

# AXA UK Group Pension Scheme

## Annual statement by the Chair of the Trustee for the year to 31 March 2021

### What is this Statement for?

It's important that you can feel confident that your savings in the AXA UK Group Pension Scheme – DC Section (“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-employeebenefits.co.uk](http://www.axa-employeebenefits.co.uk)

Please note that the majority of member assets in the DC sections of the Scheme transferred to the LifeSight Master Trust in December 2020, and the trustees of the LifeSight Master Trust took over responsibility for members and assets of the Scheme after this date. The information contained in this Chair's Statement, except where explicitly noted, refers to the period prior to the transfer to the LifeSight Master Trust in December 2020, for which the Scheme's oversight was the responsibility of the Trustee of the AXA Group Pension Scheme.

### 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

Over the year the majority of Scheme assets transferred into the LifeSight Master Trust. The transition was completed in December 2020, for all assets except property assets (and some associated cash assets) for self-select members (which couldn't be transferred due to temporary fund closure). Consequently, all information in this document refers to the period prior to the transfer and all figures included are as at the

latest date available. It is expected that the final property and cash assets will be transferred in the second half of 2021.

At 30 September 2020 the Scheme had 27,138 members and was worth a total of £779.7 million.

## 2 Investment options

We last completed an in-depth review of the Scheme's default arrangement in two parts, on 26 February 2018 and 25 April 2019. We are satisfied that the default arrangement performed in-line with our expectations and remained suitable for most members because the membership profile remained broadly unchanged. During this review, areas for further improvement were identified by the Board. However, these changes were not implemented prior to the transfer to the LifeSight Master Trust and there were no changes to the investment options until the transfer.

Over the last year, the funds in the default arrangement performed in line with benchmark except the AXA Diversified Growth Active Fund, which continued to underperform its benchmark based on cash and inflation plus a margin. As the Scheme has now transferred to the LifeSight Master Trust, the funds in the default strategy will have changed and members should refer to LifeSight for details of the Scheme's default strategy.

The Board conducted a full review of the investment options available in the LifeSight Master Trust prior to transfer to ensure that the investment options available were suitable for the Scheme's members. Following this review, it was deemed that the investment options were suitable and the Scheme was transferred to the LifeSight Master Trust.

## 3 Cost and charges

You pay for your investment and administration costs (which includes communications issued by the administrator) while the Company pays 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 0.22% to 0.66% of the amount invested (or put another way £2.20 to £6.60 for every £1,000 invested) – which is within the "charge cap" for auto-enrolment in our Scheme as required by the Government.
- The transaction costs for the default ranged from 0.01% p.a. to 0.35% p.a. over the last 3 years to 30 September 2020

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 noted the following:

- Core financial transactions were processed promptly, accurately and efficiently for the 6-month period to 30 September 2020 which was the last reporting date prior to the LifeSight transfer;
- Over the 6-month period to 30 September 2020, the administrator, Aegon, achieved 93.5% adherence to service standards; this was slightly below the target service levels of 95%; and
- The Trustee noted that service levels across the industry suffered as a result of increased demand and moving to working from home following the COVID-19 outbreak.

The COVID-19 pandemic inevitably affected the Scheme:

- 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 undertook an annual skills and knowledge assessment during the scheme year. 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 believe that they had the right skills and expertise together with access to good quality professional advice so that they could run your Scheme properly.

## **7 Feedback**

As the Scheme transferred to the LifeSight Master Trust in December 2020, any information that is required on how your savings are building up and your investment options should be directed to LifeSight. LifeSight can be contacted on the details below:

Email: [Lifesightsupport@willistowerswatson.com](mailto:Lifesightsupport@willistowerswatson.com)

Telephone: 01737 230473

If you need more information on the Scheme prior to the transfer to the LifeSight Master Trust, please visit <http://pensions.axa-employeebenefits.co.uk/> and if you have any comments or questions please contact the AXA Pension Team by email at [Pensions.UK@axa.co.uk](mailto:Pensions.UK@axa.co.uk)

## **8 Our plans for the next year**

It is expected that the final property and cash assets will be transferred in the second half of 2021. As the Scheme transferred to the LifeSight Master Trust during the last year, the responsibility for ensuring that Scheme members continue to receive value for money from the Scheme now lies with the Trustees of the LifeSight Master Trust.

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.

\_\_\_\_\_ Date: \_\_\_\_\_

**Mr Stephen Yandle**

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

# 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 2020 to 31 March 2021.

## **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 2021, the Trustee Directors of the Scheme were:

Stephen Yandle on behalf of Clear Pen; Samantha Pitt on behalf of the Law Debenture Trust Corporation plc; Dianne Chua; Andrew Bradshaw on behalf of Ross Trustee Services Limited; Ken Smith; Edward Davis.

The Trustee, with the help of their advisers, review the Statement of Investment Principles at least every three years (or following any significant change in investment policy). 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 will produce an implementation statement setting out how the Trustee complied with the Statement of Investment Principles during the year to 31 March 2021.

Over the 6 months to 30 September 2020, the number of members grew to 27,138 while the total value of the Scheme’s assets increased from £676.0m to £779.7m.

## 2 Investment options

### **Default arrangement**

The Scheme’s default arrangement is designed for members who join the Scheme and did not choose an investment option. The main default arrangement of the Scheme is the Drawdown Lifecycle strategy. There is also another arrangement in the Scheme, the AXA Cash Active Fund, which became a default arrangement during the scheme year because certain contributions were automatically diverted to this fund when the AXA Property Fund was suspended due to Covid disruption. Except where otherwise specified, references in this Statement to a “default arrangement” refers to the Drawdown Lifecycle strategy.

The Trustee is responsible for the governance of the default arrangements, which includes setting and monitoring its investment strategy.

The Drawdown Lifecycle strategy involves a lifestyle strategy which is designed so 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 was 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 that covers the default arrangements is appended to this Statement. Please note that the Statement of Investment Principles cover all the Scheme's investments – the principles that guide the design of the default arrangement are set out on page 2.

The Trustee believes 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 is 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 (or following any significant change in investment policy or demographic profile of members in the default arrangement).

The last full review of the strategy and performance of the default arrangement was completed in two parts, on 26 February 2018 and 25 April 2019. A high-level review of performance was also undertaken on 22 April 2020 during the market turbulence caused by COVID-19.

The Trustee reviewed the investment options available to members and is satisfied that the default arrangement was appropriate for the majority of the Scheme's members.

## **Other investment options**

The Trustee recognises that the default arrangement may not be suitable for the needs or preferences of every member 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 is:

- 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 (or following any significant change in investment policy). The last full review was completed on 25 April 2019 and 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 monitors the suitability of these funds.

### 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. that is paid by members towards the costs of the Scheme’s administration. This is included in the TER.

#### 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.

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 have incurred 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 Aegon. It was not possible to obtain the transaction costs for some funds up to the point of transferring to the LifeSight Master Trust and some of the information was missing for the period covered by this Statement. More details are given in “Missing Information” in section 8. This only impacts a very small number of members.

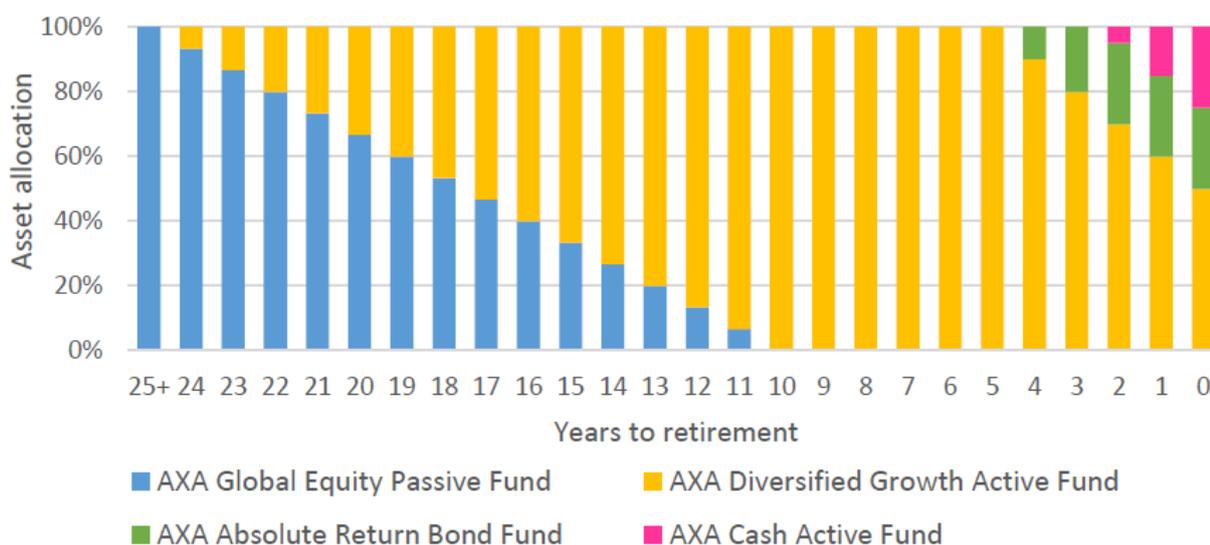
### Default arrangement

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.

Asset Allocation for the default Drawdown Lifecycle



During the period covered by this Statement, the member-borne charges for the default arrangement were in a range from 0.22% to 0.66% of the amount invested or, put another way, in a range from £2.20 to £6.60 per £1,000 invested.

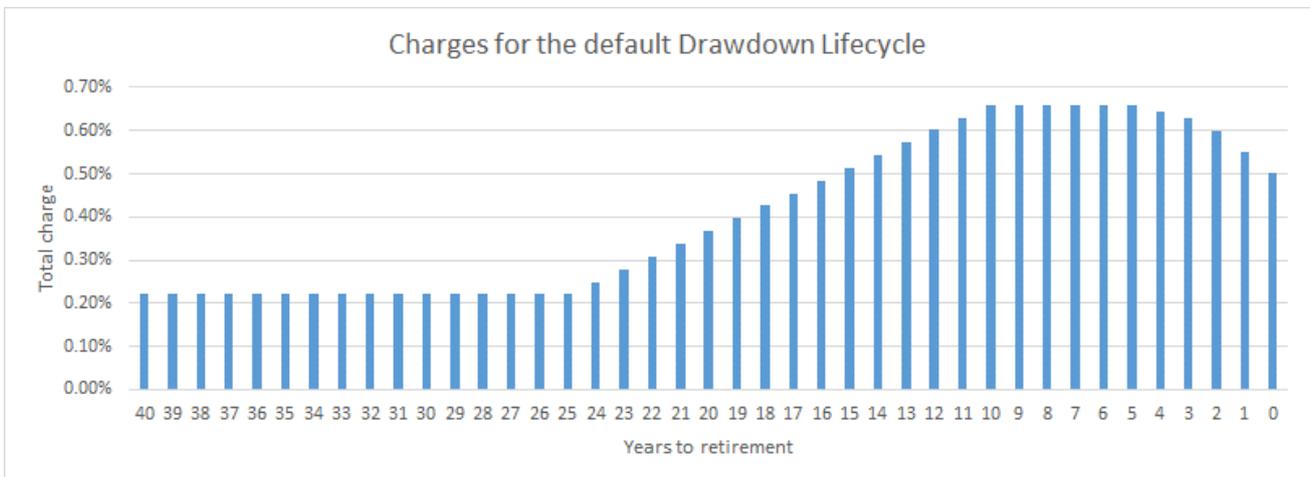
The transaction costs borne by members in the default arrangement during the year were in a range from 0.08% to 0.35% of the amount invested or, put another way, in a range from £0.80 to £3.50 per £1,000 invested.

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	0.22%	£2.20	0.08%	£0.80
24 to 11 years	0.25% to 0.63%	£2.50 to £6.30	0.10% to 0.33%	£1.00 to £3.30
10 to 5 years	0.66%	£6.60	0.35%	£3.50
4 to 1 years	0.65% to 0.55%	£6.50 to £5.50	0.35% to 0.29%	£3.50 to £2.90
At retirement	0.50%	£5.00	0.26%	£2.60

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 that is used by the default arrangement.

The following investment options were 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.

During the period 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 AXA Cash Active Fund 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 was, prior to the transfer to LifeSight, a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the period covered by this Statement.

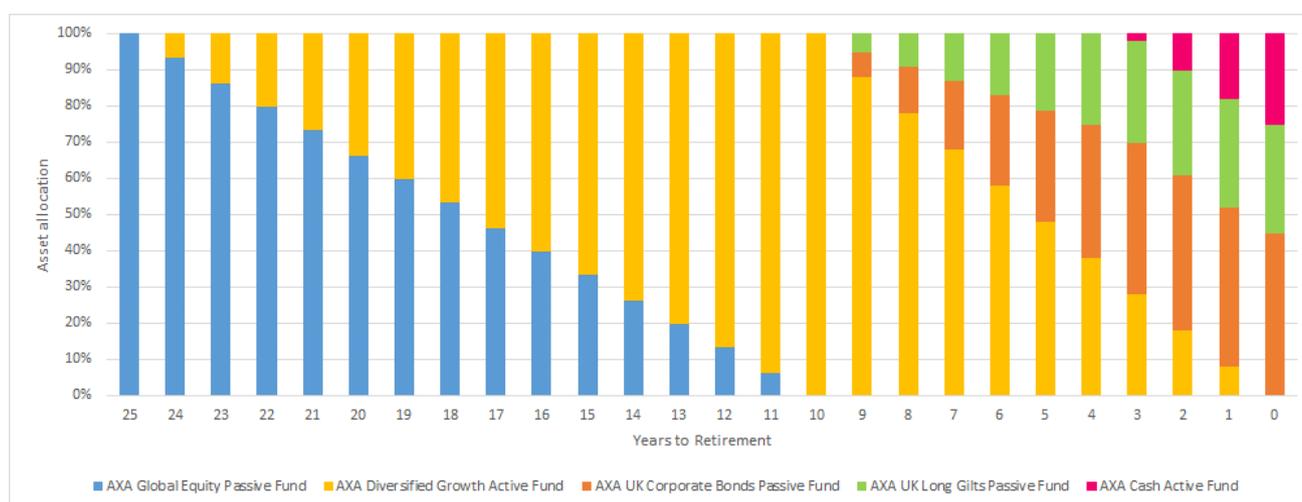
## Charges and transaction costs for the investment options outside the default arrangement

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 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



During the period 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.

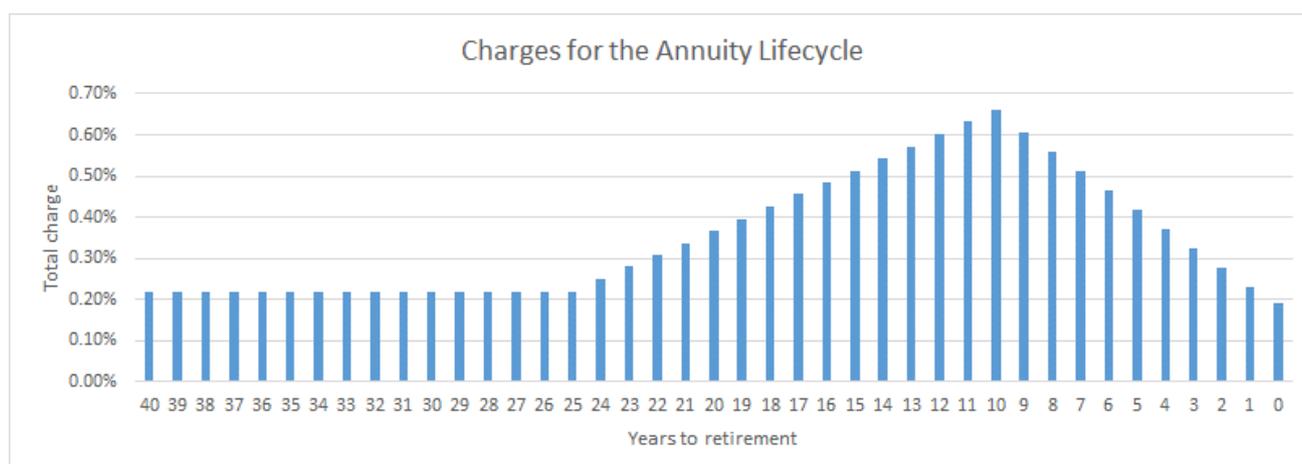
The transaction costs borne by members in the Annuity Lifecycle option during the year were in a range from 0.01% to 0.35% of the amount invested or, put another way, in a range from £0.10 to £3.50 per £1,000 invested.

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	0.22%	£2.20	0.08%	£0.80
24 to 11 years	0.25% to 0.63%	£2.50 to £6.30	0.10% to 0.33%	£1.00 to £3.30
10 to 5 years	0.66% to 0.42%	£6.60 to £4.20	0.35% to 0.18%	£3.50 to £1.80
4 to 1 years	0.37% to 0.23%	£3.70 to £2.30	0.14% to 0.04%	£1.40 to £0.40
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 0.35% 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. The charges for the self-select funds are in a range from 0.18% to 1.29% of the amount invested or, put another way, in a range from £1.80 to £12.90 per £1,000 invested.

The transaction costs borne by members in the self-select funds are in a range from -0.05% to 0.35% of the amount invested or, put another way, in a range from -£0.50 to £3.50 per £1,000 invested.

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

### Additional Voluntary Contributions (“AVCs”)

In general, the Scheme offered 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 funds from Aviva, Reassure and Utmost.

### Charges for AVCs

During the year the charges for the self-select funds were in a range from 0.50% to 4.40% of the amount invested or, put another way, in a range from £5.00 to £44.00 per £1,000 invested. The table in Appendix 3 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 0.00% to 0.82% of the amount invested or, put another way, in a range from £0.00 to £8.20 per £1,000 invested.

The table in Appendix 3 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 Utmost Life, Aviva and Reassure With Profits Funds.

Utmost Life policyholders were transferred to the DC Section of the Scheme in August 2020 and were then part of the bulk transfer to the LifeSight Mastertrust.

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.

## **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 £148,296 to £123,397.

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 be 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.

## **4 Value for Members**

Each year, with the help of its advisers, the Trustee carries 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 considers the quality and scope of provision compare against similar schemes and available external benchmarks.

## 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 below basis.

## Results for the Year ending 31 March 2021

The Scheme gave **GOOD** Value for Members in the year ending 31 March 2021.

Over the year the majority of Scheme assets transferred into the LifeSight Master Trust. The transition was completed in December 2020, for all assets except property assets for self-select members (which couldn't be transferred due to temporary fund closure). Consequently, all ratings in this document refer to the period prior to the transfer and all figures included are as at the latest date available (except property, which was in place for the whole year).

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

The ratings, weightings and rationale for the assessment is set out below.

#### Rating rationale

Service and weighting	Rating	Rationale
Investment 60%	Good	<p>The Trustee notes that 94% of members were 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 sits in the investment glide path. Over a 40 year saving period the average charge is 0.40% p.a. The Trustee notes that the average charge is broadly comparable with similarly sized schemes according to its adviser and is comparable with the DWP 2020 charges survey when allowing for charges being higher than average for the diversified growth funds (DGFs) used in the default strategy's consolidation phase. Transaction costs for members in the default averaged 0.18% p.a. 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 was a suitable range of Freechoice funds to be made available for members.</p> <p>The performance for the funds relative to their respective benchmarks has been mixed. Approximately half of funds returned within 0.5% p.a. of their respective benchmarks (after fees) over a 3-year period to 30 September 2020, while the other half returned between -3.5% p.a. and +6.0% p.a. There is no further action under consideration in response to these findings following the transfer to the LifeSight Master Trust.</p>
Administration 20%	Good	<p>The Trustee received regular reports on performance against the agreed service levels. These demonstrated that Aegon, over the 6-month period leading up to the LifeSight transfer date, achieved 93.5% of tasks within service levels, slightly below the target of 95%. Core financial transactions have, generally, been processed promptly and accurately (please see section 5 for further detail on this). There is good record keeping and member complaints remain low with 18 complaints in the half-year to 30 September 2020. Standard and Poor's ('S&amp;P') rating for Aegon has improved from A- the previous year to A+. Administration systems capabilities and controls are in place to ensure regulatory compliance are effective and the Trustee considers Aegon to have an experienced administration team.</p>
Communication 20%	Good	<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 was externally accredited with the Pension Quality Mark Plus demonstrating that Scheme communications are clear and easy to understand.</p>

The Trustee has not completed an action plan for the following year as the majority of DC assets have been transferred into the LifeSight Master Trust. Details of value assessment limitations are detailed in other sections of this Chair's Statement.

## 5 Administration

The Trustee has appointed Aegon to administer the Scheme on its behalf. The Trustee monitors the processing by Aegon of core financial transactions, 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 ("SLA") 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 were retiring or leaving the Scheme;
- Payments of benefits;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

The SLA specifically provides for the following timeframes for transaction processing:

- New joiner and regular contributions files and the allocation of contributions within 1 day;
- Processing of BACS payments 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 were 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.

The Trustee monitors core financial transactions and administration service levels 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 93.76% of membership data as at September 2020 - this was 95.21% last year so is broadly unchanged;
- Receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints and member surveys.

The Trustee is satisfied that the service standards in place with Aegon are competitive because:

- The Trustee conducted a formal review in 2013, and considered administration as part of the Master Trust selection project in 2019/20, when these service standards 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 and promptly; and
- The wider administration of the Scheme achieved, over the 6-month period to 30 September 2020, 93.5% adherence to service standards, which is only slightly below the target service levels of 95%. Noting the inevitable impact which the COVID-19 pandemic had on service delivery (please see below).
- Following the bulk transfer to LifeSight, the Trustee remained responsible for the ongoing administration of the funds which have not yet transferred. In line with its duties, the Trustee will continue to assess and monitor these funds.

### **Coronavirus**

The COVID-19 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
- There were delays in getting some funds' unit prices because the prices of investments were fluctuating more than normal.

As a result, and due to increased demand in Aegon's contact centres, 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, noting that falls in service level adherence were common amongst most pension providers over the period.

### **Bulk transfer of assets**

During the year there was a large-scale transfer between funds affecting a number of members as a result of the transfer of the Scheme's assets to LifeSight.

The Trustee reviewed the way in which the transfer was to be conducted and received reports on the transaction costs incurred during the transfer. The transition costs and risks were mitigated as the transition costs associated with the transfer of the Scheme to the LifeSight Master Trust were covered by the receiving provider and therefore no transition costs were paid by members in the year ended 31 March 2021.

The Trustee is satisfied that this bulk transfer was conducted efficiently to mitigate the costs and risks for members as far as practicable.

### **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. The Trustee took the security of assets into account when selecting and monitoring the funds used by the Scheme and when considering the transfer to the LifeSight Master Trust.

### **Data quality**

Each year the Trustee arranges reviews and receives reports from the Scheme's administrator to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was received in September 2020. This showed that common data was present for 93.76% of membership data, compared to 95.21% last year so is broadly unchanged.

### **Cyber Security**

The Trustee was conscious of the growing threat of cyber-attacks on pension scheme information. Each year the Trustee asked the Scheme's administrator to confirm that their cyber security arrangements are effective and up to date. The Trustee expected that the Scheme's administrator would report any security breach immediately and ensure that members are notified as soon as possible.

## 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 had been met during the Scheme year and explain how the combined knowledge and understanding of the Trustees, together with the advice available to them, enabled 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 Statement of Investment Principles, Statement of Funding Principles 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) were:

- 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 12 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, Statement of Funding Principles and Statement of Investment Principles as well as the funding and 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;
- 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 and that the Board comprises three Independent Professional Trustees who ensure that they have appropriate continuing professional development;
- The effectiveness of these practices and the training received are reviewed annually with no material issues identified in the internal review carried out on 19/01/2021;
- The Trustee Directors carry out regular assessments through the Trustee effectiveness review process to confirm and identify any gaps in their knowledge and skills; and
- The Trustee also received quarterly "hot topics" from its adviser covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The Trustee, with the help of its advisers, regularly considered 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 which cover a number of topics.

The Trustee Directors received the following training;

<b>Date</b>	<b>Topic</b>	<b>Aim/benefit</b>	<b>Trainer</b>
10 July 2020	DC Investment Governance	To provide Trustee Directors with an update on responsible investment and new legislative requirements in reporting. This benefits members by ensuring that Trustee Directors know updates that	Hymans Robertson

		are required to the Scheme's Statement of Investment Principles and implementation statement.	
10 July 2020	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 2020	Member Engagement	To enhance Trustee Directors' knowledge of the latest thinking in member engagement around digital communications. This benefits members by ensuring that Trustee Directors understand the latest developments and can develop plans to enhance member engagement in the Scheme.	Gallagher
10 July 2020	Actuarial Update	To enhance Trustee Directors' knowledge on a range of actuarial matters including the Valuation. 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
1 September 2020	DC outcomes	To enhance Trustee Directors' knowledge on the impact of market events and member actions on retirement outcomes, using Hymans Robertson's Member Outcomes Tracker tool. This benefits members by ensuring that Trustee Directors understand how member behaviour could have impacted outcomes during the COVID-19 outbreak and what member behaviours the Trustee should monitor.	Hymans Robertson
1 September 2020	DC update	To enhance Trustee Directors' knowledge on a range of DC matters including COVID-19 guidance, responsible investment and recent developments with pension providers. 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.	Hymans Robertson

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), Statement of Funding Principles and Statement of Investment Principles. The Trustee refers to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP was formally reviewed at least every three years (or following any significant change in investment policy) and as part of making any change to the Scheme's investments.

All the Trustee Directors 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 12 months of becoming a Trustee Director;

The Trustee Directors test and ensure that they have working 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 appoints 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 also reviews the effectiveness of its advisers annually and also periodically reviews the appointment of its advisers.

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 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 the period covered by this Statement.

## 7 Feedback

As the Scheme transferred to the LifeSight Master Trust in December 2020, any information that is required on how your savings are building up and your investment options should be directed to LifeSight.

Email: [Lifesightsupport@willistowerswatson.com](mailto:Lifesightsupport@willistowerswatson.com)

Telephone: 01737 230473

If you need more information on the Scheme prior to the transfer to the LifeSight Master Trust, 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](mailto:axapensionsadmin@aegon.co.uk)

## 8 Our plans for the next year

As the Scheme has now transferred to the LifeSight Master Trust, the Trustee is no longer responsible for the management of the Scheme. Please consult the Chair's Statement of the LifeSight Master Trust for their plans for the following year.

## Missing information and limitations

The following limitations and / or missing information apply to our assessment and this should be stated in any publication:

- The Trustee notes that 15 of 27,138 members have alternative defined contribution arrangements with Aegon and Aviva. These arrangements have been covered in limited detail in this statement;
- The Trustee acknowledges that at this point, limited data is available on industry wide comparisons and the Trustee have relied heavily on the market knowledge of its advisers. Further, there is limited transaction costs data available to provide industry wide comparisons;
- The majority of the Scheme's funds transferred to the LifeSight Master Trust in December 2020, with the exception of the AXA Property Fund and the AXA Cash Active Fund. All figures relating to, transaction costs and investment returns quoted in this assessment are quoted at the last quarter end date prior to transfer, 30 September 2020, except for the AXA Property Fund and the AXA Cash Active Fund, which are quoted at 31 December 2020. Charges are quoted at the most recent quarter end available (this is typically 31 March 2021 or 31 December 2020). The charges quoted have not changed during the course of the Scheme year;

- The Trustee requested information on transaction costs regarding legacy AVC assets with Aviva and Reassure. At the time of the production of this Statement, this information wasn't available; and
- Key administration performance metrics are provided to 30 September 2020.

The Trustee has asked Aegon to provide the missing transaction costs. Aegon have not produced information after this date due to the transfer to the LifeSight Master Trust. The Trustee will follow up on prior requests via email in order to try to obtain this information.

The missing information listed above means that the Trustee has not been able to:

- Compare the funds' charges and costs against other schemes; and
- Compare the quality of the administration against other schemes;

This means that some information is missing for the period covered by this statement.

The Trustee also notes the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension schemes 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. The amount of comparative information available should improve over the next few years.

# Appendix 1

## 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.

## Appendix 1

### 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".

## Appendix 1

### 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.

## Appendix 1

### 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".

## Appendix 1

### 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.

## Appendix 1

### 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.

## Appendix 1

### 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.

## Appendix 1

### 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).

<b>Asset class</b>	<b>Expected long-term investment returns relative to inflation</b>	<b>Expected shorter- term volatility in fund values</b>
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

## Appendix 1

### 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.

## Appendix 1

### 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 invests 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.

## Appendix 1

### 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.

## Appendix 1

### 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 reinsurance 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.

## Appendix 1

### 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).

## Appendix 1

### 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.

## Appendix 1

### 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.

## Appendix 1

### 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.

## Appendix 1

### 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.

# Appendix 1

## Appendix A

### Investment Implementation for the default arrangement

#### *Default arrangement*

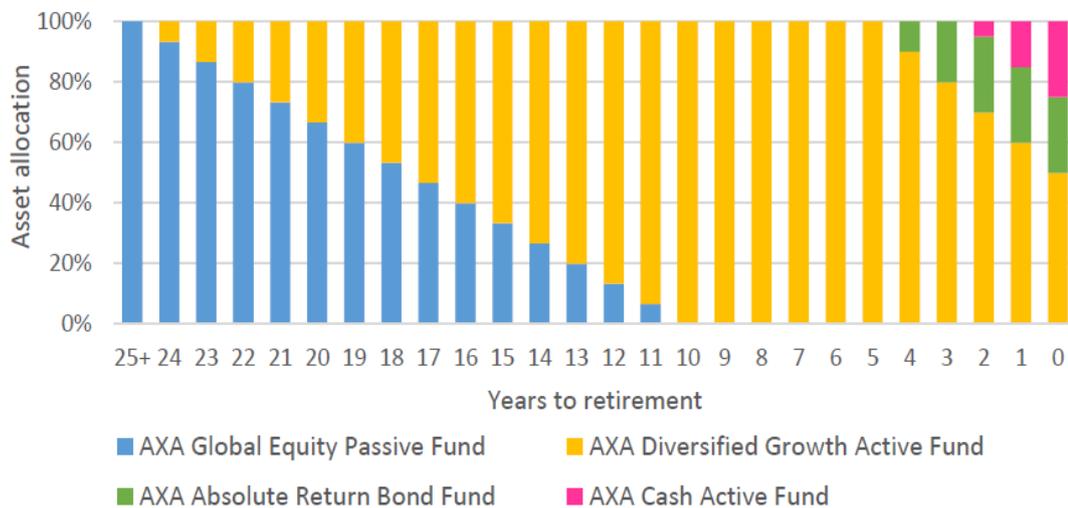
The default arrangement is a lifestyle strategy which targets flexible income drawdown at retirement.

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**



## Appendix 1

### Fund Allocation

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

<b>Years to retirement</b>	<b>Global Equity Passive Fund %</b>	<b>Diversified Growth Active Fund %</b>	<b>Absolute Return Bond Fund %</b>	<b>Cash Active Fund %</b>
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.

## Appendix 1

### *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:

<b>Platform Fund</b>	<b>Underlying fund</b>	<b>AMC %</b>	<b>TER %</b>
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:

<b>Platform Fund</b>	<b>Underlying fund</b>	<b>AMC %</b>	<b>TER %</b>
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.

## Appendix 1

### 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.

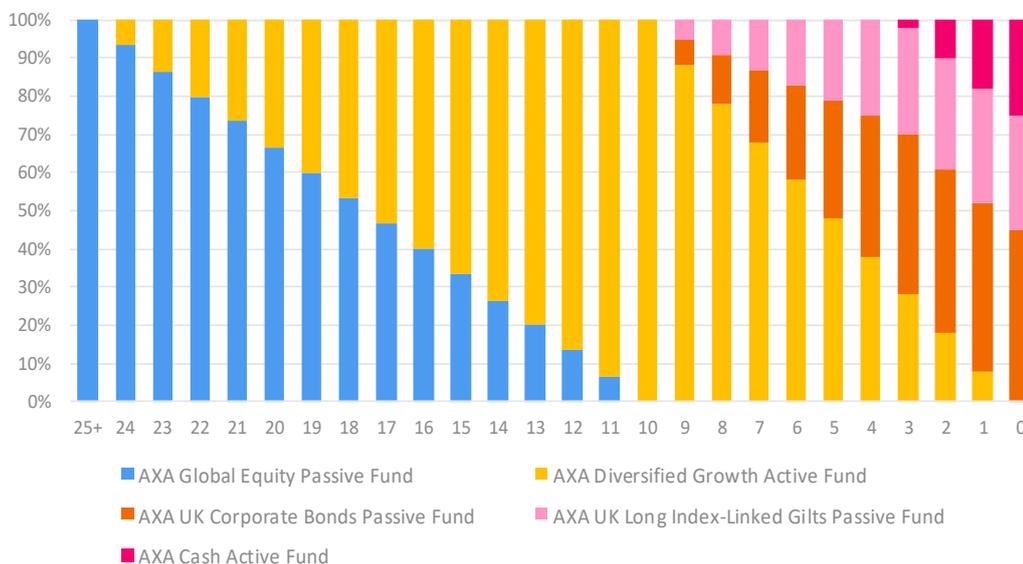
#### **Approach**

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.

Asset Allocation for the Annuity Lifecycle Strategy



## Appendix 1

### 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.

## Appendix 1

### 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

## Appendix 1

### 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.

## Appendix 1

### 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.

## Appendix 1

### *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.

## Appendix 1

### Appendix D

#### Summary of the Scheme's service providers.

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

<b>Service</b>	<b>Provider</b>	<b>Remuneration basis</b>
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:**

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Trustee

**Date Agreed by Trustees: September 2021**



## 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	0.22	2.20	BlackRock 30:70 Currency-hedged Global Equity Index	GB00B8WR9525	0.08	0.80
AXA Diversified Growth Active	N/A	0.66	6.60	Invesco Global Targeted Return Fund Schroder Dynamic Multi-Asset Fund (DMAF)	GB00BPZ5TQ39 GB00B2Q1N560	0.35	3.50
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	0.32	3.20

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	0.22	2.20
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.

## 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	0.22	2.20	BlackRock 30:70 Currency-hedged Global Equity Index	GB00B8WR9525	0.08	0.80
AXA Diversified Growth Active	N/A	0.66	6.60	Invesco Global Targeted Return Fund Schroder Dynamic Multi-Asset Fund (DMAF)	GB00BPZ5TQ39 GB00B2Q1N560	0.35	3.50
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	0.06	0.60
AXA UK Long Gilts Passive	N/A	0.19	1.90	BlackRock Over 15 Year UK Gilt Index Tracker Fund	GB00B8WR9079	-0.05	-0.50

Source: Aegon

## 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	0.22	2.20	BlackRock 30:70 Currency-hedged Global Equity Index	GB00B8WR9418	0.08	0.80
AXA Diversified Growth Active	N/A	0.66	6.60	Invesco Global Targeted Return Fund Schroder Dynamic Multi-Asset Fund (DMAF)	GB00BPZ5TQ39 GB00B2Q1N560	0.35	3.50

AXA Absolute Return Bond	N/A	0.51	5.10	Kames Absolute Return Bond Fund	GB00BRCJNJ36	0.32	3.20
AXA UK Equity Passive	N/A	0.19	1.90	BlackRock UK Equity Index Fund	GB00B8WR8Z55	0.05	0.50
AXA UK Corporate Bonds Passive	N/A	0.20	2.00	BlackRock Corporate Bond All Stocks Index Fund	GB00B8WR8Y49	0.06	0.60
AXA UK Long Gilts Passive	N/A	0.19	1.90	BlackRock Over 15 Year UK Gilt Index Fund	GB00B8WR9079	-0.05	-0.50
AXA Cash Active	N/A	0.18	1.80	BlackRock Sterling Liquidity Fund	GB00B8WR9293	0.01	0.10
AXA UK Equity Active	N/A	0.95	9.50	Artemis UK Special Situations Fund	GB00B8WR8F59	0.26	2.60
AXA Global Equity Active	N/A	0.83	8.30	MFS Global Equity Fund	GB00B8WR9418	0.08	0.80
AXA Overseas Equity Passive	N/A	0.19	1.90	BlackRock World ex-UK Equity Index Tracker Fund	GB00B8WR9632	0.04	0.40
AXA SRI	N/A	0.48	4.80	LGIM Ethical Global Equity Index Fund	GB00BRCJNH12	0.01	0.10
AXA UK Long Index-Linked Gilts Passive	N/A	0.19	1.90	BlackRock Over 5 Years Index Gilt Fund	GB00B8WR9186	0.00	0.00
AXA Shariah Law Passive	N/A	0.48	4.80	HSBC Islamic Global Equity Index Fund	GB00B8WR9749	0.02	0.20
AXA Emerging Markets	N/A	1.03	10.30	JP Morgan All-Emerging Markets Equity Fund	GB00BRCJNK41	0.35	3.50
AXA Property	N/A	0.96	9.60	Aegon Property Fund	GB00BRCJNL57	0.08	0.80
AXA Zone – AXA UK Select Opportunities	N/A	1.02	10.20	AXA UK Select Opportunities Fund	GB00BYPGQR99	0.20	2.00
AXA Zone – Architas Passive Moderate	N/A	0.64	6.40	Architas Passive Moderate Fund	GB00BYPGR328	0.01	0.10
AXA Zone – Architas Diversified Real Assets Fund	N/A	1.29	12.90	Architas Diversified Real Assets Fund	GB00BDR09G29	0.00	0.00

Source: Aegon

## Legacy AVC Arrangements

### Aviva

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
BGI Cash	Not available	0.15	1.50	Not available	Not available	Not available	Not available
BGI Consensus	Not available	0.15	1.50	Not available	Not available	Not available	Not available
BGI Corporate Bond	Not available	0.15	1.50	Not available	Not available	Not available	Not available
BGI UK Equity	Not available	0.10	1.00	Not available	Not available	Not available	Not available
BGI World Equity (ex-UK)	Not available	0.25	2.50	Not available	Not available	Not available	Not available
Aviva Sterling Deposit	Not available	0.63	6.30	Not available	Not available	Not available	Not available
Aviva Sterling Deposit Bonus	Not available	0.63	6.30	Not available	Not available	Not available	Not available

### ReAssure

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
Anniversary AL	Not available	0.78	7.80	N/A	Not available	Not available	Not available
Asia Pacific ex Japan Equities AL	Not available	1.08	10.80	N/A	Not available	Not available	Not available
Cash AL	Not available	1.01	10.10	N/A	Not available	Not available	Not available

Distribution AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
Ethical Distribution AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
Europe ex UK Equities AL	Not available	1.02	10.20	N/A	Not available	Not available	Not available
Far East AL	Not available	1.09	10.90	N/A	Not available	Not available	Not available
Fixed Interest AL	Not available	1.02	10.20	N/A	Not available	Not available	Not available
Global Distribution AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
Global Managed AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
High Yield Distribution AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
Higher Income AL	Not available	1.02	10.20	N/A	Not available	Not available	Not available
Index-Linked AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
Japan Equities AL	Not available	1.08	10.80	N/A	Not available	Not available	Not available
Managed AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
North America Equities AL	Not available	1.04	10.40	N/A	Not available	Not available	Not available
Property AL	Not available	1.01	10.10	N/A	Not available	Not available	Not available
Reserve AL	Not available	1.03	10.30	N/A	Not available	Not available	Not available
UK Equity AL	Not available	1.01	10.10	N/A	Not available	Not available	Not available

## 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	0.43	4.30
European Equity	Not available	0.75	7.50	ASI European Equity Enhanced Index Fund	GB00BRJL7X45	0.48	4.80
US Equity	Not available	0.75	7.50	ASI American Equity Enhanced Index Fund	GB00BRJL8192	0.18	1.80
UK Equity	Not available	0.75	7.50	ASI UK Equity Enhanced Index Fund	GB00BRJL8531	0.55	5.50
UK FTSE All Share Tracker	Not available	0.50	5.00	ASI UK All Share Tracker Fund	GB00B61C0396	0.13	1.30
Fund of Investment Trusts	Not available	0.75	7.50	Halifax Fund of Investment Trusts Fund	GB00B29MCX79	0.40	4.00
UK Government Bond	Not available	0.50	5.00	ASI Sterling Government Bond Fund	GB00BWK26S93	0.03	0.30
Property	Not available	1.00	10.00	Aberdeen UK Property Fund	GB00BTLX1F24	0.82	8.20
Global Equity	Not available	0.75	7.50	ASI World Equity Enhanced Index Fund	GB00BRJL7Z68	0.28	2.80
Money Market	Not available	0.50	5.00	ASI Liquidity Fund (Lux) – Sterling Fund	LU0966092990	0.00	0.00

\* 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. All the illustrations are projections and estimates only and are not guaranteed.

#### 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	£242,785	£211,585
5	£198,303	£177,853
10	£152,974	£142,102
15	£112,033	£107,578
20	£74,593	£73,453
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	£38,768	£32,334
5	£35,342	£30,778
10	£31,330	£28,635
15	£27,598	£26,352
20	£23,929	£23,598
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	£148,296	£123,397
5	£127,828	£109,928
10	£106,022	£94,803
15	£86,128	£79,827
20	£67,469	£64,168
25	£50,430	£48,704
30	£35,507	£34,586
35	£22,890	£22,479
40	£12,223	£12,098
45	£3,204	£3,195
47	£0	£0

Source: Hymans Robertson

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	£101,586	£88,905
5	£81,665	£73,433
10	£61,550	£57,215
15	£43,420	£41,630
20	£26,933	£26,404
25	£12,354	£12,280
28	£4,600	£4,600

Source: Hymans Robertson

### 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 Alternative default, least expensive and lowest risk		AXA Property Fund Fund remaining in Scheme at 31 March 2021	
	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 £	Before costs and charges £	After costs and charges £
0	£285,248	£274,205	£309,889	£247,042	£242,297	£197,377	£152,032	£147,809	£223,613	£189,835
5	£218,867	£212,050	£233,860	£194,997	£191,974	£162,603	£131,275	£128,250	£179,930	£157,523
10	£162,745	£158,901	£171,076	£149,123	£147,363	£129,811	£110,003	£108,019	£140,270	£126,683
15	£115,296	£113,454	£119,230	£108,687	£107,816	£98,888	£88,205	£87,094	£104,262	£97,247
20	£75,180	£74,593	£76,415	£73,046	£72,759	£69,727	£65,867	£65,449	£71,571	£69,152
24	£47,600	£47,600	£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 Alternative default, least expensive and lowest risk		AXA Property Fund Fund remaining in Scheme at 31 March 2021	
	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 £	Before costs and charges £	After costs and charges £
0	£47,189	£44,792	£52,583	£38,956	£37,946	£28,555	£19,481	£18,663	£34,000	£27,013
5	£39,896	£38,301	£43,423	£34,337	£33,638	£26,928	£19,963	£19,304	£30,869	£25,783
10	£33,730	£32,751	£35,858	£30,266	£29,820	£25,393	£20,457	£19,967	£28,026	£24,609
15	£28,518	£28,005	£29,612	£26,678	£26,435	£23,946	£20,964	£20,653	£25,445	£23,488
20	£24,110	£23,947	£24,453	£23,515	£23,434	£22,581	£21,483	£21,363	£23,101	£22,418
23	£21,800	£21,800	£21,800	£21,800	£21,800	£21,800	£21,800	£21,800	£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	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 Alternative default, least expensive and lowest risk		AXA Property Fund Fund remaining in Scheme at 31 March 2021	
	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 £	Before costs and charges £	After costs and charges £
0	£177,408	£166,027	£204,130	£139,607	£135,222	£97,144	£65,043	£62,379	£118,629	£91,361
5	£142,861	£134,799	£161,521	£115,779	£112,576	£84,085	£58,812	£56,644	£100,321	£79,633
10	£113,653	£108,096	£126,334	£94,776	£92,501	£71,771	£52,427	£50,713	£83,699	£68,439
15	£88,959	£85,263	£97,278	£76,263	£74,705	£60,159	£45,885	£44,577	£68,608	£57,755
20	£68,081	£65,739	£73,283	£59,946	£58,928	£49,208	£39,180	£38,231	£54,906	£47,557
25	£50,430	£49,044	£53,468	£45,562	£44,943	£38,882	£32,309	£31,667	£42,467	£37,824
30	£35,507	£34,768	£37,105	£32,884	£32,545	£29,144	£25,268	£24,877	£31,173	£28,534
35	£22,890	£22,561	£23,593	£21,710	£21,554	£19,961	£18,053	£17,855	£20,920	£19,668
40	£12,223	£12,123	£12,434	£11,860	£11,811	£11,301	£10,660	£10,591	£11,610	£11,205
45	£3,204	£3,197	£3,220	£3,177	£3,174	£3,135	£3,083	£3,077	£3,159	£3,127
47	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0

Source: Hymans Robertson

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 Alternative default, least expensive and lowest risk		AXA Property Fund Fund remaining in Scheme at 31 March 2021	
	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 £	Before costs and charges £	After costs and charges £
0	£118,768	£114,212	£128,959	£103,036	£101,088	£82,710	£64,260	£62,545	£93,431	£79,635
5	£89,816	£87,006	£96,017	£80,005	£78,768	£66,816	£54,196	£52,985	£73,852	£64,761
10	£65,338	£63,742	£68,813	£59,705	£58,982	£51,827	£43,884	£43,096	£56,077	£50,563
15	£44,643	£43,850	£46,349	£41,811	£41,441	£37,693	£33,316	£32,868	£39,940	£37,013
20	£27,147	£26,840	£27,798	£26,039	£25,892	£24,364	£22,487	£22,288	£25,288	£24,080
25	£12,354	£12,295	£12,479	£12,137	£12,108	£11,795	£11,390	£11,345	£11,986	£11,735
28	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600

Source: Hymans Robertson

### 3c For a selection of the AVC funds:

In general, the Scheme offered members in the defined benefit sections the same choice of funds for their AVCs as are available to DC members. Please see above for illustrations relating to these funds.

A small number of members have legacy AVCs which are invested in funds from Aviva, Reassure and Utmost. Illustrations for these funds are not included in this statement.

## 4. 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):

<b>Fund</b>	<b>Return % p.a.</b>	<b>TER % p.a.</b>	<b>Transaction Cost % p.a.</b>
AXA Global Equity Passive Fund	6.00	0.22	0.08
AXA Diversified Growth Active Fund	5.00	0.66	0.35
AXA Absolute Return Bond	3.50	0.51	0.32
AXA Cash Active	2.00	0.18	0.01
AXA Emerging Markets	6.50	1.03	0.35
AXA UK Equity Passive	6.00	0.19	0.05
AXA Zone - Architas Diversified Real Assets Fund	5.00	1.29	0.00
AXA Property Fund	4.50	0.96	0.08

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):

<b>Fund</b>	<b>Return % p.a.</b>	<b>TER % p.a.</b>	<b>Transaction Cost % p.a.</b>
AXA Global Equity Passive Fund	6.00	0.22	0.08
AXA Diversified Growth Active Fund	5.00	0.66	0.35
AXA Absolute Return Bond	3.50	0.51	0.32
AXA Cash Active	2.00	0.18	0.01
AXA Emerging Markets	6.50	1.03	0.35
AXA UK Equity Passive	6.00	0.19	0.05
AXA Zone - Architas Diversified Real Assets Fund	5.00	1.29	0.00
AXA Property Fund	4.50	0.96	0.08

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):

<b>Fund</b>	<b>Return % p.a.</b>	<b>TER % p.a.</b>	<b>Transaction Cost % p.a.</b>
AXA Global Equity Passive Fund	6.00	0.22	0.08
AXA Diversified Growth Active Fund	5.00	0.66	0.35
AXA Absolute Return Bond	3.50	0.51	0.32
AXA Cash Active	2.00	0.18	0.01
AXA Emerging Markets	6.50	1.03	0.35
AXA UK Equity Passive	6.00	0.19	0.05
AXA Zone - Architas Diversified Real Assets Fund	5.00	1.29	0.00
AXA Property Fund	4.50	0.96	0.08

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):

<b>Fund</b>	<b>Return % p.a.</b>	<b>TER % p.a.</b>	<b>Transaction Cost % p.a.</b>
AXA Global Equity Passive Fund	6.00	0.22	0.08
AXA Diversified Growth Active Fund	5.00	0.66	0.35
AXA Absolute Return Bond	3.50	0.51	0.32
AXA Cash Active	2.00	0.18	0.01
AXA Emerging Markets	6.50	1.03	0.35
AXA UK Equity Passive	6.00	0.19	0.05
AXA Zone - Architas Diversified Real Assets Fund	5.00	1.29	0.00
AXA Property Fund	4.50	0.96	0.08

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.