

Kaufel (UK) Limited Pension Scheme (“the Scheme”)

Annual governance statement by the Chair Trustees

Introduction

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

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

If you have any questions about anything that is set out below, or any suggestions about what can be improved, please contact me c/o Julie Henderson, ABB Limited, Daresbury Park, Daresbury, Warrington, WA4 4BT.

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

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

These are underpinned by the DC quality features.

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

1. Default investment arrangement

The default investment arrangement is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in the default investment arrangement which is set up by the Trustees. As at 31 December 2019, 92% of members had their contributions invested in the default investment arrangement.

Setting and reviewing an appropriate investment strategy

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

We have chosen a lifestyling arrangement initially using a combination of the Legal & General UK Equity Index (100% up to the age of 30) and the Standard Life Global Absolute Returns Strategy Fund. Then, when members are within nine years of normal retirement age utilizing the Standard Life Annuity Purchase fund and the Legal & General Cash Fund as the Scheme’s default arrangement.

The objective of this arrangement is to provide investment growth by investing in return seeking assets in a diversified portfolio with a moderate risk profile, with a gradual switching of assets over the

nine years before the member's expected retirement date, towards a final position of 25% cash and 75% gilts.

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

With the introduction of Pension Freedoms, the Trustees considered amending the default investment lifestyling strategy to take into account the wider range of options now available to members upon retirement. This was discussed in depth at a meeting of the Trustees on 16 November 2017 and it was concluded that given the size of the membership of the Scheme and its demographics, amending or adding to the present default investment arrangement to cover all potential eventualities on retirement could potentially result in more uncertainty amongst members rather than appreciation of greater choice.

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

Monitoring performance and suitability

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

At the last Trustees' meeting held on 25 April 2019 the Trustees did once again consider the performance of the Standard Life Global Absolute Returns Fund. The performance had improved on recent years however the Trustees also wished to consider the ongoing viability of the Scheme itself and whether a change to a new scheme would in fact be better for the members than amending the default investment proposition. This matter is still being considered and is expected to be concluded in 2020.

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

Details of the investment strategy and investment objectives of the default arrangement are recorded in a document called the Statement of Investment Principles. A copy of this document is attached for reference.

2. Charges and transaction costs paid by members

We are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) which are paid by members rather than the Employer. As you may know the Employer pays the cost of actually administering the scheme: the production of scheme literature, annual member statements, annual accounts and external audits, dealing with day-to-day events like processing contribution payments, existing members leaving, members wishing to change their investment funds, paying transfers out for members who have left, providing the member help-line, handling member enquiries, quoting and paying benefits.

The level of charges applying up to nine years prior to normal retirement age is 0.745% per annum. Within nine years of normal retirement age it is slightly more difficult to be precise as it the fund is then made up of a blend of three separate underlying funds each with different transaction charges applying. This is considered in more detail in the table below. These charges include all of the

investment transaction costs but these are not presently separately identifiable. The Trustees have approached the platform manager for this information and will make it available to all members just as soon as they have it.

The Scheme operates a lifestyle strategy using a blend of the three investment funds, the individual allocation of which changes as you approach retirement. The charges applying to each of these funds as a standalone investment are shown in the attached Statement of Investment Principles. Unfortunately it is therefore not possible to identify a single definitive figure that applies at all times, however we can broadly assess the annual cost to members who are in the default lifestyle arrangement on the date that their fund is rebalanced (this happens each year on 1 January) as follows:

Period to Normal Retirement Age	Annual Management Charge
9 years or more	0.74500%
8 – 9 years	0.72575%
7 – 8 years	0.70650%
6 – 7 years	0.65750%
5 – 6 years	0.62775%
4 - 5 years	0.52100%
3 - 4 years	0.41425%
2 - 3 years	0.30750%
2 year or less	0.30750%

If we assume that a member has (and for the purposes of this illustration will continue to have) more than 9 years to retirement and invests £1,000 and that charges are deducted at the beginning of the year and the member receives no investment returns, then the impact of these charges after 5 years would be to reduce the fund to £963.30 (a reduction of £36.70) and after 10 years the fund would reduce to £934.91 (a reduction of £65.09).

If however we make the same assumptions as above but further assume that investment returns are 3% compound per annum, added at the end of the year, then after 5 years the fund would be £1,116.73 and the charges would have equated to £40.11 and after 10 years the fund would be £1,256.45 with the charges having been deducted over the entire period being £84.92.

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

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

Pensions are long term investments and past experience has shown that markets do recover from downturns and that moving investments immediately after a downturn only crystallises a paper loss into an actual loss. However, this should be noted against the fact that past performance should not be relied upon for future performance and members should continue to monitor whether their current investment choice remains suitable for their own plans for retirement.

Over the longer term the Trustees still believe the asset allocation and associated risks to be appropriate to the aims of the Scheme.

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

The Trustees continuously monitor this position and have a standing item on the Trustee meeting agenda to consider the ongoing suitability of the Scheme and also what can be done further to improve the value for money for members. A formal trustee meeting was held on 25 April 2019 where this issue was discussed in depth. For completeness it is worth noting that the latest Trustee meeting was held on 24 March 2020 where this was again considered.

Self-select funds

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

As at 31 December 2019, self-select investments were held in the Standard Life Corporate Bond Fund, the Standard Life Managed Pension Fund, the Standard Life Ethical Fund and the Standard Life Pooled Property Fund.

Transaction costs

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

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

Mobius Life (ML) has provided details of the total transaction costs applying for each underlying fund during the Scheme year. These are set out in the table in Appendix 2.

The total transaction cost for the Scheme as a whole is 0.484%, determined as the weighted average of all the held funds' transaction costs.

In providing this information, Mobius Life contacted all fund managers to request their transaction cost data for the Scheme year. Some fund managers were constrained with the data they could provide retrospectively and the periods reported did not always match the Scheme year. Where this happened, Mobius Life used the most up-to-date information. The Trustees understand that Mobius Life seek to obtain reports that cover the appropriate period, but are aware of the necessity to provide information to enable us to satisfy our disclosure requirements.

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

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

Illustrative examples

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

The example shown has been selected as representing a cross section of typical members, having considered the structure and membership of the Scheme. The information in this example is however only intended to be illustrative, designed to show the cumulative impact that investment charges and transaction costs can have on fund values at retirement age. Members should therefore exercise caution before relying on the information for the purposes of making any decisions about savings, investment and retirement choices. In particular, the values shown are estimates only, based on a number of assumptions and are not guaranteed. For further information about investment options, members should refer to the Scheme documentation available, and should consider taking independent financial advice where and when appropriate.

Good value for members

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

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

The return on the default lifestyle investment policy for the year ended 31 December 2019 for a member aged 50 was 7.38%. The Trustees find this performance to be satisfactory and over the longer term still believes the asset allocation and associated risks to be appropriate to the aims of the Scheme.

The Trustees pay for and receives independent advice from Ascot Lloyd in order to specifically satisfy themselves that the Scheme provides good value for money for the members, in comparison to the wider pension scheme market, in terms of costs, risks, returns and the quality and level of service

provided. Ascot Lloyd report their findings and views at each Trustee meeting to provide comfort that the Scheme continues to provide good value for money. Further, each of the Trustees has extensive experience of pension schemes, both as part of their every day roles with the Employer and in working closely on the additional pension schemes offered by the Employer, and in their opinion, with this advice and experience in mind, the terms that apply in the Scheme do indeed presently represent decent value for money.

The Trustees continuously monitor this position and have a standing item on the Trustee meeting agenda to consider the ongoing suitability of the Scheme and also what can be done further to improve the value for money for members. In the Scheme year a formal trustee meetings was held on 25 April 2019 where this issue was discussed in depth.

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

Covid-19 Impact

At the time of writing this statement, May 2020, the Trustees are aware that the value of the assets applying to younger members has fallen due to the fall in UK Equities, but are encouraged to see that the other funds making up the default arrangement and especially those applying to older members have either continued to increase marginally or have been flat in their performance thus mitigating the worst of the market falls and demonstrating that the Trustees de-risking strategy within the default arrangement is working well.

2. Core financial transactions

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

- ensuring the contributions are paid on time;
- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme administrator. Our Scheme administration is delivered by Ascot Lloyd.

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

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

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

Following receipt of a relevant report from Ascot Lloyd covering the period from 1 May 2018 to 31 March 2019, at the Trustee’ meeting on 25 April 2019, Ascot Lloyd confirmed that they had met their

overall Service Level Agreement standards (including events in addition to those noted above). At the meeting on 24 March 2020, following receipt of the relevant report covering the period from 1 April 2019 to 31 December 2019, Ascot Lloyd again confirmed their overall Service Level Agreement standards had been met. We remain content that the administrators continue to act promptly and efficiently in all aspects of their work.

3. Trustee knowledge and understanding

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

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

The Trustees are also fully cognisant with the Statement of Investment Principles and this document is also present at all trustee meetings and cross referred to as required.

The Trustees undertake regular training events in order to meet this requirement. The two present trustees are also trustees of other pension schemes within the Group and as such have a wider knowledge of pensions than just this scheme. All Trustee meetings include, where possible and practicable, a training event run by the Scheme's advisers, Ascot Lloyd, and these are supplemented where appropriate in specialist areas by our legal advisers (Simmons & Simmons) and our auditors (Ernst & Young LLP). The training events run during the Trustee meetings are chosen to be relevant to current events or to re-emphasise issues relating to agenda items.

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

As Trustees we are also cognisant of the necessity to take advice as and when required and in particular would seek legal advice from our legal advisers, Simmons & Simmons, in any contentious cases or if we were unclear in any aspect of the operation of the Trust Deed and Rules. We can confirm that there were no contentious cases to consider in the 2019 Scheme year and therefore we did not seek any additional legal advice in this period.

The Scheme presently has a vacancy for a member nominated trustee. If you would potentially be interested in filling this role in order to assist the existing trustees in continuing to ensure the suitability of the Scheme for its members then please contact the Trustees at the address set out below.

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

Such training will be undertaken during normal business hours. Trustee meetings are also undertaken during normal business hours.

It should be noted that with effect from 1 January 2020 the Trustees were replaced by two experienced Trustees from within the ABB Group. Both of the new trustees are highly experienced in the role which they undertake for a number of schemes. A full trustee training log is in place for both in order to demonstrate that knowledge is both up to date and relevant.

We trust that this information has been informative and useful. If you have any questions about any of the matters above, or any suggestions about what can be improved, please contact the trustees c/o Julie Henderson, ABB Limited, Daresbury Park, Daresbury, Warrington, WA4 4BT.

Signed.....

Date.....

David Lowe
Chair of Trustees

KAUFEL (UK) LTD PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

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

The Trustees have obtained the appropriate professional advice from PFP Wealth Planning LLP and have consulted the Principal Employer.

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

INVESTMENT OBJECTIVE

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

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

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

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

STRATEGY

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

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

Members can choose a default lifestyle arrangement which operates under a predetermined lifestyle strategy or make their own decisions on the funds in which to invest. The lifestyle strategy is based on a general principle that investment needs change as a member approaches retirement and that at retirement the member will take part of the account as cash and purchase an annuity with the balance.

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

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

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

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

RISK MEASUREMENT AND MANAGEMENT

The Trustees consider the following sources of risk:

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

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

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

Social, Environmental and Ethical Considerations

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

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

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

Corporate Governance

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

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

Investment Realisation and Options

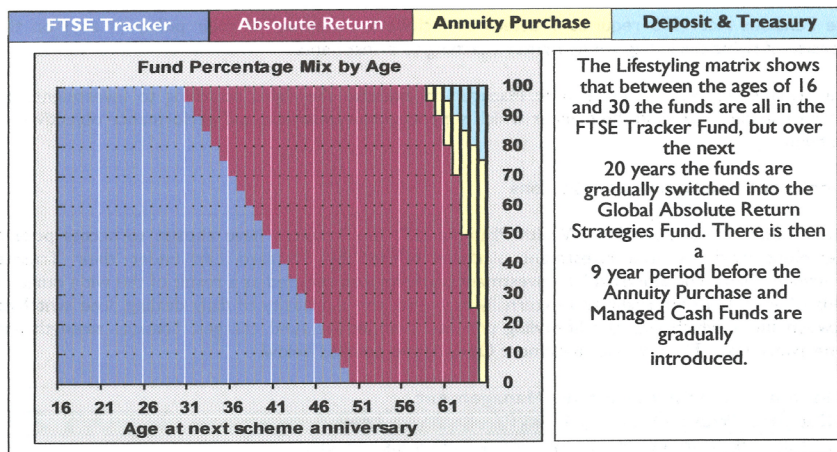
Having taken advice from PFP Wealth Planning LLP, the Trustees have chosen to access pooled investment funds via the investment platform offered by Standard Life under their Trustee Investment Plan. The Standard Life investment platform was selected as a result of the wide range of funds offered, both internally and externally managed, the availability of daily dealing, free switching between funds which aids the lifestyling process, competitive fund charges, financial strength and name awareness. The present Investment Options are detailed below.

Standard Life Funds – Active Management
Deposit & Treasury Fund – AMC 0.25% - Risk: Very Low
Invests in deposits and short term money market instruments.
Annuity Purchase Fund – AMC: 0.40% - Risk: Low
The fund invests predominantly in fixed interest assets whose prices are normally expected to rise and fall broadly in line with the cost of purchasing pension income. (NB: Previously known as the Protection Fund)
Global Absolute Return Strategies Fund (GARS) - AMC: 1.01% Risk: Low to Medium
Aims to provide investors with positive investment returns in a variety of market conditions. The Fund objective is to outperform the London Interbank Offer Rate (LIBOR) by 5% over three to five years.
Corporate Bond Fund – AMC: 0.40% - Risk: Low to Medium
Provides long term growth mainly from the reinvestment of income generated by investing predominantly in Sterling denominated corporate bonds.
Pooled Property Fund – AMC: 0.60% Risk: Medium
Aims to provide long term capital appreciation and growth by investing in prime quality UK commercial properties.
Pension Managed Fund – AMC: 0.60% Risk: Medium
A balanced managed fund, investing in a diversified portfolio including equities, fixed interest and property.

Newton Managed Fund - AMC: 0.72% Risk: Medium
Aims to provide long term growth by investing in a portfolio of Institutional UK and overseas equity assets.
Pension Ethical Fund – AMC: 0.60% Risk: Medium
Aims to provide long term growth by investing in equities and corporate bonds, but avoiding companies who fail to make a positive contribution to society.
Standard Life Funds – Passive Management
FTSE Tracker Fund – AMC: 0.20% Risk: Medium
A Tracker fund that invests mainly in equities and to a lesser extent government securities, cash and other fixed interest investments in the UK and overseas in line with the CAPS Balanced managed fund sector.

Default Lifestyle Option

The default lifestyle option makes use of the four funds highlighted in green above and the following table sets out how the funds are moved as members approach retirement:




Signed: Emma Mills, Trustee

Date: 18/11/2013


Signed: Julie Barlow, Trustee

Date: 18/11/2013


Signed: John Clare, Trustee

Date: 19/11/2013

APPENDIX 2

Transaction Costs

Code	Fund	Total Transaction Costs
P02009	L&G Life N UK Equity Index Fund	0.000%
P02010	Standard Life GARS Pension Fund	0.571%
P02011	Standard Life Annuity Purchase Pension Fund	0.079%
P02012	L&G Life AR Cash Fund	0.003%
P02013	Standard Life Corporate Bond Pension Fund	0.050%
P02014	Standard Life Ethical Pension Fund	0.000%
P02015	Standard Life Managed Pension Fund	0.152%
P02016	Standard Life Pooled Property Pension Fund	0.000%
P02017	BNYM Multi-Asset Growth Fund	0.070%

Default arrangement

Projected Pension Pot in Today's Money (as at 31 December 2019 with a starting pot size of £11,250)		
Years	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	£11,702	£11,598
3	£12,654	£12,299
5	£13,671	£13,004
10	£16,554	£14,864
15	£20,006	£16,962
20	£22,531	£18,291
22	£22,421	£18,076

Notes to the default investment arrangement illustrations:

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
3. Inflation is assumed to be 2.5% each year.
4. The starting pot size reflects the median fund size of those currently invested in the default investment arrangement, together with a time horizon reflecting the youngest member in that appropriate fund. Thus the starting pot size is assumed to be £11,250 at age 43 for a member retiring at age 65
5. As all members in the Scheme are deferred, no further contributions are assumed to be made.
6. Assumed investment growth for each of the appropriate funds in the default arrangement are in line with those used in the production of the Statutory Money Purchase Illustrations for the Scheme. Thus the accumulation rates used are:

L&G Life N UK Equity Index Fund	7.00% each year
Standard Life GARS Pension Fund	6.50% each year
Standard Life Annuity Purchase Pension Fund	2.25% each year
L&G Life AR Cash Fund	2.25% each year

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

L&G Life N UK Equity Index Fund	AMC 0.150% each year: TC -0.011% each year
Standard Life GARS Pension Fund	AMC 0.725% each year: TC 0.426% each year
Standard Life Annuity Purchase Pension Fund	AMC 0.350% each year: TC 0.063% each year
L&G Life AR Cash Fund	AMC 0.150% each year: TC 0.003% each year

8. The transaction costs noted above are those applying to in the Scheme year averaged over the two years for which data is available. They are however subject to the comments under "transaction costs" in this respect.