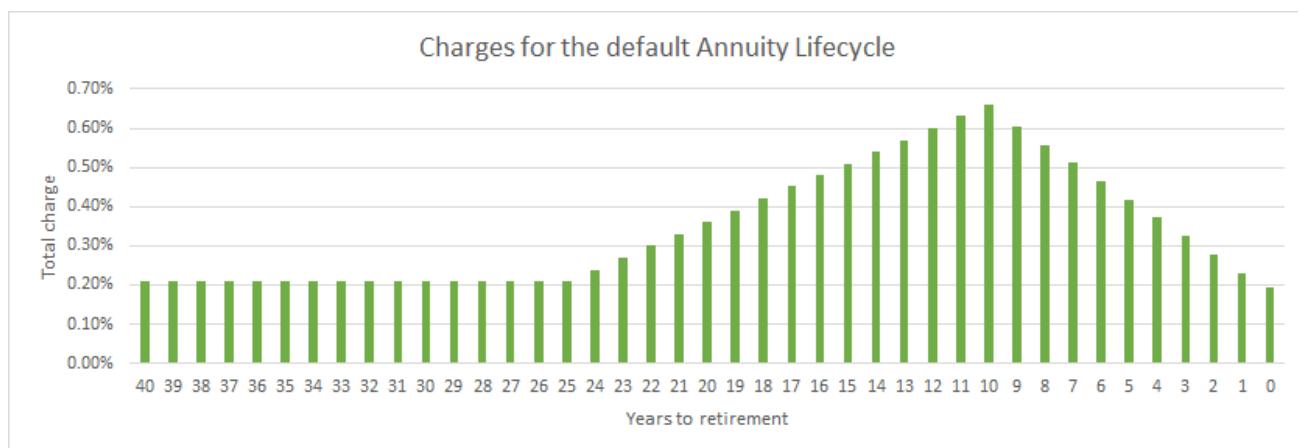
The transaction costs borne by members in the Annuity Lifecycle option during the year were in a range from 0.01% to 0.40% of the amount invested or, put another way, in a range from £0.10 to £4.00 per £1,000 invested.

The annual charges for the Annuity Lifecycle option during the period covered by this Statement are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
40 to 25 years	0.21%	£2.10	0.01%	£0.10
24 to 11 years	0.24% to 0.63%	£2.40 to £6.30	0.04% to 0.37%	£0.40 to £3.70
10 to 5 years	0.66% to 0.42%	£6.60 to £4.20	0.40% to 0.20%	£4.00 to £2.00
4 to 1 years	0.37% to 0.23%	£3.70 to £2.30	0.16% to 0.05%	£1.60 to £0.50
At retirement	0.19%	£1.90	0.01%	£0.10

Source: Aegon

The following chart also shows graphically how these charges vary from year to year:



Over a 40-year saving period the average charge for the Annuity Lifecycle arrangement is 0.34% p.a. The table in Appendix 2b gives the charges and transaction costs for each fund used by the Annuity Lifecycle arrangement.

Self-select funds

The Scheme offers members a choice of 18 self-select funds.

During the year the charges for the self-select funds were in a range from 0.19% to 1.23% of the amount invested or, put another way, in a range from £1.90 to £12.30 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the year were in a range from -0.07% to 0.40% of the amount invested or, put another way, in a range from -£0.70 to £4.00 per £1,000 invested.

The table in Appendix 2c details the charges for each self-select fund.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Additional Voluntary Contributions (“AVCs”)

In general, the Scheme offers members in the defined benefit sections the same choice of funds for their AVCs as are available to DC members. A small number of members have legacy AVCs which are invested in the Equitable Life, Aviva and Reassure With Profits Funds.

Charges for AVCs

During the year the charges for the self-select funds were in a range from 0.19% to 1.23% of the amount invested or, put another way, in a range from £1.90 to £12.30 per £1,000 invested. The table in Appendix 2c gives the charges for each AVC fund.

Transaction costs for AVCs

The transaction costs borne by members in the self-select funds during the year were in a range from -0.07% to 0.40% of the amount invested or, put another way, in a range from -£0.70 to £4.00 per £1,000 invested.

The table in Appendix 2c details the transaction costs for each AVC fund.

Charges and transaction costs for legacy AVCs

A small number of members have legacy AVCs which are invested in the Equitable Life, Aviva and Reassure With Profits Funds.

During the Scheme year, Equitable Life policyholders were transferred to Utmost Life on 1 January 2020 following Utmost's acquisition of Equitable Life. Some members invested in the Equitable Life With Profits Fund received an uplift as part of the transfer. Other members in Equitable Life's unit linked funds were mapped to equivalent unit linked funds with Utmost. These were both legacy AVC funds: members were not able to select the funds and no new contributions were made.

With Profits

The charges and transaction costs for the Equitable Life With Profits Funds were deducted from the overall fund before bonus rates were set for all policyholders. For the year to 31 December 2019, the administration and investment charges were 1% p.a. as it had been for many years, or put another way, £10 per £1,000 invested. To honour the guaranteed benefit, Equitable Life held back a further 0.5% p.a. of the With Profits Fund each year. Bonuses and guarantees were paid after the deduction of charges. The transaction costs for this fund was 0.04% p.a. for the year to 31 December 2019, or put another way, £0.40 per £1,000 invested.

Members who were invested in Equitable Life's With-Profits funds are now invested in Utmost's secure cash fund. The secure cash fund had a charge of 0.5% p.a. (£5.00 per £1,000 invested) and a transaction cost of 0.02% p.a. (£0.20 per £1,000 invested) for the period 1 January 2020 to 5 April 2020.

It should be noted that the implicit costs and charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration services.

Source: Equitable Life/Utmost

Charges and transaction cost data was not available for the Aviva and Reassure With Profits assets as at the time of writing. This has also been noted in section 8 of this statement which lists missing information and the steps which the Trustee is taking to obtain this.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Impact of costs and charges - illustration of charges and transaction costs

The Trustee have asked the Scheme's adviser to illustrate the impact over time of the costs and charges borne by members. These illustrations show projected fund values in today's money before and after costs and charges for 4 typical members at stages from joining the Scheme up to retirement.

The tables in Appendix 3 to this Statement show these figures for:

- The default arrangement; as well as
- funds from the Scheme's self-select fund range representing funds that have
 - the highest and lowest annual member borne costs
 - the highest and lowest before costs expected return; and
 - the greatest number of members invested

As an example, for a member who joined the 2017 section's default arrangement at age 18, paying the typical contribution rate of 9%, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £88,006 to £74,340.

Appendix 3 also provides important notes of the assumptions used in calculating these illustrations. The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs. Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow; and
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

4. Value for Members

Each year, with the help of their advisers, the Trustee carry out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – the Trustee also consider the quality of the services which members pay for.

Approach

The Trustee adopted the following approach to assessing Value for Members for the last year:

- Services – considered the investment, administration, communication services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;
- Rating – each service was rated on the following basis:

Definition	Rating
The Trustee considers the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.	Excellent
The Trustee considers the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.	Good
The Trustee considers the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.	Average
The Trustee considers the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.	Below average
The Trustee considers the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.	Poor

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Results

The Scheme gave Good Value for Members in respect of the services for which members bear or share the costs. The rationale for the rating of each service was in outline:

Service & weighting	Rating	Rationale
Investment 60%	Good	<p>The Trustee notes that 94% of members are in the default Drawdown Lifecycle Strategy. The default Drawdown Lifecycle Strategy is under the 0.75% p.a. charge cap requirement. The strategy ranges from 0.22% p.a. to a maximum of 0.66% p.a. depending on where the member currently sits in the investment glide path. Over a 40-year saving period the average charge is 0.40% p.a. The Trustee note that the average charge is comparable with similarly sized schemes according to its adviser and is comparable with the DWP 2016 charges survey. Transaction costs for members in the default averaged 0.18% p.a.</p> <p>The Trustee provides an Annuity Lifecycle Strategy for those who wish to take an annuity at retirement. The Trustee also provides 18 'Freechoice' funds for the membership to self-select from including property, emerging markets, environmental and Shariah law funds. The Trustee considers that this is a suitable range of Freechoice funds.</p> <p>The performance for the funds relative to their respective benchmarks has been mixed. The performance of the funds has been affected by unprecedented volatility in asset returns due to the impact of the COVID-19 outbreak on markets. The Trustee will continue to monitor the performance, particularly the active managers that have underachieved relative to benchmark primarily due to asset selection and replace funds which are not meeting expectations. There is a possibility of transferring members into a Master Trust arrangement during the coming year and the Trustee has received advice that the funds available in the Master Trust will be suitable for the Scheme's members. The Trustee and its DC investment adviser continues to monitor charges and receives quarterly detailed investment reports that consider performance relative to benchmarks.</p>

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Results

Service & weighting	Rating	Rationale
Administration 20%	Good	<p>The Trustee receives regular reports on performance against the agreed service levels. These demonstrate that Aegon, over the 12-month period, achieved 92%, below the target service levels of 95%. Core financial transactions have, mostly, been processed promptly and accurately. The Trustee has noted a number of exceptions over the last year and has met with Aegon to monitor service and consider action plans to address this underperformance. Service levels were impacted in the first half of 2019 following the transition from BlackRock to Aegon which prompted an increase in the number of requests from members. The Trustee notes that service levels have since improved in the latter half of the Scheme's year end and have met the required overall service standards.</p> <p>There is good record keeping and member complaints remain low with 15 complaints in the year to 31 March 2020. Standard and Poor's ('S&P') rating for Aegon is the same as previous years at A-. Administration systems capabilities and controls in place to ensure regulatory compliance are effective and the Trustee considers Aegon to have an experienced administration team.</p>
Communication 20%	Excellent	<p>The Scheme offers a website (including modellers) to members and provides a range of appropriate guides and other relevant information for those building their pension or those nearing retirement. Relevant communications are sent to members at appropriate points in their pension's lifecycle. The Scheme is externally accredited with the Pension Quality Mark Plus demonstrating that Scheme communications are clear and easy to understand. The Trustee member engagement dashboard shows good improvement from the prior year. The survey results are generally positive about member experience and evidence an improving trend from the prior year. 'Online' engagement has increased in the last 12 months with around 32% of total DC members registered as at 31 March 2020 compared with 21% as at 31 March 2019.</p>

The Trustee agreed an action plan for the following year to improve value where necessary and obtain any missing information. This is detailed in the action plan and missing information sections of the Chairs Statement.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

5. Administration

The Trustee has appointed Aegon to administer the Scheme on its behalf. The Trustee monitored core financial transactions during the year including:

- The receipt and investment of contributions (including inward transfers of funds);
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

The Trustee has a service level agreement in place with Aegon, which covers the accuracy and timeliness of all core financial transactions such as:

- The investment of contributions;
- Switching investment options
- Providing quotations of benefits to members who are retiring or leaving the [Scheme];
- Payments of benefits;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

The Trustee has a service level agreement in place with Aegon covering:

- New joiner and regular contributions files and the allocation of contributions within 1 day;
- Processing of BACS payments in within 2 working days;
- Processing of changes to member personal details within 3 working days;
- Processing individuals transferring out to the Scheme within 5 working days;
- Processing individuals transferring into the Scheme within 5 working days;
- Response to members information requests within 5 working days;
- Provision of statements upon request within 5 working days; and
- Processing of switch requests within 1 working day.

Aegon aims to ensure that, broadly, 95% to 100% of all these processes are completed within these service levels.

The Trustee understands that the administrator monitors its performance against these service levels by:

- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

The Trustee monitored core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by the Company;
- Receiving quarterly reports from Aegon on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Arranging reviews and receiving reports on data accuracy. This concluded that common data was present for 95.21% of membership data as at September 2019 - this was 95.26% last year so is broadly unchanged;
- Receiving reports from the Scheme's Auditor, who independently test sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints and member surveys.

The Trustee is satisfied that the service standards are competitive because:

- The Trustee conducted a review in 2013, when they were found to be competitive with other Administrators.

Overall, the Trustee notes, in general terms, during the year:

- Core financial transactions were generally processed accurately, promptly and efficiently noting the following exceptions:
 - Q3 2019: 2 out of 14 core financial processing tasks were outside SLA (lowest was 86% for change payment details)
 - Q2 2019: 2 out of 13 core financial processing tasks were outside SLA (lowest was 70% for change salary details)
- The wider administration of the Scheme achieved, over the 12-month period, 92% adherence to service standards, slightly below the target service levels of 95%.

The Trustee took the below actions following the above issues with the processing of financial transactions and administration service levels during the year:

- The Trustee monitored this underperformance in its meetings and met with Aegon each quarter to review and consider the required action to improve performance. An action plan has been agreed.
- The in-house pension team also undertook regular operational reviews with Aegon to monitor overall service to members.

Coronavirus

The Covid-19 coronavirus pandemic inevitably affected administration of the Scheme between March and June 2020:

- Aegon arranged for most of its staff to work from home and dealt with increases in staff absences;
- Trading in property funds was suspended because of the difficulty in fairly valuing properties, and

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

- There were delays in getting some funds' unit prices because the prices of investments were fluctuating more than normal
- As a result, the processing of core financial transactions was delayed, and it was not possible to meet the usual service levels during this period for reasons outside Aegon's control. Nevertheless, the Trustee is satisfied that Aegon took reasonable steps to ensure key financial transactions took place and services were restored as soon as possible.

Security of assets

- The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.
- The Trustee carried out a review of the security of members' assets in 2018/19 and will continue to keep this under review in the next 12 months. The Trustee takes the security of assets into account when selecting and monitoring the funds used by the Scheme.

6. Trustee knowledge

The Trustee is required to describe how the knowledge and understanding requirements of sections 247 and 248 of the Pensions Act 2004 have been met during the Scheme year and explain how the combined knowledge and understanding of the Trustees, together with the advice available to them, enables them to properly exercise their functions.

Section 247 and 248 of the Pensions Act 2004 require that each Trustee:

- Is conversant with the Scheme's trust deed and rules, the Scheme's SIP, and any other policy document relating to the Scheme's administration; and
- Has appropriate knowledge and understanding of pensions and trusts law as well as the funding of pension schemes and asset investment principles.

The Trustee Directors' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme (in accordance with sections 247 and 248 of the Pensions Act 2004) are:

- There is an induction process for newly appointed Trustee Directors. This includes a structured 2-day training programme delivered by the in-house pension's team and advisors. New Trustee Directors are also asked to complete the Pensions Regulator's "Trustee Toolkit" within six months of becoming a Trustee Director;
- Ongoing training is provided to ensure that Trustee Directors have a working knowledge of the Scheme's Trust Deed and Rules and Statement of Investment Principles as well as the investment concepts and principles relevant to the Scheme, policy documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

- Trustee Directors are encouraged to undertake further study and qualifications which support their work;
- The Trustee Directors have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually;
- The Trustee Directors carry out regular assessments through the Trustee effectiveness review process to confirm and identify any gaps in their knowledge and skills. The Trustee Education days in July and December are structured to fill any gaps identified; and
- The Trustee also receives quarterly “hot topics” from its adviser covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.
- There are three Trustee Directors who are required to complete their own CPD of 25 hours per year.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's DC advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee has two dedicated training days in each year in which cover a number of topics.

The Trustee Directors received the following training during the last year:

Date	Topic	Aim/benefit	Trainer
10 July 2019	Legal Update	To enhance Trustee Directors' knowledge of the current legislative and Scheme requirements. This benefits members by ensuring that Trustee Directors understand best practice and can effectively monitor the Scheme	Travers Smith
10 July 2019	DC Investment	To provide Trustee Directors with an update on latest developments in DC Investments including Ethical, Social and Governance investing. This benefits members by ensuring that Trustee Directors understand the latest requirements and developments.	Hymans Robertson
10 July 2019	Member Engagement	To enhance Trustee Directors' knowledge of the latest thinking in member engagement around nudge communications and use of technology. This benefits members by ensuring that Trustee Directors understand the latest developments and can develop plans to enhance member engagement in the Scheme.	Aegon / Nudge
10 July 2019	Mid Term review of Trustee Governance Structure	To provide the opportunity for the Trustee Board to consider best practice, requirements and reflect on the effectiveness of the Trustee Structure. This benefits members by ensuring that Trustee Directors understand best practice and can effectively monitor the Scheme.	AXA
10 July 2019	Actuarial Update	To enhance Trustee Directors' knowledge on a range of actuarial matters including longevity. This benefits members by ensuring that Trustee Directors have an up-to-date understanding of trends, issues and challenges that the Trustee Directors will need to consider.	Willis Towers Watson

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Date	Topic	Aim/benefit	Trainer
19 December 2019	DC Update	To provide Trustee Directors with an update on latest PLSA retirement standards and an overview of the DC Scheme's Guided Outcomes assessment results. This benefits members by ensuring that Trustee Directors understand how likely the membership are to achieve a good retirement outcome and enable actions to be considered to improve outcomes for all members.	Hymans Robertson
19 December 2019	Governance - Cyber security	To enhance Trustee Directors' knowledge of the current legislative requirements, best practice and trends around Cyber Security. This benefits members by ensuring that Trustee Directors have an up-to-date understanding of trends, issues and challenges..	Zephyrus Partners
19 December 2019	Governance – making good decisions	To develop a better awareness round how to make and monitor decisions both individually and as a group. This benefits members by ensuring that Trustee Directors are aware of key decision-making biases and challenges along with practical steps that it can adopt to make its decision making even more effective.	Reddington
19 December 2019	Actuarial Update	To enhance Trustee Directors' knowledge on a range of actuarial matters including the New Funding Code Highlights and Retail Price Index / Consumer Price Index considerations. This benefits members by ensuring that Trustee Directors have an up-to-date understanding of issues and challenges that the Trustee Directors will need to consider.	Willis Towers Watson
19 December 2019	Governance - Trustee Board make up and Diversity and Inclusion (D&I)	To provide the opportunity for the Trustee Directors to consider D & I matters and the Trustee Board make up. This benefits members by ensuring that Trustee Directors have an up-to-date understanding of issues, trends and challenges that the Trustee Directors will need to consider from a D&I perspective.	Travers Smith
19 December 2019	Trustee self-assessment feedback	To provide the opportunity for the Trustee to consider the results of the annual Board effectiveness review. This included an update on the role of independent Trustees and Lay Trustees. This benefits members by ensuring that Trustee Directors reflect on the overall performance and effectiveness of the Trustee Board, its external advisors and consider actions or any training requirements.	AXA
5 March 2020	The potential impact of Coronavirus on Pension Schemes	To enhance Trustee Directors' knowledge of the current issues, trends and potential impact on pension schemes given the Coronavirus pandemic. This benefits members by ensuring that Trustee Directors have an up-to-date understanding of trends, issues and challenges that the Trustee Directors will need to consider.	Hymans Robertson

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

All the Trustee Directors have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles ("SIP"). The Trustee refers to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Scheme has a structured induction process for new Trustee Directors. This includes a structured 2-day training programme delivered by the in-house pension's team and advisers. New Trustee Directors are also asked to complete the Pensions Regulator's "Trustee Toolkit" within six months of becoming a Trustee Director;

The Trustee Directors test their familiarity with the Scheme's documentation, pensions Law/Regulations and the Pensions Regulator's DC Code of Practice 13 and supporting Guides using the Regulator's self-assessment template. Further, to ensure that the Trustee is compliant with its duties it reviews the DC performance on a quarterly basis with its legal and investment advisers as part of its DC committee meetings with the full Trustee Board receiving an update at its meetings.

The Trustee has appointed suitably qualified and experienced legal advisers and investment consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustee reviews the effectiveness of its advisers annually and also periodically reviews the appointment of its advisers. The Trustee undertook the following reviews during the last year:

- An annual Trustee effectiveness evaluation was carried out in the year to 31 March 2020. A questionnaire was issued to all Trustee Directors for completion and the results then analysed. This was presented to and discussed as part of the Trustee Education day on 19 December 2019 with actions considered. The annual evaluation considered:
 - the performance and effectiveness of the Trustee Board, considering objectives, meeting effectiveness, Trustee Director contribution and information accessibility;
 - the performance of external advisors in terms of clear and timely advice; and
 - A training, knowledge and skills assessment.

As a result of the training regime in place, the induction and other ongoing arrangements, the advice, support and resource available to the Trustee Directors and the reviews undertaken, the Trustee is satisfied that during the last year it has:

- Taken effective steps to maintain and develop the Trustee Directors' knowledge and understanding; and
- Ensured the Trustee has suitable advice available to them.

Therefore, the Trustee is satisfied that the combination of its knowledge and understanding together with access to suitable advice enabled them to properly exercise its duties during period covered by this Statement.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

7. Feedback

The Trustee is keen to encourage feedback from members on the running of the Scheme including topics such investment, administration services and communications.

Aegon has set up a website (<https://lwp.aegon.co.uk/targetplan/>) specifically for our members where you can find information on how your savings are building up and your investment options. If you need more information, please visit <http://pensions.axa-employeebenefits.co.uk/> and if you have any comments or questions please contact the Scheme's administrator on 0345 603 4048 or by email axapensionsadmin@aegon.co.uk.

8. Our plans for the next year

In the coming year (which will be covered by the next Statement), the Trustee intends to carry out the following:

- Communicate a summary of the results of this assessment in the Chair's Statement; which will be posted on-line;
- Assist the Company with moving the DC membership to a Master Trust arrangement to enhance value through lower charges, access to better quality communications and retirement support for members;
- Update the Statement of Investment Principles ("SIP") to reflect the 2019 Regulations on Responsible Investment which come into force on 1 October 2020;
- Complete their first Statement describing how they have followed the policies in the Scheme's Statement of Investment Principles over the Plan year;
- Continue to monitor administration performance levels each quarter and to review and consider any required action to ensure that any missing information is obtained; and
- Undertake a mid-year review to monitor value for members progress and further embed value into the Scheme's governance.

Annual statement by the Chair of the Trustee Board for the year to 31 March 2020

Missing information and limitations

The Trustee has requested full information from providers but to date has been unable to obtain full information on all areas, including:

- The Trustee requested information on transaction costs from Aegon for all funds for the 12-month period to 31 March 2020. Transaction costs data has been supplied by the underlying managers for the calendar year to 31 December 2019 only.

This means that some information is missing and some information is outside the 12-month scheme year period covered by this statement. For the purposes of this statement (including the requirement for the Trustee to calculate, so far as they are able to do so, transaction costs and to assess the extent to which those costs represent good value to members), the transaction costs stated are for the 12 months period supplied by providers (as referred to immediately above), without adjustment.

- The Trustee requested information on investment management charges and transaction costs regarding legacy AVC assets Aviva and Reassure. At the time of writing this information wasn't available.

The following steps are being taken to obtain the missing information for the future:

- The Trustee will continue to seek the relevant missing information from providers, by making another request before the next year end; and
- The Trustee will continue to monitor the provider's and fund managers' progress on implementing the FCA rules on transaction cost disclosure with a view to providing this information next year.

The Trustee also notes the following limitations:

- The Trustee acknowledges that at this point, limited data is available on industry-wide comparisons and has relied heavily on the market knowledge of its advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.

The Trustee understands that these issues currently affect many pension schemes and pension providers and that, the amount of comparative information available should improve over the next few years.

Actuary's Certification of the Schedule of Contributions

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions (July 2020) are such that the Statutory Funding Objective on 31 March 2018 could have been expected to be met by the end of the period specified in the Recovery Plan.

Adherence to Statement of Funding Principles

- 2 I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles (December 2018).

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

Signature



13 July 2020

Date

Tina Kripps
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson company
51 Lime Street
London
EC3M 7DQ

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Independent Auditor's Statement about Contributions to the Trustee, of the AXA UK Group Pension Scheme

Statement about contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the AXA UK Group Pension Scheme in respect of the Scheme year ended 31 March 2020 which is set out on page 14.

In our opinion contributions for the Scheme year ended 31 March 2020 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 21 March 2019.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 23, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our work, for this statement, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London
E14 5GL

Date:

Independent Auditor's Report to the Trustee, of the AXA UK Group Pension Scheme

Opinion

We have audited the financial statements of AXA UK Group Pension Scheme ("the Scheme") for the year ended 31 March 2020 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2020 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation.

Independent Auditor's Report to the Trustee of the AXA UK Group Pension Scheme

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities and the summary of contributions), the Chair's Statement, and the actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 23, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date:

Fund Account

For the year ended 31 March 2020

	Note	Defined Benefit Sections £000	Defined Contribution Sections £000	Total 2020 £000	Total 2019 £000
Contributions and benefits					
Employer contributions		9,460	59,092	68,552	102,454
Employee contributions		1	2,121	2,122	1,964
Total contributions	5	9,461	61,213	70,674	104,418
Transfers in	6	-	2,898	2,898	2,575
Other income	7	154	2,403	2,557	2,669
		9,615	66,514	76,129	109,662
Benefits paid or payable	8	(165,325)	(6,000)	(171,325)	(164,207)
Payment to and on account of leavers	9	(39,258)	(27,528)	(66,786)	(60,652)
Administrative expenses	10	(7,512)	-	(7,512)	(7,417)
Other payments	11	(767)	-	(767)	(1,431)
		(212,862)	(33,528)	(246,390)	(233,707)
Net (withdrawals)/additions from dealings with members		(203,247)	32,986	(170,261)	(124,045)
Returns on investments					
Investment income	12	234,813	-	234,813	149,638
Change in market value of investments	13	6,474	(54,318)	(47,844)	197,740
Investment management expenses	14	(20,550)	-	(20,550)	(20,204)
Net returns on investments		220,737	(54,318)	166,419	327,174
Net increase/(decrease) in the fund		17,490	(21,332)	(3,842)	203,129
Transfers between sections		127	(127)	-	-
Net assets at 1 April		5,607,173	703,377	6,310,550	6,107,421
Net assets at 31 March		5,624,790	681,918	6,306,708	6,310,550

The notes on pages 57 to 80 form an integral part of these financial statements.

Statement of Net Assets available for Benefits

As at 31 March 2020

	Note	Defined Benefit Sections £000	Defined Contribution Sections £000	Total 2020 £000	Total 2019 £000
Investment assets:	13				
Bonds		4,075,699	-	4,075,699	4,112,097
Property		79,840	-	79,840	125,650
Pooled investment vehicles	17	2,071,974	652,465	2,724,439	2,735,873
Derivatives	18	2,161,900	-	2,161,900	2,022,534
SLP	20	297,000	-	297,000	303,000
AVC investments	22	3,782	21,387	25,169	19,660
Insurance policies		-	608	608	607
Longevity swaps	19	1,058	-	1,058	-
Cash		346,731	-	346,731	288,150
Other investment balances		20,034	-	20,034	36,158
		9,058,018	674,460	9,732,478	9,643,729
Investment liabilities:	13				
Longevity swaps	19	(4,824)	-	(4,824)	(9,595)
Derivatives	18	(2,137,552)	-	(2,137,552)	(1,909,146)
Repurchasing agreements	21	(1,267,302)	-	(1,267,302)	(1,410,808)
Cash		(8,975)	-	(8,975)	-
Other investment balances		(28,806)	-	(28,806)	(31,036)
		(3,447,459)	-	(3,447,459)	(3,360,585)
Total net investments	13	5,610,559	674,460	6,285,019	6,283,144
Current assets	25	24,783	8,165	32,948	35,995
Current liabilities	26	(10,552)	(707)	(11,259)	(8,589)
Total net assets at 31 March		5,624,790	681,918	6,306,708	6,310,550

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Sections, is dealt with in the Report on Actuarial Liabilities on pages 24 to 25 of the Annual Report and these Financial Statements should be read in conjunction with this report.

The notes on pages 57 to 80 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 29 September 2020 and signed on its behalf by:

Director Stephen Yandle

Director Samantha Pitt

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (SORP).

This is the first set of financial statements in which the Scheme Trustee has adopted the amendments to FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial Review 2017. Incremental improvements and clarification issued December 2017, and the SORP (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee has considered severe but plausible downsides which consider the impact of the COVID-19 outbreak and have taken into account the impact on investments, future income and capital growth, portfolio liquidity, cashflow requirements and the employer covenant. This assessment, gives the Trustee confidence to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English Law. The registered address of the Scheme is at 5 Old Broad Street, London, EC2N 1AD.

Notes to the Financial Statements

3. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund Account

	Note	Defined Benefit Sections £000	Defined Contribution Sections £000	Total 2019 £000
Contributions and benefits				
Employer contributions		45,432	57,022	102,454
Employee contributions		-	1,964	1,964
Total contributions	5	45,432	58,986	104,418
Transfers in	6	-	2,575	2,575
Other income	7	528	2,141	2,669
		45,960	63,702	109,662
Benefits paid or payable	8	(158,485)	(5,722)	(164,207)
Payment to and on account of leavers	9	(35,918)	(24,734)	(60,652)
Administrative expenses	10	(7,417)	-	(7,417)
Other payments	11	(1,431)	-	(1,431)
		(203,251)	(30,456)	(233,707)
Net (withdrawals)/additions from dealings with members		(157,291)	33,246	(124,045)
Returns on investments				
Investment income	12	149,638	-	149,638
Change in market value of investments	13	186,413	11,327	197,740
Investment management expenses	14	(20,204)	-	(20,204)
Net returns on investments		315,847	11,327	327,174
Net increase in the fund		158,556	44,573	203,129
Transfers between sections		(791)	791	-
Net assets at 1 April		5,449,408	658,013	6,107,421
Net assets at 31 March		5,607,173	703,377	6,310,550

Notes to the Financial Statements

3. Comparative disclosures for the Fund Account and Statement of Net Assets (continued)

Statement of Net Assets

(available for benefits)

	Note	Defined Benefit Sections £000	Defined Contribution Sections £000	Total 2019 £000
Investment assets:	13			
Bonds		4,112,097	-	4,112,097
Property		125,650	-	125,650
Pooled investment vehicles	17	2,056,023	679,850	2,735,873
Derivatives	18	2,022,534	-	2,022,534
SLP	20	303,000	-	303,000
AVC investments	22	3,882	15,778	19,660
Insurance policies		-	607	607
Cash		288,150	-	288,150
Other investment balances		36,158	-	36,158
		8,947,494	696,235	9,643,729
Investment liabilities:	13			
Longevity swap	19	(9,595)	-	(9,595)
Derivatives	18	(1,909,146)	-	(1,909,146)
Repurchasing agreements	21	(1,410,808)	-	(1,410,808)
Other investment balances		(31,036)	-	(31,036)
		(3,360,585)	-	(3,360,585)
Total net investments	13	5,586,909	696,235	6,283,144
Current assets	25	28,424	7,571	35,995
Current liabilities	26	(8,160)	(429)	(8,589)
Total net assets at 31 March		5,607,173	703,377	6,310,550

Notes to the Financial Statements

4. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by their employer, except for the first contribution due where the employee has been auto-enrolled by the Employer in which case it is accounted for when received by the Scheme.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.

Employer other contributions in respect of administration expenses and Group Life contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions.

Employer augmentation and other special contributions are accounted for in accordance with the agreement under which they are payable.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employers and the Trustee.

Payments to members

Benefits are accounted for in the period in which the member notifies the Trustee of his/her decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Pensions in payment are accounted for in the period to which they relate.

Opt-outs are accounted for when the Scheme is notified of the opt-out.

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or, discharged which is normally when the transfer amount is paid or received.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Expenses

Fees and expenses are accounted for in the period in which they fall due, net of recoverable VAT.

The Scheme bears the cost of all administration and investment expenses. Additional contributions to fund administration expenses are paid by the participating employers each month. The Principal Employer pays Scheme administrative expenses and certain investment expenses throughout the year and re-charges to the Scheme.

Investment income

Income from cash and short-term deposits is accounted for on an accruals basis.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Rental income is accrued as earned under the terms of the lease.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Notes to the Financial Statements

4. Accounting policies (continued)

Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income. Other derivative income is accounted for when declared by the investment manager.

Other income, comprises interest received on the Scheme's interest in the AXA Scottish Limited Partnership ("SLP"), and is accounted for when received under the agreement.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are included at fair value as described below:

Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Properties are included on the basis of their assessed, open market value at the year end. Properties were valued as at the reporting date by CB Richard Ellis, Chartered Surveyors. The properties are valued in accordance with the Royal Institution of Chartered Surveyors valuation guidelines.

As a result of the current situation with regards the COVID-19 pandemic, the Trustee have been advised by its valuers that conditions exist in the real estate markets that may result in a material uncertainty in the reliability of these valuations. Nonetheless, these represent the best estimate of the current valuation at the year end date, and have been adjusted by the valuers to account for the expected impact of COVID-19, based on the information available at the time that the valuation was prepared.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

The Scheme's interest in the AXA Scottish Limited Partnership ("SLP") has been valued by the Trustee, having consulted its advisers, at fair value. The fair value is deemed to be the present value of the discounted expected future income stream from the SLP. The valuation is computed using a model which takes into account a number of assumptions used to derive the discount rate such as credit and illiquidity risk premiums.

Insurance policies comprise with-profits funds and are valued at the estimate of their fair value as provided by the fund manager.

Private equity investments are stated at values provided by the fund managers, which are prepared in accordance with International Private Equity and Venture Capital or equivalent international guidelines.

Swaps are stated at fair value as reported in the valuation provided by the investment manager at the year end. Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gain or losses on open contracts.

Notes to the Financial Statements

4. Accounting policies (continued)

Stock index futures are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at current bid or offer market quoted price of the contract. Amounts due to or from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains or losses on closed future contracts and the unrealised gains or losses on open future contracts.

Forward foreign exchange contracts outstanding at the year end, are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

The Longevity swaps have been valued on a fair value basis based on the expected future cash flows arising under the swap discounted using market interest rates and taking into account the risk premium inherent in the contracts. The valuation, which is provided by the investment manager, is based on an estimate of the assumptions that a hypothetical third party would use for future mortality and premiums.

Options are valued at their mark to market value. If a quoted market price is not available on a recognised exchange, the fair value is calculated using pricing models where inputs are based on market data at the year end.

Non-UK currencies are translated to Sterling at the rates ruling at the Scheme year end. Where forward sales of foreign currency have been made as a hedge against exposure on foreign currency investments, any unrealised profit or loss at the year end, (measured by the difference between spot rate and contracted rate), is included in the change in market value of investments. Realised gains and losses on forward contracts maturing during the year are also included in change in market value.

Index linked and/or fixed interest investments are sold subject to contractual agreements ("Repurchase Agreements") for the repurchase of equivalent securities. The securities sold are accounted for within their respective investment classes as if they had been held at the year end market value.

The contracts to buy back the equivalent securities, the Repurchase Agreements, are an investment liability and the market value reported is the cash received from the counterparty at the opening of the agreements.

The unrealised and realised gain and loss on all Repurchase Agreements is reported in investment income.

The additional voluntary contribution (AVC) investments comprise policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

Presentation currency

The Scheme functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Notes to the Financial Statements

5. Contributions

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Employer contributions						
Normal	-	59,092	59,092	-	57,022	57,022
Other – administration expenses	5,559	-	5,559	5,554	-	5,554
Group life	3,901	-	3,901	3,911	-	3,911
Deficit funding	-	-	-	35,967	-	35,967
	9,460	59,092	68,552	45,432	57,022	102,454
Employee contributions						
Normal	-	193	193	-	182	182
Additional voluntary contributions	1	1,928	1,929	-	1,782	1,782
	1	2,121	2,122	-	1,964	1,964
	9,461	61,213	70,674	45,432	58,986	104,418

In accordance with the Schedule of Contributions certified by the Actuary on 3 September 2018, amounts were due until March 2025 to reduce the Scheme deficit, the Schedule of Contributions certified by the Actuary on 28 December 2018 removed this requirement.

Following completion of the 31 March 2018 actuarial valuation new Schedules of Contributions were certified by the Actuary on 21 March 2019 and 13 July 2020 and set out that deficit funding contributions will become payable again from 1 January 2022.

6. Transfers in

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Individual transfers in from other schemes						
	-	2,898	2,898	-	2,575	2,575

7. Other income

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Claims on term insurance policies						
	-	2,363	2,363	460	2,141	2,601
Contracting out income	107	-	107	66	-	66
Compensation	47	40	87	2	-	2
	154	2,403	2,557	528	2,141	2,669

Notes to the Financial Statements

8. Benefits paid or payable

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Pensions	144,594	-	144,594	141,366	-	141,366
Commutations and lump sum retirement benefits	20,429	2,030	22,459	15,787	1,980	17,767
Lump sum death benefits	298	2,779	3,077	1,279	2,676	3,955
Purchase of annuities	-	1,191	1,191	36	1,066	1,102
Taxation where lifetime or annual allowance exceeded	4	-	4	17	-	17
	165,325	6,000	171,325	158,485	5,722	164,207

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

9. Payments to and on account of leavers

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Refunds to members leaving service	-	13	13	-	109	109
Individual transfer values paid to other schemes	39,258	27,515	66,773	35,918	24,625	60,543
	39,258	27,528	66,786	35,918	24,734	60,652

10. Administrative expenses

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Actuarial fees	951	-	951	872	-	872
Administration fees	4,809	-	4,809	4,219	-	4,219
Audit fees	137	-	137	94	-	94
Legal & Professional fees	1,518	-	1,518	2,316	-	2,316
Scheme levies	97	-	97	(84)	-	(84)
	7,512	-	7,512	7,417	-	7,417

The negative Scheme levies has arisen as a result of an accrual reversal from 2018 of £85k in the prior year.

As the employers are substantially insurance companies which are unable to reclaim VAT on supplies, the cost of VAT on expenses is borne by the Scheme. The Scheme bears the cost of all administration expenses.

Notes to the Financial Statements

11. Other payments

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Premiums on term insurance policies	767	-	767	1,431	-	1,431

12. Investment income

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Bonds	158,790	-	158,790	98,735	-	98,735
Pooled investments	44,204	-	44,204	35,036	-	35,036
Net Swap income/expense	44	-	44	-	-	-
Derivative income	(925)	-	(925)	(4,716)	-	(4,716)
Other income	8,590	-	8,590	8,872	-	8,872
Net rents from properties	5,301	-	5,301	4,334	-	4,334
Interest on cash deposits	1,116	-	1,116	1,986	-	1,986
Annuity income	94	-	94	92	-	92
Foreign exchange gain/(loss)	17,599	-	17,599	5,299	-	5,299
	<u>234,813</u>	<u>-</u>	<u>234,813</u>	<u>149,638</u>	<u>-</u>	<u>149,638</u>

13. Reconciliation of investments

	Value at 1 April 2019 £000	Purchases at cost & derivative payments £000	Sales proceeds & derivative receipts £000	Change in market value £000	Value at 31 March 2020 £000
Defined Benefit Sections					
Bonds	4,112,097	7,890,416	(8,094,817)	168,003	4,075,699
Pooled investment vehicles	2,056,023	1,723,006	(1,652,969)	(54,086)	2,071,974
Derivatives	113,388	266,948	(247,323)	(108,665)	24,348
Property	125,650	677	(36,769)	(9,718)	79,840
SLP	303,000	-	(11,138)	5,138	297,000
Longevity swaps	(9,595)	-	-	5,829	(3,766)
AVC investments	3,882	2	(75)	(27)	3,782
	<u>6,704,445</u>	<u>9,881,049</u>	<u>(10,043,091)</u>	<u>6,474</u>	<u>6,548,877</u>
 Cash					
Cash	288,150				337,756
Repurchasing agreements	(1,410,808)				(1,267,302)
Other investment balances	5,122				(8,772)
	<u>5,586,909</u>				<u>5,610,559</u>

Notes to the Financial Statements

13. Reconciliation of investments (continued)

	Value at 1 April 2019 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2020 £000
Defined Contribution Sections					
Pooled investment vehicles	679,850	2,100,151	(2,067,774)	(59,762)	652,465
Insurance policies	607	1	-	-	608
AVC investments	15,778	42,485	(42,320)	5,444	21,387
	696,235	2,142,637	(2,110,094)	(54,318)	674,460

Of the £674.4m (2019: £696.2m) Defined Contribution Section's assets, £671.1m (2019: £692.7m) was designated to members and £3.4m (2019: £3.5m) was undesignated to members as at 31 March 2020.

There were no direct transaction costs in the year, however indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those investments.

14. Investment management expenses

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Administration, management and custody	19,804	-	19,804	19,535	-	19,535
Other investment management expenses	746	-	746	669	-	669
	20,550	-	20,550	20,204	-	20,204

15. Concentration of Investments

The following investments other than UK government securities, each accounted for more than 5% of the Scheme's net assets at the year end:

	2020		2019	
	Total £000	%	Total £000	%
Alternative Credit Fund	950,576	15.1	1,016,302	16.1
Institutional Cash Series Pooled Fund	425,388	6.7	373,366	5.9
Global Equity – Passive Fund	316,975	5.0	348,132	5.5

16. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Notes to the Financial Statements

17. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year end comprised:

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Alternative credit fund	950,576	-	950,576	1,016,302	-	1,016,302
Specialist credit funds	387,253	-	387,253	376,840	-	376,840
Equity funds	43	344,463	344,506	48	393,398	393,446
Diversified growth funds	-	275,684	275,684	-	261,888	261,888
Property funds	297,748	658	298,406	269,095	944	270,039
Private equity funds	7,566	-	7,566	11,261	-	11,261
Bond funds	-	17,065	17,065	-	12,956	12,956
Cash funds	425,388	10,854	436,242	373,366	6,627	379,993
Mezzanine debt funds	1,171	-	1,171	6,136	-	6,136
Other funds	-	3,741	3,741	-	4,037	4,037
Hedge funds	364	-	364	1,026	-	1,026
Unit linked insurance policies	1,865	-	1,865	1,949	-	1,949
	2,071,974	652,465	2,724,439	2,056,023	679,850	2,735,873

18. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows:

Futures - Futures are used to change the Scheme's exposure to equity markets and to facilitate more efficient portfolio management.

Options - The Scheme uses options to give protection against falls in the market value of assets held.

Swaps - The Scheme has entered into swap contracts to match as far as possible the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements.

Forward FX - The Scheme uses forward foreign exchange contracts to hedge against the risk of investment in foreign currency denomination assets whilst having the obligation to settle benefits in sterling.

At the year end the Scheme had the following derivatives:

	2020 Assets £000	2020 Liabilities £000	2019 Assets £000	2019 Liabilities £000
Exchange Traded:				
Futures	7,240	(18,493)	3,269	(5,765)
Options	176,119	(180,903)	50,033	(54,730)
Over the Counter (OTC):				
Swaps	330,974	(216,874)	203,173	(96,776)
Forward FX contracts	1,647,567	(1,721,282)	1,766,059	(1,751,875)
	2,161,900	(2,137,552)	2,022,534	(1,909,146)

Notes to the Financial Statements

18. Derivatives (continued)

(i) Futures

Type of contract	Expiration	Underlying investment	Notional value £000	Aggregate asset £000	Aggregate liability £000
Future	3 month	UK Long Gilt Bonds	1	1,369	-
Future	3 month	Canadian Equities	-	284	-
Future	3 month	US Equities	1	3,146	-
Future	3 month	Australian Equities	-	3	-
Future	3 month	Japanese Equities	-	149	-
Future	3 month	Swiss Equities	-	459	-
Future	1 month	Hong Kong Equities	-	-	-
Future	1 month	Swedish Equities	-	170	-
Future	3 month	US Treasury Notes	1	29	(10,740)
Future	3 month	US Treasury Bonds	-	48	(7,753)
Future	3 month	European Equities	1	1,583	-
				7,240	(18,493)

The notional value of stock purchased under the futures contract is the value subject to market movements.

(ii) Options

Number of Contracts	Type	Expiration	Underlying investment	Notional amount of outstanding contracts £000	Aggregate asset £000	Aggregate liability £000
3	Purchased	Jul 2022 – Sept 2022	FPP Swaption	465	176,119	(180,903)

The notional amount of outstanding contracts represents the value of underlying stock protected by the traded options.

(iii) Swaps

Number of contracts	Expiration	Nature	Notional principal £000	Aggregate asset £000	Aggregate liability £000
1		Equity return	3	-	(4,304)
19		Index total return	-	167,328	-
40	Aug 2022 – Jan 2069	Inflation rate	1,460,362	73,436	(90,799)
67	Sep 2020- Sept 2068	Interest rate	1,301,187	90,210	(99,107)
16		Other	2,321	-	(22,664)
				330,974	(216,874)

The notional principal of the swap is the amount used to determine the value of the swapped interest receipts and payments.

Notes to the Financial Statements

18. Derivatives

The table below gives an overview of the collateral held in respect of the Scheme's swap contracts:

	2020 Total £000	2019 Total £000
Collateral received		
Government bonds	<u>180,523</u>	<u>49,369</u>
Collateral pledged		
Government bonds	<u>-</u>	<u>-</u>

(iv) Forward foreign exchange

Number of contracts	Settlement date	Currency bought '000	Currency sold '000	Asset £000	Liability £000
1		GBP 0	AUD 0	237	(237)
1		GBP 0	CAD 0	155	(155)
7		GBP 92,097	EUR 110,428	92,413	(98,126)
1		GBP 0	HKD 0	45	(45)
1		GBP 0	JPY 0	303	(302)
1		GBP 0	SEK 0	39	(39)
22		GBP 1,551,291	USD 2,009,526	1,554,375	(1,622,378)
				<u>1,647,567</u>	<u>(1,721,282)</u>

19. Longevity swaps

The Scheme also has two longevity swaps which were valued at - £4.8m and £1.0m respectively as at 31 March 2020 (2019: -£9.6m & £nil).

The collateral on these swaps is as follows:

Longevity swap collateral required at 31 March 2020	Experience collateral £000	Fee collateral £000	Total collateral £000
2015 Longevity swap (Lantern)	18,845	84,247	103,092
2019 Longevity swap (Greenland)	-	13,760	13,760
	18,845	98,007	116,852

Notes to the Financial Statements

20. Special Purpose Vehicle (SPV)

The Asset Backed Arrangement investment totalling £297 million (2019: £303 million) represents the Scheme's interest in a Scottish Limited Partnership ("SLP"), the other limited partner being AXA UK.

The Scheme's acquisition of its interest in the SLP was funded by a monetary contribution of £310 million made by AXA UK plc to the Scheme in 2015. The SLP has been capitalised by AXA UK by the assignment of a 20 year loan of £350 million from AXA UK to AXA SA to the SLP as its sole asset. The Scheme receives a series of contractually determined cash flows over the period of the loan agreement payable on 31 March annually. The total expected future cash flow over its anticipated lifetime is £471.4 million. The Scheme received £19.7 million on 31 March 2020, the interest element of £8.6 million is included in investment income in note 10, and the capital element of £11.1 million in sales.

The Asset Backed Arrangement is valued by Willis Towers Watson on at least an annual basis, using a discounted cash flow methodology which considers various assumptions used to derive the discount rate, including credit and illiquidity premiums.

There are no funding triggers in the structure and the intention is for the Trustee's interest in the SLP to cease following the maturity of the loan in 2035.

21. Repurchase agreements

At the year end, amounts under repurchase agreements amounted to £1,267,302,000 (2019: £1,410,808,000).

At the year end £10,992,145 (2019: £22,997,000) of bonds reported in the financial statements are held by counterparties under the repurchase agreement.

22. AVC investments

The Trustee holds assets which are separately invested from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and the movements during the year.

The aggregate amounts of AVC investments are as follows:

	2020 Total £000	2019 Total £000
Defined Benefit Sections		
Aviva	764	828
Equitable Life Assurance Society (to 31 Dec 2019)	-	169
Utmost (from 1 Jan 2020)	178	-
ReAssure Life	<u>2,840</u>	<u>2,885</u>
	<u>3,782</u>	<u>3,882</u>

In the DC sections the AVCS are invested in the same pooled funds as regular contributions. The value and movements during the year are detailed in note 13 on page 65 and page 66.

Notes to the Financial Statements

23. Fair value determination

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

As at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Defined Benefit Sections				
Bonds	-	4,036,283	39,416	4,075,699
Pooled investment vehicles	-	1,763,624	308,350	2,071,974
Derivatives	-	24,348	-	24,348
Property	-	-	79,840	79,840
SLP	-	-	297,000	297,000
Longevity swaps	-	-	(3,766)	(3,766)
AVC investments	-	-	3,782	3,782
Cash	337,756	-	-	337,756
Repurchasing agreements	-	(1,267,302)	-	(1,267,302)
Other investment balances	(8,772)	-	-	(8,772)
	328,984	4,556,953	724,622	5,610,559
Defined Contribution Sections				
Pooled investment vehicles	-	652,465	-	652,465
Insurance policies	-	-	608	608
AVC investments	-	21,387	-	21,387
	-	673,852	608	674,460
Total investments	328,984	5,230,805	725,230	6,285,019

Notes to the Financial Statements

23. Fair value determination (continued)

As at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Defined Benefit Sections				
Bonds	-	4,112,097	-	4,112,097
Pooled investment vehicles	-	1,767,581	288,442	2,056,023
Derivatives	-	113,388	-	113,388
Property	-	-	125,650	125,650
SLP	-	-	303,000	303,000
Longevity swaps	-	-	(9,595)	(9,595)
AVC investments	-	-	3,882	3,882
Cash	288,150	-	-	288,150
Repurchasing agreements	-	(1,410,808)	-	(1,410,808)
Other investment balances	5,122	-	-	5,122
	293,272	4,582,258	711,379	5,586,909
Defined Contribution Sections				
Pooled investment vehicles	-	679,850	-	679,850
Insurance policies	-	-	607	607
AVC investments	-	15,778	-	15,778
	-	695,628	607	696,235
Total investments	293,272	5,277,886	711,986	6,283,144

Notes to the Financial Statements

24. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Other price risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			2020 Value £'000	2019 Value £'000
		Currency	Interest rate	Other price		
Defined Benefit Sections						
Bonds	■	□	■	□	4,075,699	4,112,097
Property	□	□	□	■	79,840	125,650
Pooled investment vehicles:					2,071,974	2,056,023
Direct	■	□	■	□		
Indirect	□	□	□	□		
Derivatives	□	□	■	□	24,348	113,388
Other investments	■	□	■	□	(974,068)	(1,117,403)
AVC investments	■	□	□	■	3,782	3,882
Cash deposits and other net investment assets	■	□	□	□	328,984	293,272
Total					5,610,559	5,586,909
Defined Contribution Sections						
Pooled investment vehicles	■	□	□	□	674,460	679,850

In the above table, the risk noted affects the asset class [■] significantly, [□] partially or [□] hardly/not at all.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include legacy insurance policies or AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Notes to the Financial Statements

24. Investment risk disclosures (continued)

Defined Benefit Sections

Investment strategy

The investment objective of the DB sections is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB sections payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB sections taking into account considerations such as the strength of the employer covenant, the long term liabilities of the DB sections and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is to hold:

- 42.2% in investments that move in line with the long term liabilities of the Scheme. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government bonds and interest rate swaps, the purpose of which is to hedge against the impact of interest rate movement on long term liabilities.
- 18.8% in return seeking investments comprised of synthetic equity exposure, trend following and risk parity strategies.
- 4.1% in illiquid return seeking assets comprised of private equity, mezzanine debt and property.
- 9.5% in conventional credit comprised corporate bonds and long dated corporate bonds.
- 6.9% in liquid credit comprised of asset backed securities (ABS), European leveraged loans and absolute return bonds.
- 25.0% in illiquid credit which includes exposure to direct lending and distressed asset investing.
- 5.0% in long leases and social housing.

The above percentages do not add up to 100% as the Scheme has a policy to utilise capital in as an efficient a manner as possible and therefore where possible implements assets exposure in a cost effective manner. This is primarily done in the LDI portfolio for hedging and to gain exposure to equity for diversification.

Credit risk

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Cash is held within financial institutions which are at least investment grade credit rated.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager. The Scheme is also indirectly exposed to credit risk through the financial instruments that are held by the pooled investment vehicles..

Notes to the Financial Statements

24. Investment risk disclosures (continued)

A summary of pooled investment vehicles by type of arrangement is as follows:

	2020 £000	2019 £000
Shares of limited liability partnerships	<u>2,071,974</u>	2,056,023
	<u>2,071,974</u>	2,056,023

Currency risk

The Scheme is subject to currency risk as some of the Scheme's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Trustee has a policy of fully hedging any FX risk arising on credit to ensure fixed income returns are not overwhelmed by FX volatility.

Interest rate risk

The Scheme is subject to interest rate risk as some of the Scheme's investments are held in bonds, interest rate swaps, either as segregated investments or through pooled vehicles, and cash. Under the current hedging strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will actuarial liabilities because of an increase in the discount rate.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, hedge funds, private equity and investment properties. At the year end the return seeking assets represented 25% of the total investment portfolio (2019: 29.0%).

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Defined Contribution Sections

Investment strategy

The Trustee's objective is to make available a range of investment options designed to generate income and capital growth offering an appropriate level of risk and return to members of the Scheme. Contributions from members and their employer are invested in the default option or investment options selected by the members. The objective is to provide an amount at retirement with which the member can purchase a pension annuity or another type of retirement product, including 'drawdown'. Members also have the option to withdraw their benefits as cash. The Statement of Investment Principles (SIP) outlines the investment objectives and strategy for the Defined Contribution assets of the Scheme.

The investment funds offered to members are "white labelled" funds provided by BlackRock Life Limited ("BLK"). White-labelled funds are funds which are specifically created for this Scheme, where the Trustee is responsible for selecting appropriate underlying investment funds held by the white labelled fund. When a white labelled fund has more than one underlying investment fund then BLK is responsible for maintaining the asset allocation between underlying investment funds. BLK is also responsible for monitoring the liquidity of all funds made available to the Scheme (white labelled or not).

Notes to the Financial Statements

24. Investment risk disclosures (continued)

In total there are eighteen "AXA" white labelled funds available as follows:

- Global Equity Passive Fund
- Diversified Growth Active Fund
- UK Equity Passive Fund
- UK Corporate Bonds Passive Fund
- UK Long Gilts Passive Fund
- UK Equity Active Fund
- Global Equity Active Fund
- Overseas Equity Passive Fund
- Cash Active Fund
- SRI Fund
- UK Long Index-Linked Gilts Passive Fund
- Shariah Law Passive Fund
- Absolute Return Bond Fund (active)
- Emerging Markets Fund (active)
- Property Fund (active)
- Framlington UK Select Opportunities Fund
- Architas Multi Asset Passive Moderate Fund
- Architas Diversified Real Assets Fund

The default option is a lifestyle strategy which, over time, invests in the following funds:

- Global Equity Passive Fund
- Diversified Growth Active Fund
- Absolute Return Bond Fund
- Cash Active Fund

The Trustee has a policy of insurance in place with BLK which is the Scheme's "asset". The policy and supporting documentation sets out how the Scheme's investments will be operated and administered including rebalancing ranges and rebalancing frequency. Guidelines for the underlying investments held by the funds are set out in the funds' respective prospectuses, provided by the underlying investment managers. The day-to-day management of the underlying investments of the funds is the responsibility of these underlying investment managers, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by quarterly investment reviews which include a variety of monitoring information about the underlying investment managers.

The risks disclosed here relate to the DC Section's investments as a whole. Members are able to choose their own investments from a range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the DC Sections as a whole.

Notes to the Financial Statements

24. Investment risk disclosures (continued)

Credit risk

The DC sections are subject to direct credit risk in relation to BLK through its holding in unit-linked funds provided by BLK.

BLK is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders.

The DC sections are also subject to indirect credit risk arising from the underlying investments held in the funds. These risks are managed by the underlying investment managers of the white labelled funds offered to members. Member level risk exposures will be dependent on the funds invested in by members.

Market risk

The Scheme's DC Sections are also subject to indirect market, foreign exchange, interest rate and other investment risks arising from the underlying financial instruments held by the funds provided by BLK.

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk	2020 Total £000
Global Equity Passive Fund		✓		✓	313,536
Diversified Growth Active Fund	✓	✓	✓	✓	274,632
UK Equity Passive Fund				✓	9,843
UK Corporate Bonds Passive Fund	✓		✓	✓	2,139
UK Long Gilts Passive Fund	✓		✓	✓	1,726
UK Equity Active Fund				✓	2,317
Global Equity Active Fund		✓		✓	7,254
Overseas Equity Passive Fund		✓		✓	8,249
Cash Active Fund	✓			✓	10,727
SRI Fund		✓		✓	1,704
UK Long Index-Linked Gilts Passive Fund	✓		✓	✓	1,332
Shariah Law Passive Fund		✓		✓	1,297
Absolute Return Bond Fund	✓	✓	✓	✓	10,696
Emerging Markets Fund		✓		✓	3,200
Property Fund				✓	658
Framlington UK Select Opportunities Fund				✓	534
Architas Multi Asset Passive Moderate Fund	✓	✓	✓	✓	1,158
Architas Diversified Real Assets Fund	✓	✓	✓	✓	206
Total					651,208

Notes to the Financial Statements

25. Current assets

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Contributions receivable -						
Employer	806	7,397	8,203	770	7,097	7,867
Members	-	62	62	-	71	71
Monies due from claim on term insurance policies	412	706	1,118	257	403	660
Other	1	-	1	68	-	68
Cash deposits held with the Scheme Administrator	23,564	-	23,564	27,329	-	27,329
	24,783	8,165	32,948	28,424	7,571	35,995

The contributions due as at 31 March 2020 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

26. Current liabilities

	2020 DB £000	2020 DC £000	2020 Total £000	2019 DB £000	2019 DC £000	2019 Total £000
Lump sums on retirement payable						
Lump sums on retirement payable	1,178	-	1,178	750	-	750
Death benefits payable	-	295	295	76	429	505
Taxation	2,113	-	2,113	2,061	-	2,061
Life assurance premiums payable	131	-	131	580	-	580
Administration expenses payable	1,612	-	1,612	1,087	-	1,087
Investment management expenses payable	5,487	-	5,487	3,136	-	3,136
Other	31	412	443	470	-	470
	10,552	707	11,259	8,160	429	8,589

27. Related party transactions

As mentioned in the Trustee's Report and the accounting policies, the Principal Employer has paid the majority of the costs of administering the Scheme for the year, and has invoiced the Scheme. The total amount paid by the Principal Employer in respect of the year ended 31 March 2020 and invoiced to the Scheme was £7.4m for administration expenses (2019: £7.6m) and £0.7m for other investment expenses (2019: £0.8m).

Included within the administration expenses are fees totalling £110,632 (2019: £147,193) which were paid to Law Debenture and £65,610 (2019: £154,464) to Ross Trustees Services Limited for their trustee services for the year ended 31 March 2020.

Notes to the Financial Statements

27. Related party transactions (continued)

Of the Trustee Directors in office at the year end, the following Trustee Directors of AXA UK Pension Trustees Limited were also active members of the Scheme during the year:

Ms D Chua

Ms A Colombatti

Mr M Taylor

The following Trustee Director of AXA UK Pension Trustees Limited was in receipt of a pension from the Scheme during the year:

Mr K Smith.

No investment managers, other than AXA Investment Managers UK Limited, and AXA Real Estate Investment Managers UK Limited are associated or linked to the participating employers. The value of the fees paid to the AXA related investment managers for the year ended 31 March 2020 was £1,525,372 (2019: £754,334).

The Scheme has an interest in the AXA Scottish Limited Partnership as referred to in note 20. Further details are also set out in the Trustee's Report on page 8. The Scheme received a special contribution of £310 million in 2015 from AXA UK in order to purchase its interest in the SLP. AXA UK also assigned its loan to the SLP in which the Scheme is a limited partner. Annual income streams relating to the servicing of the loan by AXA SA will be received by the Scheme from 31 March 2016 to 2035.

28. Stock lending

The Trustee did not engage in stock lending during the financial year and did not have plans to enter into any stock lending arrangements as at the year end.

29. Contingencies and commitments

At 31 March 2020, the Scheme had the following financial commitments:

Infrastructure AXA IM of £109m (2019: £150m)

Real Estate Debt Alliance Bernstein of £33m (2019: £46m)

Real Estate Debt AXA IM of £34m (2019: £46m)

Leveraged Loans AXA IM of £nil (2019: £25m)

Direct/SME Lending investments with Highbridge of £81 million (2019: £Nil);

The Scheme does not have any contingent liabilities that are unapproved at 31 March 2020 (2019: £Nil) other than the payment of future benefits under the Scheme Rules.

30. Contingent liability

As explained on page 13 of the Trustee report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit schemes. The judgement concluded the Schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Notes to the Financial Statements

31. Subsequent events

On 4 August 2020, the Trustees agreed with the Company that the DC section of the scheme (administered by Aegon) will be transferred to a Master Trust arrangement with Lifesight. A Master Trust is a multi-employer occupational scheme where each employer has its own division within the master arrangement. Lifesight is an authorised master trust by the Pensions Regulator. For the accounts as of 31 March 2020, this is a non-adjusting subsequent event. There is expected to be minimal impact to members of the DC section. The transaction is expected to be effective on 1 October 2020 and further details can be obtained by contacting the Head of Pensions Administration and Trustee Services.

There were no other subsequent events which required disclosure in these financial statements.

32. COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30 January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Trustee is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

As a result of the emergence and spread of COVID-19, the Fund's NAV has suffered as a result of a decline in financial markets. The Trustee has continued to closely monitor the Fund's NAV as a result of a decline in global stock markets from the start of 2020 and the latest NAV as at the close of business on 31 August 2020 had recovered compared to the NAV at the year end.

Statement of Investment Principles (SIP) – Defined Contribution (DC) Section – September 2020

Introduction

The law requires the Trustee to produce formal “Statement of Investment Principles” for the Scheme’s default arrangement and its other investment options. These Statements set out what the Trustee aims to achieve with the investment options and their investment policies which guide how members’ money is invested.

This document is a compendium of the Statements of Investment Principles for the AXA UK Group Pension Scheme DC Section (the “Scheme”). These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Scheme’s Auditors which, as far as possible, are shown separately in “for the record” boxes.

The Trustee will publish the Statements of Investment Principles online.

Statements of Investment Principles

The Trustee’s Statements of Investment Principles for the DC Section contained in this document include the:

1. Statement of the aims and objectives for the default arrangement*;
2. Statement of the aims and objectives for investment options outside the default arrangement*; and
3. Statement of investment beliefs, risks and policies**.

The Statement of Investment Principles for the DC Section of the Scheme** comprises items 1, 2 and 3. The Statement of Investment Principles for the Scheme’s default arrangement*** comprises items 1 and 3.

Appendices

- A. Investment implementation for the default arrangement;
- B. Investment implementation for the investment options outside the default arrangement;
- C. Summary of the approach to investment governance; and
- D. Summary of the Scheme’s service providers.

For the record

* In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

** In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

*** In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee has taken proper written advice and consulted the Employer in the preparation of these Statements of investment Principles. These Statements will be reviewed at least every three years or more frequently as required by the Regulations.

Statement of Investment Principles

1. Statement of the aims and objectives for the default arrangement

Reasons for the Default Arrangement

The Trustee has decided that the Scheme should have a default investment arrangement because:

- The Scheme is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement;
- It should be easy to become a member of the Scheme and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Scheme's members are expected to have broadly similar investment needs.

Choosing the default arrangement

The Trustee believes that understanding the Scheme's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The Trustee has taken into account a number of aspects of the Scheme's membership including:

- The members' age and salary profile;
- Members' projected personal account sizes at retirement;
- Contribution levels; and
- The likely return on investment, after the deduction of charges payable on the funds, used by the Scheme's default strategy - the Drawdown Lifecycle Strategy.

Objectives for the default arrangement

The main objective of the default arrangement is to provide good member outcomes at retirement. The Trustee also believes that it is in the best interests of the majority of members to offer a default which:

- Manages the principal investment risks members face during their membership of the Scheme;
- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for the majority of members who do not make investment choices;
- Enables investments to be readily realisable subject to market conditions;
- Considers Environmental, Social and Governance (ESG) issues; and
- Reflects members' likely benefit choices at retirement.

The default arrangement

The default arrangement is therefore a "lifestyle strategy", which:

- Gradually moves investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and
- Targets members who are expected to use Flexible Access Income Drawdown during their retirement.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement. The expected investment returns, approach to managing investment risks including financially material considerations such as climate change and details of the Trustee's policies in relation to its investments and its arrangements with assets managers are described in Section 3. Full details of the current default arrangement are given in the document in Appendix A "Investment implementation for the default arrangement".

Statement of Investment Principles

2. Statement of the aims and objectives for investment options outside the default arrangement

Reasons for the investment options

In addition to the default arrangement, the Scheme offers members a choice of investment options because:

- While the default arrangement is intended to meet the needs of a majority of the Scheme's members, it may not meet the needs of all members. Gradually moves investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

Choosing the investment options

Membership analysis

The Trustee believes that understanding the Scheme's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- The members' age and salary profile.
- The likely sizes of members' pension funds at retirement;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want responsible, ethical or faith-based investment.

Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Objectives for the investment options

The Scheme offers members a choice of investment options as an alternative to the default arrangement.

Alternative lifestyle options

The main objective of the alternative "lifestyle option", the Annuity Lifecycle Strategy, is to give good member outcomes.

The Trustee believes that it is in the best interests of members in the alternative lifestyle option to:

- Manage the principal investment risks members' face during their membership of the Scheme;
- Maximise investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for members who do not otherwise make investment choices; and
- Give further choice for members who feel that the Scheme's default arrangement is not appropriate to their needs, but do not otherwise want to be involved in deciding where their contributions are invested.

The alternative lifestyle option gives members a choice compared to the default arrangement of:

- Slightly lower levels of investment risk and expected return; and
- Targeting buying an annuity at retirement.

Statement of Investment Principles

2. Statement of the aims and objectives for investment options outside the default arrangement (continued)

Self-select / Freechoice funds

The objectives of the self-select fund range, also known as the 'Freechoice' fund range, are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension funds are invested;
- Complement the objectives of the Default Arrangement and the alternative lifestyle option;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches including responsible investing, ethical and faith-based funds;
- Help members more closely tailor how their pension funds are invested to their personal needs and attitude to risk;
- Help members more closely tailor how their pension funds are invested to reflect the benefits they intend to take at retirement.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current investment options are provided in the documents "Investment implementation for investment options outside the default arrangement" and "Investment implementation for the default arrangement.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies

Introduction

This Statement sets out the investment beliefs and policies which guide the Trustee's decision making.

FOR THE RECORD

This Statement of investment beliefs, risks and policies should be read in conjunction with the Statements of the aims and objectives for both the default arrangement and the investment options outside the default arrangement. Collectively, these respectively form the Statements of Investment Principles for the Scheme and the default arrangement.

This Statement of investment beliefs has been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005.

Risks

Principal investment risks

The Trustee believes that the three principal investment risks most members will face are:

- 1) **Inflation risk** – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

Further from retirement, this risk should be countered by funds investing in equities and other growth orientated assets which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

- 2) **Benefit conversion risk** – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.

- 3) **Volatility/Market risk** – falls in fund values prior to retirement lead to a reduction in retirement benefits.

Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Other investment risks

The Trustee believes that other investment risks members may face include:

Active management risk – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.

Default risk – for bond funds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Liquidity risk – funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

Counterparty risk – the financial institutions holding a fund's assets may get into financial difficulties leading to a reduction in a fund's value.

Market risks - Shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Factor based investing – equity investments may show several factors (supported by academic research) that may be expected to deliver stronger returns over the longer-term, but which may show increased risks (including timing) in the shorter-term.

Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations. **Climate risk** - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Legislative/Regulatory - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Measuring risks

The Trustee has developed and maintain a framework for measuring the investment risks. This has two components:

- Quarterly monitoring of the investment funds covering short and medium-term performance attribution.
- Periodic reviews of the investment strategy.

Managing risks

The Trustee has developed and maintain a framework for assessing the impact of all investment risks on long-term investment returns.

Principal investment risks

The lifestyle options manage the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of the majority of members.

Other investment risks

The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Scheme.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

At this time, the Trustee has not made explicit allowance for climate change within the development or implementation of its investment strategy. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers to ensure they take such considerations into account within their decision making. The Trustee does discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will monitor developments in this area. In relation to its investment strategy, the Trustee monitors other risks which it believes to be financially material including economic risk, market risk and regulatory risk on a regular basis and discusses issues relating to these risks with its adviser and managers on a periodic basis. The Trustee monitors governance risk and will report on the managers' practices in their annual Implementation Statement.

Time Horizon

The Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks. The Scheme is open to new entrants and as a result, investment risks need to be considered over the duration of their time with the Scheme.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Financially material considerations

The Trustee recognises that the consideration of financially material considerations, including ESG factors, climate risk, economic risk, market risk and regulatory risk are relevant to the development, selection and monitoring of the Scheme's investment options.

Implementation

The Scheme uses standard pooled funds offered by investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members but means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Scheme. The Trustee nevertheless seek to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustee recognises that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustee believes will deliver appropriate risk adjusted returns.
- For all funds, the Trustee expects fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Preferring fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

Expected returns on investments

The Trustee believes that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account).

Asset class	Expected long-term investment returns relative to inflation	Expected shorter- term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts)	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Long- Dated Bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

Multi-asset funds (i.e. investing in a varying mix of asset classes) - should deliver positive returns relative to inflation over the longer-term, with lower short-term volatility than equities.

Derivatives (e.g. currency hedging) - typically to reduce shorter-term investment risks or to facilitate changing where funds are invested, should help achieve a fund's expected levels of risk and return.

Market beta (i.e. funds investing in assets with certain characteristics) – the strategy of these funds is intended to give a better return over the long-term than the broader market for the type of assets involved (e.g. equities).

Illiquid assets (e.g. infrastructure, forestry, private equity and private debt) – seek to deliver better risk adjusted returns over the long or very long term compared to similar and more liquid assets, but may give poor returns if they are sold in the short to medium term.

Commodities – are often speculative investments where values are sensitive to demand, but may provide a degree of inflation-proofing and diversification.

Investment beliefs

The Trustee's investment decisions are made in the context of its investment beliefs that:

- Members are in general long-term investors (who plan for future outcomes which are 10 or more years in the future);
- Managing the principal investment risks is the most important driver of good long-term member outcomes;
- As the Scheme invests for members over the long-term, financially material considerations including the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Taking investment risk is usually rewarded in the long term;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Actively managed funds, where the manager chooses where to invest, may not always deliver the expected investment returns in the shorter-term;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets;
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net returns.
- As the Scheme invests for the long-term, ESG factors will have a bearing on the funds' expected levels of risk and return;
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net return;
- ESG issues will be financially material to risk-adjusted returns over the long term;
- Climate change is a material financial risk, particularly to younger members; and
- Active stewardship can support positive engagement with members.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Types of funds used

Delegation of investment decisions

The Scheme uses funds provided through an investment platform. This investment platform in turn invest its funds in funds provided by a selection of fund managers where investments are pooled with other investors. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner. It means that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the fund managers.

Selection of Funds

The Trustee will invest in funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

The Trustee's choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the Trustee will endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Scheme's investment objectives and the Trustee's investment beliefs, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Scheme and its members.

The Trustee will seek to engage with the platform provider to obtain funds which meet the Trustee's investment beliefs, and are expected to improve outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangement. The Trustee expects the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustee will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Manager Incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members.

Nevertheless, the Trustee expects that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives.

For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will act should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator the Trustee will periodically review the Scheme's choice of provider to ensure their charges and services remain competitive. The Trustee believes that this is one of the most effective ways of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee also undertakes a review at least every three years in which the appropriateness of the investment options at which time the suitability of the Scheme's investment management arrangements are also considered.

The Trustee monitors the investment managers against a series of metrics on a quarterly basis over a long-term time horizon including:

- Performance of their funds' respective benchmarks/targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The platform provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Portfolio Turnover

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager.

When selecting actively managed funds, the Trustee will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on a periodic basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Scheme's reporting year.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the platform provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Portfolio Duration

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizon.

The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Security of assets

The funds are provided through a policy of insurance issued to the Trustee by the platform provider. As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties.

The underlying funds used by the provider's platform are accessed through reassurance agreements and unit purchase agreements. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers' funds.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Realisation of investments

The Trustee expects that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee recognises that most members' pension funds have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

Creation of alternative / inadvertent/ temporary default arrangements

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

In some circumstances this may result in monies being invested in or transferred to an alternative fund without a member's consent (such as fund suspensions) which may result in funds other than the default option being deemed as "default" investment arrangements for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. A default arrangement is protected by the charge cap so that member charges for that arrangement do not exceed 0.75% p.a. Where a fund becomes a "default arrangement" for these purposes, the Trustee will apply the principles set out in this SIP in respect of the default option to the extent they are relevant to the fund. Further details are out in Appendix 1 in respect of any funds which have become "default arrangement" for these purposes.

Balance of investments

The Trustee reviews the nature of the Scheme's investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Overall, the Trustee believes that the Scheme's investment options:

- Provide a balance of investments; and
- Are appropriate for managing the risks typically faced by members.

This is because the investment options cover a wide range of asset types with different expected risk and return characteristics, including:

- Assets with high expected long-term growth and high expected volatility (such as equities);
- Assets which are actively managed which have the potential to outperform their benchmarks, but may also underperform;
- Assets which are inflation-linked (such as inflation-linked bonds);
- Assets which have low expected long-term growth and low expected volatility (such as cash).

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors and climate risk, is relevant in both the strategic development and implementation of the investment arrangements. The Trustee further recognises that the financial materiality of any factor, including ESG factors and climate risk, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers. The Trustee will develop and maintain a framework for assessing the impact of all investment risks on long-term investment returns. As part of this, the Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment time horizon.

Consideration of non-financially material factors in investment arrangements

The Trustee recognises that some members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

While the Trustee will bear members' views in mind when reviewing the suitability of the Scheme's investment options and choice of funds used, the Trustee will not be bound by the members' views (for instance where it is uneconomic or impracticable to do so).

Furthermore, the Trustee notes that a large majority of members have not made active investment choices and so the Trustee believes that most members are unlikely to have strong views on where their savings are invested.

The Trustee has not imposed any restrictions or exclusions to the default investment arrangements based on non-financially material factors. The Trustee does however make available an ethical equity fund and a Sharia Law equity fund within the self-select range for members who are likely to hold stronger views in these areas than the majority of members. These funds take into account non-financial factors into the investment process and can be used by any member.

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under- or out-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

Members' financial interests

The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Conflicts of interest

When appointing or monitoring platform providers and investment managers' funds on the provider's platform, the Trustee will seek independent advice from the Scheme's investment consultants. In addition, the Trustee expects that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest to the Trustee.

When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Scheme.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee expects the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

Voting and engagement

The Trustee believes that engagement with the companies in which the Scheme invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Scheme's investments.

The Scheme invests via an investment platform provider, who in turn invest in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider and determined that these policies are appropriate. On an annual basis, the Trustee will request that the investment platform provider and fund managers provide details of any change in their house policy and notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

Where appropriate, the Trustee will engage with and may seek further information from the investment platform provider and fund managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but actively encourages the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies and other investors, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks.

The Trustee expects the investment platform providers to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance practices on request.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

Monitoring

The Trustee receives an independent investment performance monitoring report on a quarterly basis. The Trustee will review the performance of the appointed investment manager from time to time, based on the results of their performance, compared to their stated performance objectives, and investment process.

The Trustee periodically monitor the suitability the Drawdown Lifecycle Strategy and Annuity Lifecycle Strategy's objectives, and the performance of the Drawdown Lifecycle Strategy and Annuity Lifecycle Strategy against their objectives.

The Trustee expects the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues.

The Trustee monitors the voting activity of key funds used within the default strategy on a quarterly basis. The Trustee also periodically engages with the fund managers at update meetings. If the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

The Trustee aims to meet with all major fund managers on an annual basis. The Trustee will provide the fund managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues.

The charges for the investment options (expressed in terms of each fund's "Total Expense Ratio") are monitored by the Trustee to ensure that they represent "value for money" relative to the investment objectives of each fund.

The default option's compliance with the charge cap is monitored on a regular basis.

The Trustee recognises that transaction costs (both on the investment management of the funds underlying portfolio of assets and the "spread" upon buying or selling the funds) will impact the investment returns experienced by members.

The Trustee monitors the funds' transaction costs to ensure that they are reasonable and appropriate.

The Trustee periodically monitors the process whereby contributions in respect of members are invested in and disinvested from the Scheme's investment options.

Securing compliance with Section 36, Pensions Act 1995

The Trustee is required to meet the requirements of section 36 (and the relevant underlying regulations). This covers a wide range of duties regarding investing in members' best interests, the selection of investments, the management of investments, delegation and seeking advice. The Trustee acknowledges these requirements and has a policy of regularly engaging with its professional advisers on all significant issues relating to investment. In addition, the Trustee Board includes professional trustees which are expected to have a higher level of knowledge of these requirements compared to lay trustees.

Statement of Investment Principles

3. Statement of investment beliefs, risks and policies (continued)

FOR THE RECORD

The Trustee obtains and considers proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement and the alternative lifestyle option are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

In relation to the default arrangement, in order to invest in a way which aligns with members' best interests the Trustee aims to achieve the objectives set out in the 'objectives for the default arrangement' section of this document.

The investment platform uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee considers that these types of investments are suitable for the Scheme. The Trustee is satisfied that the funds used by the Scheme provide adequate diversification both within and across different asset classes.

Statement of Investment Principles

Appendix A

Investment Implementation for the default arrangement

Default arrangement

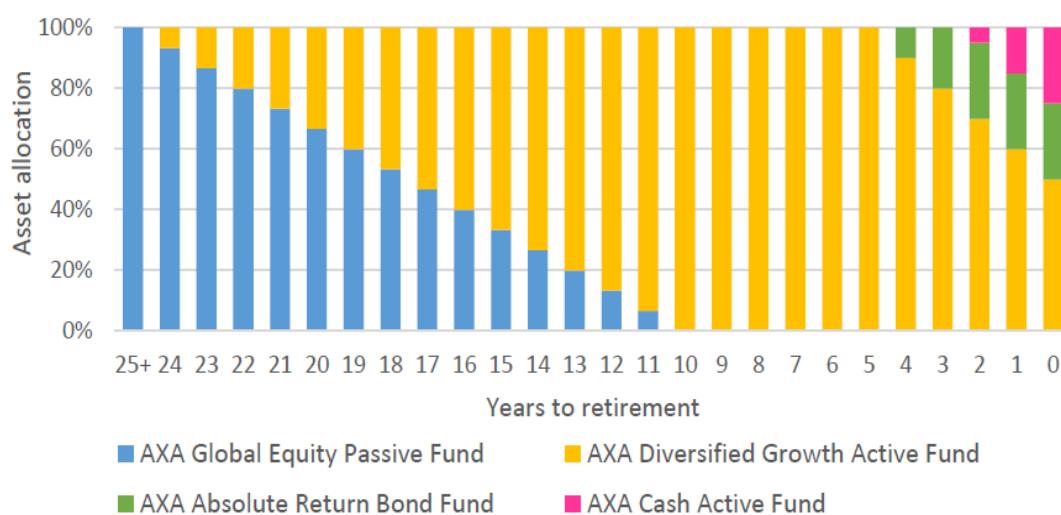
The default arrangement is a lifestyle strategy which targets flexible income drawdown at retirement.

Members are invested in funds expected to give higher returns relative to inflation up to 25 years before their normal retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 25 and 10 years before their normal retirement date.

Finally, members are automatically switched into funds aligned to their expected benefit choices at retirement during the last 5 years up to their normal retirement date.

Asset allocation for the default drawdown lifecycle



Statement of Investment Principles

Fund Allocation

The allocation to each fund in the default arrangement at yearly intervals up to a member's normal retirement date is:

Years to retirement	Global Equity Passive Fund %	Diversified Growth Active Fund %	Absolute Return Bond Fund %	Cash Active Fund %
25 or more	100	0	0	0
24	93	7	0	0
23	87	13	0	0
22	80	20	0	0
21	73	27	0	0
20	67	33	0	0
19	60	40	0	0
18	53	47	0	0
17	47	53	0	0
16	40	60	0	0
15	33	67	0	0
14	27	73	0	0
13	20	80	0	0
12	13	87	0	0
11	7	93	0	0
10	0	100	0	0
9	0	100	0	0
8	0	100	0	0
7	0	100	0	0
6	0	100	0	0
5	0	100	0	0
4	0	90	10	0
3	0	80	20	0
2	0	70	25	5
1	0	60	25	15
0	0	50	25	25

Rebalancing between these funds takes place on a quarterly basis.

Statement of Investment Principles

Funds and charges

The funds used by the default arrangement and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 31 March 2019 are:

Platform Fund	Underlying fund	AMC %	TER %
AXA Global Equity Passive	BlackRock 30:70 Currency-hedged Global Equity Index	0.04	0.22
AXA Diversified Growth Active	50% Invesco Global Targeted Return Fund, 50% Schroder Dynamic Multi-Asset Fund (DMAF)	0.48	0.66
AXA Absolute Return Bond	Kames Absolute Return Bond Fund	0.33	0.51
AXA Cash Active	BlackRock Sterling Liquidity Fund	0.00	0.18

Members in the default option will see TERs range from 0.22% to 0.66%.

Inadvertent default option

In March 2020, the trading in the Property Fund was suspended, and contributions which would have been invested in this fund were redirected to the Cash Fund. The funds and charges (as at 31 March 2020) used by the inadvertent default options are:

Platform Fund	Underlying fund	AMC %	TER %
AXA Cash Active	BlackRock Sterling Liquidity Fund	0.00	0.18

Investment costs

Fund charges

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

The Scheme is a "qualifying scheme" for auto-enrolment purposes, which means that the Default Option is subject to the charge cap introduced by the government from April 2015.

Transaction costs

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values.

Review

The present default arrangement was introduced on 19/02/2015. Details on the review of this arrangement are set out in the annual 'Chair's Statement' from the Chair of the Trustee.

Statement of Investment Principles

Appendix B

Investment implementation for investment options outside the default arrangement

Lifestyle option

The Scheme offers members a choice of alternative lifestyle option, Annuity Lifecycle Strategy, as an alternative to the default arrangement.

Objective

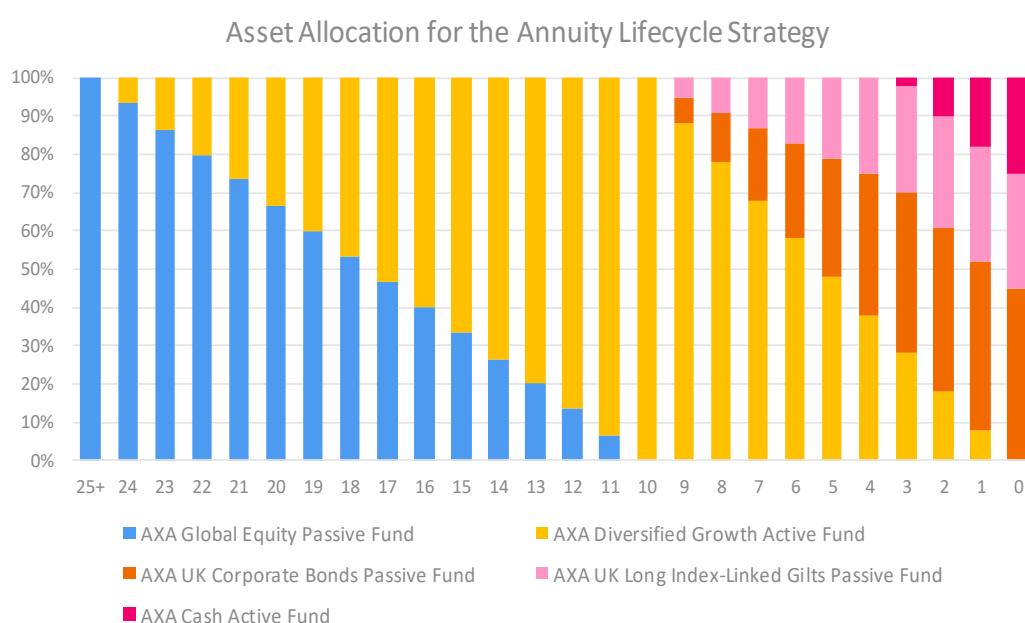
The default arrangement's lifestyle strategy, the Drawdown Lifecycle Strategy, targets flexible income drawdown at retirement with an intermediate overall level of expected investment risk and the alternative lifestyle option, the Annuity Lifecycle Strategy, target annuity purchase at retirement with a similar, but slightly lower overall level of expected investment risk.

Approach

Members are invested in funds expected to give higher returns relative to inflation up to 25 years before their normal retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 25 and 10 years before their normal retirement date.

Finally, members are automatically switched into funds that align to their expected retirement choices during the last 10 years up to their normal retirement date.



Statement of Investment Principles

Fund Allocation

The allocation to each fund in the Annuity Lifecycle Strategy at yearly intervals up to a member's normal retirement date are:

Years to retirement	Global Equity Passive Fund %	Diversified Growth Active Fund %	UK Corporate Bonds Passive Fund %	UK Long Gilts Passive Fund %	Cash Active Fund %
25 or more	100	0	0	0	0
24	94	7	0	0	0
23	87	14	0	0	0
22	80	20	0	0	0
21	74	27	0	0	0
20	67	34	0	0	0
19	60	40	0	0	0
18	54	47	0	0	0
17	47	54	0	0	0
16	40	60	0	0	0
15	34	67	0	0	0
14	27	74	0	0	0
13	20	80	0	0	0
12	14	87	0	0	0
11	7	94	0	0	0
10	0	100	0	0	0
9	0	88	7	5	0
8	0	78	13	9	0
7	0	68	19	13	0
6	0	58	25	17	0
5	0	48	31	21	0
4	0	38	37	25	0
3	0	28	42	28	2
2	0	18	43	29	10
1	0	8	44	30	18
0	0	0	45	30	25

Rebalancing between these funds takes place on a quarterly basis.

Statement of Investment Principles

Funds and Charges

The funds used by the alternative lifestyle option, the Annuity Lifecycle Strategy, and their charges (expressed as a percentage [annual management charge ("AMC") and Total Expense Ratio ("TER") as at 31 March 2019 are:

Platform Fund	Underlying fund	AMC %	TER %
AXA Global Equity Passive	BlackRock 30:70 Currency-hedged Global Equity Index	0.04	0.22
AXA Diversified Growth Active	50% Invesco Global Targeted Return Fund, 50%	0.48	0.66
AXA UK Corporate Bonds Passive	BlackRock Corporate Bond All Stocks Index Fund	0.02	0.20
AXA UK Long Gilts Passive	BlackRock Over 15 Year UK Gilt Index Fund	0.01	0.19
AXA Cash Active	BlackRock Sterling Liquidity Fund	0.00	0.18

Members in the Annuity Lifecycle Strategy will see TERs at a point in time in the range from 0.19% to 0.66%.

Self-select fund range

The Scheme offers members a choice of 18 self-select funds options as an alternative to the default option and alternative lifestyle option.

Fund range

The choice of self-select funds and their charges (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 31 March 2019 are:

Platform Fund	Underlying fund	AMC %	TER %
AXA Global Equity Passive	BlackRock 30:70 Currency-hedged Global Equity Index	0.04	0.22
AXA Diversified Growth Active	50% Invesco Global Targeted Return Fund, 50%	0.48	0.66
AXA Absolute Return Bond	Kames Absolute Return Bond Fund	0.33	0.51
AXA UK Equity Passive	BlackRock UK Equity Index Fund	0.01	0.19
AXA UK Corporate Bonds Passive	BlackRock Corporate Bond All Stocks Index Fund	0.02	0.20
AXA UK Long Gilts Passive	BlackRock Over 15 Year UK Gilt Index Fund	0.01	0.19
AXA Cash Active	BlackRock Sterling Liquidity Fund	0.00	0.18
AXA UK Equity Active	Artemis UK Special Situations Fund	0.77	0.95
AXA Global Equity Active	MFS Global Equity Fund	0.65	0.83
AXA Overseas Equity Passive	BlackRock World ex-UK Equity Index Tracker Fund	0.01	0.19
AXA SRI	LGIM Ethical Global Equity Index Fund	0.30	0.48
AXA UK Long Index-Linked Gilts Passive	BlackRock Over 5 Years Index Gilt Fund	0.01	0.19
AXA Shariah Law Passive	HSBC Amanah Global Equity Index Fund	0.30	0.48
AXA Emerging Markets	JP Morgan All-Emerging Markets Equity Fund	0.85	1.03
AXA Property	BlackRock DC Property Fund	0.80	0.98
AXA Zone – AXA UK Select Opportunities	AXA Framlington UK Select Opportunities Fund	0.84	1.02
AXA Zone – Architas Passive Moderate	Architas Passive Moderate Fund	0.46	0.64
AXA Zone – Architas Diversified Real Assets	Architas Diversified Real Assets Fund	1.11	1.29

Statement of Investment Principles

Use of options

Members can contribute to the alternative lifestyle option and self-select funds at the same time.

Investment costs

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values and are borne by members.

Review

The current alternative lifestyle option and self-select fund range were introduced on 19/02/2015 with additions made in Q4 2015 (introduction of AXA Zone – AXA UK Select Opportunities and AXA Zone – Architas Passive Moderate) and Q4 2016 (introduction of AXA Zone – Architas Diversified Real Assets Fund).

Legacy investment options

Additional Voluntary Contributions (“AVCs”)

In general, the Scheme offers members in the defined benefit sections the same choice of funds for their AVCs as are available to DC members. A small number of members have legacy AVCs which are invested in the Equitable Life With Profits Fund.

Statement of Investment Principles

Appendix C

Summary of the Scheme's service providers.

For the record

The Trustee's approach to investment governance complies with the provisions of the Scheme's Trust Deed and Rules as well as legislative requirements.

The Scheme's investment governance is also intended to meet the expectations set out in the Pensions Regulator's 2016 Code of Practice 13.

Exercising the Trustee's Powers

The Trustee will always act in the best interests of the members.

The Trustee has delegated day-to-day work on the Scheme's administration and investments. The current service providers to the Scheme together with how they are paid is set out in Appendix D.

Conflicts of Interest

In the event of a conflict of interests, the Trustee will ensure that contributions are invested in the sole interests of members and beneficiaries.

Monitoring

The Trustee regularly monitors and reviews:

Investment Performance - The performance of the funds in which the Scheme invests against both the funds' stated performance objectives and the investment objectives of the Scheme.

This will also include monitoring the levels of portfolio turnover in the event that significant under or out-performance occurs.

Value for members - The member borne charges for the default option against the charge cap for auto-enrolment purposes and the funds' charges and transaction costs to ensure that they represent value for members.

Suitability - The suitability of the default option and investment options outside the default arrangement at least every three years and without delay after any significant change in investment policy or the demographic profile of the Scheme's membership.

The Statement of Investment Principles - at least every three years and without delay after any significant change in investment policy or the demographic profile of the Scheme's membership. The Trustees will consult the Employer on any changes.

Compliance with Statement of Investment Principles

The Trustee will monitor compliance with the Statement of Investment Principles annually and publish a report (known as an Implementation Statement) to members with effect from the Scheme year ending after 1 October 2020.

Investment process - The processes for investing contributions and taking money from the investment options to pay benefits to ensure that they are carried out promptly and accurately.

Security of assets - The security of funds' assets when choosing a fund provider/manager and thereafter.

Voting – The fund managers' records of exercising shareholder voting rights.

Conflicts of Interest – Instances where the actions of the platform provider or fund managers may be in conflict with the best interests of the Scheme's members.

Statement of Investment Principles

Reporting

The Trustee arranges for the preparation of:

- The Scheme's audited Annual Report and Accounts (which includes the Annual Governance Statement);
- The Annual Governance Statement by the Chair of Trustees describing the Scheme's investment costs, value for members and governance during the previous year; and
- An annual Implementation Statement describing how the policies and practices described in the Statement of Investment Principles have been followed during the previous year;
- Publication of the Annual Governance Statement by the Chair of Trustee, Statement of Investment Principles and Implementation Statement in a publicly searchable location online; and
- An annual return to the Pensions Regulator.

Statement of Investment Principles

Appendix D

Summary of the Scheme's service providers.

The Scheme's current service providers and their basis of remuneration are as follows:

Service	Provider	Remuneration basis
Investment platform provider	Aegon UK plc	Percentage of fund value included within funds' Total Expense Ratios
Fund managers	As shown in Appendices A and B	Percentage of fund value included within funds' Total Expense Ratios
Custodians	Selected by the fund managers.	Percentage of fund value included within funds' Total Expense Ratios
Pension administrator	Aegon UK plc	Percentage of fund value included within funds' Total Expense Ratios
Auditor	KPMG plc	Annual fixed fee and time cost fees
Investment Consultant	Hymans Robertson LLP	Annual fixed fee and time cost fees
Legal advisers	Travers Smith LLP	Annual fixed fee and time cost fees

Signed For and on Behalf of the Trustees of the AXA UK Group Pension Scheme:

Stephen Yandle

Samantha Pitt

Trustee

Trustee

Date Agreed by Trustees: 29 September 2020

Appendix 2**Table of funds and charges**

Please note that the charges in the table below do take into account the 0.18% charge for administration services which are also borne by members.

2a Default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
AXA Global Equity Passive	N/A	0.21	2.10	BlackRock 30:70 Currency-hedged Global Equity Index	GB00B8WR9525	0.01	0.10
AXA Diversified Growth Active	N/A	0.66	6.60	Invesco Global Targeted Return Fund Schroder Dynamic Multi-Asset Fund (DMAF)	GB00BPZ5TQ39 GB00B2Q1N560	0.40	4.00
AXA Cash Active	N/A	0.18	1.80	BlackRock Sterling Liquidity Fund	GB00B8WR9293	0.01	0.10
AXA Absolute Return Bond	N/A	0.51	5.10	Kames Absolute Return Bond Fund	GB00BRCJNJ36	0.36	3.60

Source: Aegon

The Trustee monitors the total charges of the funds used in the default strategy at three-monthly reference points. The total charges borne by members in the default option during the period covered by this Statement comply with the charge cap. The progression of charges over time for members in the default is:

Period to retirement	Charge	
	% p.a.	£ per £1,000
40 to 25 years	0.21	2.10
15 years	0.51	5.10
10 years	0.66	6.60
3 years	0.63	6.30
At retirement	0.50	5.00

Source: Aegon

The average charge over 40 years would be 0.40% p.a.

Appendix 2**2b Other lifestyle option - Annuity Lifecycle Strategy**

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the Annuity Lifecycle Strategy were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
AXA Global Equity Passive	N/A	0.21	2.10	BlackRock 30:70 Currency-hedged Global Equity Index	GB00B8WR9525	0.01	0.10
AXA Diversified Growth Active	N/A	0.66	6.60	Invesco Global Targeted Return Fund Schroder Dynamic Multi-Asset Fund (DMAF)	GB00BPZ5TQ39 GB00B2Q1N560	0.40	4.00
AXA Cash Active	N/A	0.18	1.80	BlackRock Sterling Liquidity Fund	GB00B8WR9293	0.01	0.10
AXA UK Corporate Bonds Passive	N/A	0.20	2.00	BlackRock Corporate Bond All Stocks Index Fund	GB00B8WR8Y49	0.02	0.20
AXA UK Long Gilts Passive	N/A	0.19	1.90	BlackRock Over 15 Year UK Gilt Index Tracker Fund	GB00B8WR9079	0.01	0.10

Source: Aegon

Appendix 2**2c Self-select funds outside the default arrangement**

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
AXA Global Equity Passive	N/A	0.21	2.10	BlackRock 30:70 Currency-hedged Global Equity Index	GB00B8WR9418	0.01	0.10
AXA Diversified Growth Active	N/A	0.66	6.60	Invesco Global Targeted Return Fund Schroder Dynamic Multi-Asset Fund (DMAF)	GB00BPZ5TQ39 GB00B2Q1N560	0.40	4.00
AXA Absolute Return Bond	N/A	0.51	5.10	Kames Absolute Return Bond Fund	GB00BRCJNJ36	0.36	3.60
AXA UK Equity Passive	N/A	0.19	1.90	BlackRock UK Equity Index Fund	GB00B8WR8Z55	0.00	0.00
AXA UK Corporate Bonds Passive	N/A	0.20	2.00	BlackRock Corporate Bond All Stocks Index Fund	GB00B8WR8Y49	0.02	0.20
AXA UK Long Gilts Passive	N/A	0.19	1.90	BlackRock Over 15 Year UK Gilt Index Fund	GB00B8WR9079	0.01	0.10
AXA Cash Active	N/A	0.18	1.80	BlackRock Sterling Liquidity Fund	GB00B8WR9293	0.01	0.10
AXA UK Equity Active	N/A	0.99	9.90	Artemis UK Special Situations Fund	GB00B8WR8F59	0.16	1.60
AXA Global Equity Active	N/A	0.83	8.30	MFS Global Equity Fund	GB00B8WR9418	0.02	0.20
AXA Overseas Equity Passive	N/A	0.19	1.90	BlackRock World ex-UK Equity Index Tracker Fund	GB00B8WR9632	0.00	0.00
AXA SRI	N/A	0.48	4.80	LGIM Ethical Global Equity Index Fund	GB00BRCJNH12	0.00	0.00
AXA UK Long Index-Linked Gilts Passive	N/A	0.19	1.90	BlackRock Over 5 Years Index Gilt Fund	GB00B8WR9186	0.06	0.60
AXA Shariah Law Passive	N/A	0.48	4.80	HSBC Islamic Global Equity Index Fund	GB00B8WR9749	0.05	0.50
AXA Emerging Markets	N/A	1.03	10.30	JP Morgan All-Emerging Markets Equity Fund	GB00BRCJNK41	0.27	2.70
AXA Property	N/A	0.95	9.50	Aegon Property Fund	GB00BRCJNL57	-0.07	-0.70
AXA Zone – AXA UK Select Opportunities	N/A	1.01	10.10	AXA UK Select Opportunities Fund	GB00BYPGQR99	0.10	1.00
AXA Zone – Architas Passive Moderate	N/A	0.60	6.00	Architas Passive Moderate Fund	GB00BYPGR328	0.03	0.30
AXA Zone – Architas Diversified Real Assets Fund	N/A	1.23	12.30	Architas Diversified Real Assets Fund	GB00BDR09G29	0.12	1.20

Source: Aegon

Appendix 2**2c Self-select funds outside the default arrangement****Legacy AVC Arrangements****Equitable Life**

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
Equitable Life With Profits Fund	Not available	1.00	10.00	Equitable Life With Profits Fund	Not available	0.04	0.40

Utmost Life

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
Asia Pacific	Not available	0.75	7.50	ASI Asia Pacific Equity Enhanced Index Fund	GB00BRJL7V21	0.18	1.80
European Equity	Not available	0.75	7.50	ASI European Equity Enhanced Index Fund	GB00BRJL7X45	0.21	2.10
US Equity	Not available	0.75	7.50	ASI American Equity Enhanced Index Fund	GB00BRJL8192	0.02	0.20
UK Equity	Not available	0.75	7.50	ASI UK Equity Enhanced Index Fund	GB00BRJL8531	0.30	3.00
UK FTSE All Share Tracker	Not available	0.50	5.00	ASI UK All Share Tracker Fund	GB00B61C0396	0.03	0.30
Fund of Investment Trusts	Not available	0.75	7.50	Halifax Fund of Investment Trusts Fund	GB00B29MCX79	0.49	4.90
UK Government Bond	Not available	0.50	5.00	ASI Sterling Government Bond Fund	GB00BWK26S93	0.11	1.10
Property	Not available	1.00	10.00	Aberdeen UK Property Fund	GB00BTLX1F24	0.65	6.50
Global Equity	Not available	0.75	7.50	ASI World Equity Enhanced Index Fund	GB00BRJL7Z68	0.13	1.30
Money Market	Not available	0.50	5.00	ASI Liquidity Fund (Lux) – Sterling Fund	LU0966092990	0.01	0.10

* ISIN = the International Securities Identification Number unique to each fund.

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses.

*** Underlying Fund = the fund in which the Scheme's top level Fund invests.

Appendix 3**Tables illustrating the impact of charges and costs**

The following tables show the potential impact of the costs and charges borne by members on projected values at retirement in today's money for typical members joining at a range of ages and opening fund values. Please note that in some cases the projected value of the member will decrease where the expected returns are lower than the inflation assumption in the calculations.

3a For the default Drawdown Lifecycle Strategy

For an average active member in 2008 section, aged 41, retiring at age 65 with average starting salary £33,825 and starting pot size £47,600.

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£177,005	£154,681
5	£153,210	£137,553
10	£125,597	£116,792
15	£97,966	£94,234
20	£69,842	£68,875
24	£47,600	£47,600

Source: Hymans Robertson

For an average deferred member in 2008 section, aged 42, retiring at age 65 with starting pot size £21,800.

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£24,975	£20,680
5	£25,024	£21,697
10	£24,423	£22,296
15	£23,682	£22,638
20	£22,596	£22,308
23	£21,800	£21,800

Source: Hymans Robertson

For a new joiner in 2017 section, aged 18, retiring at age 65 with average starting salary £17,425 and starting pot size £0.

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£88,006	£74,340
5	£80,459	£70,087
10	£70,874	£64,169
15	£61,107	£57,367
20	£50,749	£48,863
25	£40,154	£39,186
30	£29,870	£29,318
35	£20,307	£20,044
40	£11,413	£11,328
45	£3,143	£3,137
47	£0	£0

Source: Hymans Robertson

Appendix 3

3a For the default Drawdown Lifecycle Strategy

For an average member in Health Services / Health on Line section, aged 37, retiring at age 65 with average starting salary £25,900 and starting pot size £4,600.

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£74,519	£65,502
5	£63,192	£56,968
10	£50,300	£46,869
15	£37,452	£36,015
20	£24,504	£24,091
25	£11,865	£11,812
28	£4,600	£4,600

Source: Hymans Robertson

Appendix 3**3b For a selection of the self-select funds:**

For an average active member in 2008 section, aged 41, retiring at age 65 with average starting salary £33,825 and starting pot size £47,600.

Years to retirement	AXA UK Equity Passive Fund Most popular		AXA Emerging Markets Fund Highest risk		AXA Zone – Architas Diversified Real Assets Fund Most expensive		AXA Cash Active Fund Least expensive and lowest risk	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
0	£206,570	£200,376	£242,297	£197,069	£176,825	£144,356	£122,302	£119,059
5	£168,733	£164,610	£191,974	£162,396	£148,645	£125,762	£109,511	£107,064
10	£133,548	£131,039	£147,363	£129,685	£121,142	£106,377	£95,394	£93,699
15	£100,827	£99,528	£107,816	£98,822	£94,300	£86,167	£79,817	£78,810
20	£70,400	£69,950	£72,759	£69,704	£68,103	£65,098	£62,626	£62,223
24	£47,600	£47,600	£47,600	£47,600	£47,600	£47,600	£47,600	£47,600

Source: Hymans Robertson

For an average deferred member in 2008 section, aged 42, retiring at age 65 with starting pot size £21,800.

Years to retirement	AXA UK Equity Passive Fund Most popular		AXA Emerging Markets Fund Highest risk		AXA Zone – Architas Diversified Real Assets Fund Most expensive		AXA Cash Active Fund Least expensive and lowest risk	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
0	£30,449	£29,171	£37,946	£28,492	£24,382	£17,999	£13,856	£13,263
5	£28,316	£27,381	£33,638	£26,881	£23,796	£18,764	£15,290	£14,776
10	£26,332	£25,701	£29,820	£25,361	£23,224	£19,563	£16,873	£16,462
15	£24,487	£24,124	£26,435	£23,927	£22,665	£20,395	£18,621	£18,340
20	£22,771	£22,644	£23,434	£22,575	£22,121	£21,262	£20,549	£20,432
23	£21,800	£21,800	£21,800	£21,800	£21,800	£21,800	£21,800	£21,800

Source: Hymans Robertson

Appendix 3

3b For a selection of the self-select funds:

For a new joiner in 2017 section, aged 18, retiring at age 65 with average starting salary £17,425 and starting pot size £0.

Years to retirement	AXA UK Equity Passive Fund Most popular		AXA Emerging Markets Fund Highest risk		AXA Zone – Architas Diversified Real Assets Fund Most expensive		AXA Cash Active Fund Least expensive and lowest risk	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
0	£104,430	£99,492	£135,222	£96,904	£81,801	£60,242	£47,473	£45,723
5	£89,643	£85,882	£112,576	£83,901	£72,184	£54,896	£44,249	£42,760
10	£75,891	£73,108	£92,501	£71,634	£62,797	£49,322	£40,692	£39,460
15	£63,104	£61,118	£74,705	£60,060	£53,636	£43,511	£36,766	£35,783
20	£51,212	£49,863	£58,928	£49,141	£44,695	£37,453	£32,433	£31,686
25	£40,154	£39,298	£44,943	£38,839	£35,969	£31,138	£27,652	£27,123
30	£29,870	£29,382	£32,545	£29,119	£27,453	£24,553	£22,376	£22,038
35	£20,307	£20,075	£21,554	£19,949	£19,142	£17,689	£16,554	£16,373
40	£11,413	£11,338	£11,811	£11,297	£11,030	£10,533	£10,128	£10,063
45	£3,143	£3,138	£3,174	£3,134	£3,113	£3,072	£3,038	£3,032
47	£0,000	£0,000	£0,000	£0,000	£0,000	£0,000	£0,000	£0,000

For an average member in Health Services / Health on Line section, aged 37, retiring at age 65 with average starting salary £25,900 and starting pot size £4,600.

Years to retirement	AXA UK Equity Passive Fund Most popular		AXA Emerging Markets Fund Highest risk		AXA Zone – Architas Diversified Real Assets Fund Most expensive		AXA Cash Active Fund Least expensive and lowest risk	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
0	£86,462	£83,934	£101,088	£82,585	£74,337	£61,144	£52,196	£50,881
5	£69,301	£67,629	£78,768	£66,732	£61,177	£51,989	£45,503	£44,529
10	£53,341	£52,324	£58,982	£51,776	£48,333	£42,445	£38,116	£37,452
15	£38,500	£37,959	£41,441	£37,666	£35,799	£32,495	£29,965	£29,568
20	£24,699	£24,475	£25,892	£24,353	£23,565	£22,122	£20,970	£20,785
25	£11,865	£11,818	£12,108	£11,793	£11,625	£11,308	£11,043	£10,999
28	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600

Source: Hymans Robertson

Appendix 3

3c For a selection of the AVC funds:

Please see tables above.

Assumptions

The assumptions used in these calculations were as follows:

For an average active member in 2008 section, aged 41, retiring at age 65 with average starting salary £33,825 and starting pot size £47,600:

- The opening DC pot size is £47,600.
- Inflation is assumed to be 2.5% p.a. (in line with SMPI assumptions and real salary growth is assumed to be zero.)
- The starting salary is assumed to be £33,825.
- The total ongoing contribution rate is assumed to be 14.5% of salary.
- Contributions are assumed to be paid every year with no contribution holidays.
- The projected values are shown up to age 65, the most common normal retirement age for members of the Scheme.
- The projected gross growth rates for each fund are as follows (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations, are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

Fund	Return % p.a.	TER % p.a.	Transaction Cost % p.a.
AXA Global Equity Passive Fund	4.00	0.21	0.0096
AXA Diversified Growth Active Fund	3.00	0.66	0.3962
AXA Absolute Return Bond	1.50	0.51	0.3622
AXA Cash Active	0.50	0.18	0.0109
AXA Emerging Markets	5.00	1.03	0.2700
AXA UK Equity Passive	4.00	0.19	0.3700
AXA Zone - Architas Diversified Real Assets Fund	3.00	1.23	0.1203

Appendix 3**3c For a selection of the AVC funds:**

For an average deferred member in 2008 section, aged 42, retiring at age 65 with starting pot size £21,800:

- The opening DC pot size is £21,800.
- Inflation is assumed to be 2.5% p.a. (in line with SMPI assumptions and real salary growth is assumed to be zero.)
- The salary and ongoing contribution rate is assumed to be £0.
- The projected values are shown up to age 65, the most common normal retirement age for members of the Scheme.
- The projected gross growth rates for each fund are as follows (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations, are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

Fund	Return % p.a.	TER % p.a.	Transaction Cost % p.a.
AXA Global Equity Passive Fund	4.00	0.21	0.0096
AXA Diversified Growth Active Fund	3.00	0.66	0.3962
AXA Absolute Return Bond	1.50	0.51	0.3622
AXA Cash Active	0.50	0.18	0.0109
AXA Emerging Markets	5.00	1.03	0.2700
AXA UK Equity Passive	4.00	0.19	0.3700
AXA Zone - Architas Diversified Real Assets Fund	3.00	1.23	0.1203

For a new joiner in 2017 section, aged 18, retiring at age 65 with average starting salary £17,425 and starting pot size £0:

- The opening DC pot size is £0.
- Inflation is assumed to be 2.5% p.a. (in line with SMPI assumptions and real salary growth is assumed to be zero.)
- The starting salary is assumed to be £17,425.
- The total ongoing contribution rate is assumed to be 9% of salary.
- Contributions are assumed to be paid every year with no contribution holidays.
- The projected values are shown up to age 65, the most common normal retirement age for members of the Scheme.
- Where transaction costs for a fund are unavailable, they have been assumed to be zero.
- The projected gross growth rates for each fund are as follows (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations, are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

Fund	Return % p.a.	TER % p.a.	Transaction Cost % p.a.
AXA Global Equity Passive Fund	4.00	0.21	0.0096
AXA Diversified Growth Active Fund	3.00	0.66	0.3962
AXA Absolute Return Bond	1.50	0.51	0.3622
AXA Cash Active	0.50	0.18	0.0109
AXA Emerging Markets	5.00	1.03	0.2700
AXA UK Equity Passive	4.00	0.19	0.3700
AXA Zone - Architas Diversified Real Assets Fund	3.00	1.23	0.1203

Appendix 3

3c For a selection of the AVC funds:

For an average member in Health Services / Health on Line section, aged 37, retiring at age 65 with average starting salary £25,900 and starting pot size £4,600:

- The opening DC pot size is £4,600.
- Inflation is assumed to be 2.5% p.a. (in line with SMPI assumptions and real salary growth is assumed to be zero).
- The starting salary is assumed to be £25,900.
- The total ongoing contribution rate is assumed to be 9% of salary.
- Contributions are assumed to be paid every year with no contribution holidays.
- The projected values are shown up to age 65, the most common normal retirement age for members of the Scheme.
- Where transaction costs for a fund are unavailable, they have been assumed to be zero.
- The projected gross growth rates for each fund are as follows (these are based on returns assumed for the Scheme's Statutory Money Purchase Illustrations, are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

Fund	Return % p.a.	TER % p.a.	Transaction Cost % p.a.
AXA Global Equity Passive Fund	4.00	0.21	0.0096
AXA Diversified Growth Active Fund	3.00	0.66	0.3962
AXA Absolute Return Bond	1.50	0.51	0.3622
AXA Cash Active	0.50	0.18	0.0109
AXA Emerging Markets	5.00	1.03	0.2700
AXA UK Equity Passive	4.00	0.19	0.3700
AXA Zone - Architas Diversified Real Assets Fund	3.00	1.23	0.1203

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.