# Britannia Refined Metals Retirement Plan ("the Plan")
# Governance statement for the Plan's defined contribution arrangements
# 6 April 2019 to 5 April 2020

## 1. Introduction

1.1. This Annual Governance Statement ("Statement") has been prepared by the Trustee Directors of the Britannia Refined Metals Retirement Plan Limited ("the Trustee") and reports on how the Trustee complies with the defined contribution (DC) governance standards, as required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

1.2. The reporting period covered by this Statement is 6 April 2019 to 5 April 2020 ("the reporting period").

1.3. As required by the Regulations, the Trustee publish this Statement on a publicly accessible website. The web address for the website is: https://vfm.aviva.co.uk/britannia-refined-f68950/

## 2. The Plan's DC arrangements

2.1. Over the reporting period, the Plan's DC arrangements comprise:

- The Plan's Defined Contribution Section ("the DC Section") which is a bundled trust based arrangement with Aviva which is open to future contributions and is used as a qualifying workplace pension plan for auto-enrolment purposes.
- Additional Voluntary Contribution (AVC) benefits for members of the Plan's Defined Benefit Section ("the DB Section") which are held as separate policies with Prudential and Aviva. These are open to future contributions, however the Prudential AVC policy is now closed to new joiners.

## 3. Default arrangement

3.1. The Plan has one default investment arrangement for the purposes of the governance standards; at the start of the reporting period this was called the My Future Plus Target Cash Lump Sum.

3.2. During the Plan year, Aviva reviewed the range of investment strategies it offers across its book of pensions business. It took the decision to align the "My Future Plus" investment strategies which the Trustee has historically made available to members, with its My Future Focus fund range (which is available through other Aviva pension products).

3.3. As well as rebranding to "My Future Focus", Aviva also took the opportunity to revise the asset allocation of the My Future Focus funds, investing them through Aviva Investors in a revised set of Diversified Asset Funds. The new funds used in the default are named My Future Focus Growth and My Future Focus Cash Lump Sum and the profile is the My Future Focus Target Cash Lump Sum lifestyle option.

3.4. Two further funds, My Future Focus Consolidation and My Future Focus Annuity, are also offered in this range.

3.5. The funds in the My Future Focus range are used in various glidepaths to automatically move investors from the 'growth phase' into the 'decumulation phase', targeting defined retirement options for members, namely drawdown (taking income by making withdrawal from their savings), cash lump sum at retirement and annuity purchase.

3.6. These glidepaths were also amended, reducing the de-risking period from 15 years to 10 years. The proportion of assets held in each My Future Focus fund will vary depending on the term to a member's selected retirement age and the retirement benefit choice the member makes.

3.7. As a result of the changes to the My Future Focus funds, members benefit from a reduction in charges by 0.10% p.a. and details of the new charges can be found later in this statement

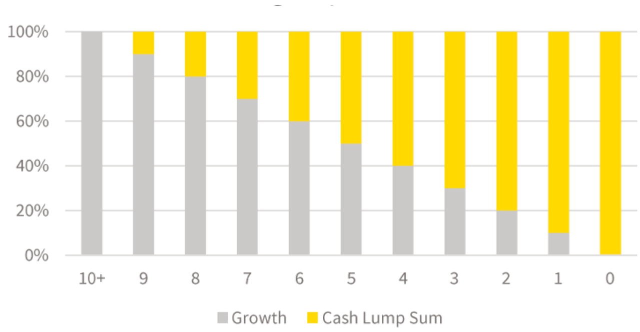
3.8. In addition to these lifestyle strategies, members can also access a range of self-select funds, covering most of the major asset classes..

### Default investment arrangement design (from October 2019)

The key design features of the default from October 2019 are set out below.

3.9. 'Lifestyle' investment switches are used which are designed to reduce exposure to investment risk in the later years of membership, aiming to help the member invest appropriately given the way in which benefits are likely to be taken in retirement. Through the default:

- Members are initially invested 100% in the Aviva My Future Focus Growth Fund. This fund is predominantly passively managed and invests mainly in UK and overseas equities, but with a greater exposure to alternative growth assets than before.
- When members reach 10 years to their Selected Retirement Age (SRA) the lifestyle investment switches commence.



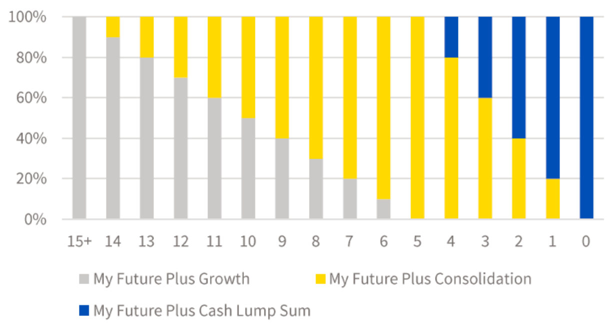

- At this point a member's assets will automatically and gradually begin switching out of the Aviva My Future Focus Growth Fund and into the Aviva My Future Focus Cash Lump Sum Fund.
- The target position at a member's SRA is to be invested 100% in the Aviva My Future Focus Cash Lump Sum Fund. This investment strategy was designed taking into account the likely member requirements to draw their benefits from the DC Section as a cash lump sum.

## Previous default investment arrangement design (up until October 2019)

The key design features of the default in place from the start of the reporting period were as follows:

3.10. 'Lifestyle' investment switches were used which were designed to reduce exposure to investment risk in the later years of membership, aiming to help the member invest appropriately given the way in which benefits were likely to be taken in retirement. Through the previous default:

- Members were initially invested 100% in the Aviva My Future Plus Growth Fund. This fund was predominantly passively managed and invests mainly in UK and overseas equities, with a small exposure to alternative assets.
- When members reached 15 years to their SRA, the lifestyle investment switches commenced.
- At this point a member's assets were automatically and gradually switched out of the Aviva My Future Plus Growth Fund into the Aviva My Future Plus Consolidation Fund and then, from 5 years to their SRA, into the Aviva My Future Plus Cash Lump Sum Fund.




- The target position at a member's SRA was to be invested 100% in the Aviva My Future Plus Cash Lump Sum Fund, taking into account the likely member requirements to draw their benefits from the DC Section as a cash lump sum.

## Costs of making changes in the default investment approach

3.11. Aviva worked to minimise the costs involved in making the changes, but any costs have ultimately been borne by those investing in these funds. However, the costs of investing in the new funds have reduced by at least 0.10% p.a., so any transition costs will quickly be offset by the reduced future charges.

## Aims and objectives of the default investment arrangements

3.12. The default aim is to grow the value of members' benefits and then to de-risk them down into cash at retirement to protect the value of their retirement accounts.

3.13. The default also aims to limit the extent to which members' benefits are exposed to large fluctuations in value (known as 'volatility') in the approach to their SRA. The degree of protection provided is broadly appropriate for members who wish to take benefits as cash at retirement.

### Alternative investment options

3.14. Alongside the default, members have access to two further lifestyle investment options;

- The My Future Focus Target Drawdown lifestyle option (the My Future Plus Drawdown lifestyle option until October 2019); and
- The My Future Focus Target Annuity lifestyle option (the My Future Plus Annuity lifestyle option until October 2019).

These enable members to target the alternative ways in which DC benefits can be taken on retirement.

3.15. In line with the objectives outlined in the Trustee's Statement of Investment Principles ("SIP"), members are able to self-select from a range of seven further investment funds managed by BlackRock. The range of funds offered is reviewed annually.

### Additional Voluntary Contribution (AVC) investment options

3.16. Members of the DB Section are permitted to make AVCs to a policy with Aviva which offers the same investment options as are available to members of the DC Section. In addition, there is a Deposit Fund option available from Prudential which provides an interest rate return in line with the Bank of England Base Rate.

### Monitoring and review of the default investment arrangement and alternative options

3.17. The Trustee together with its professional advisers monitors the investment options through the DC arrangements on a bi-annual basis. This monitoring looks at the performance of the default, the alternative lifestyle strategies and the individual fund options to ensure that it is consistent with their stated aims and objectives. It also considers any developments or changes with the fund manager.

3.18. The Trustee has considered the default in both its current and previous iteration and are comfortable that the Cash Lump Sum lifestyle option remains the best option for members as it is expected that they will take their DC benefits as cash alongside their DB benefits.

3.19. When Aviva announced the introduction of the My Future Focus strategy the Trustee received advice from its investment adviser which provided them comfort that the changes were beneficial to members and that the strategy remained appropriate.

3.20. A strategic review of the DC Section's default as well as the range of alternative investment options is being undertaken and is due to be completed in the 2020/2021 reporting period. This review is being undertaken in conjunction with the Trustee's investment adviser and focuses on the degree to which the default and the range of alternative investment options remains suitable for the needs of members. As part of this review, the Trustee has considered the membership profile of the DC Section and undertook pension account value analysis to ascertain the potential needs of members.

3.21. The Aviva AVC options are monitored by the Trustees as part of their review of the main DC Section options and the return on the Prudential Deposit Fund is reviewed annually.

3.22. As a result of the reviewing and monitoring activities undertaken during the reporting period, the Trustee believes that the performance of all of the defaults is consistent with the aims and objectives stated in the SIP.

### Further information on investments

3.23. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP (dated September 2020) sets out further details around the Trustee's investment objectives, as well as the default investment strategy. A copy of the SIP is appended to this Statement as Appendix 1 which incorporates information on the DC Section default arrangement.

3.24. The SIP was updated in September 2020 to reflect the recent changes to the investment strategy upgrading to the My Future Focus arrangement and also the inclusion of ESG considerations and the voting rights and practices of fund managers.

## 4. Core financial transactions

4.1. The Trustee has a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.

4.2. For this purpose, the Plan's core financial transactions comprise:

- The investment of contributions.
- Transfers into and out of the Plan.
- Investment switches within the Plan.
- Payments out of the Plan in respect of members.

4.3. Core financial transactions for the DC Section are undertaken by Aviva.

4.4. Core financial transactions for the AVC arrangement are undertaken by Aviva and Prudential.

### DC Section Administration

4.5. Over the reporting period, the administration functions of the DC Section were outsourced to, and completed by, Aviva.

4.6. Aviva no longer reports on its performance against scheme specific Service Level Agreements (SLAs). However, Aviva does provide reporting which reflects the member experience i.e. they measure the time spent on each work item. A summary of the member experience is set out below, noting that an annual report was prepared for the 12 month period to 30 September 2019 and a new six-monthly report for the period to 31 March 2020:

#### 1 October 2018 to 30 September 2019

| End to end times | Number of demands | % of total demands |
|---|---|---|
| 1 day | 30 | 51.7% |
| 2 to 5 days | 18 | 31.0% |
| 6 to 14 days | 4 | 6.9% |
| 15 to 30 days | 1 | 1.7% |
| 31 to 60 days | 3 | 5.2% |
| Over 60 days | 2 | 3.4% |

#### 1 October 2019 to 31 March 2020

| End to end times | Number of demands | % of total demands |
|---|---|---|
| 1 day | 6 | 40.00% |
| 2 to 5 days | 3 | 20.00% |
| 6 to 14 days | 2 | 13.33% |
| 15 to 30 days | 1 | 6.67% |
| 31 to 60 days | 0 | 0.00% |
| Over 60 days | 3 | 20.00% |

4.7. From the reports prepared by Aviva, the current measure shows that they were able to process 82.7% of demands within 5 days of receipt in the 12 months to 30 September 2019 and 60% in the six month period to 31 March 2020. There were significantly fewer 'demands' in the last 6 month period. The expectation is that this performance measurement will show improvements over time.

4.8. During the reporting period, the Trustee has moved from monitoring the performance on an annual basis to a bi-annual basis, with a formal management information report being received from Aviva.

4.9. The monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data. In addition, the administrator's processes are subject to internal controls procedures which are subject to external annual audit as part of the annual assurance report on internal controls produced by Aviva. Member data is reconciled immediately as part of any transaction.

4.10. There were no issues reported to or identified by the Trustee in connection with either the promptness or accuracy of core financial transactions processed during the period covered by this statement and all contributions were paid well within statutory deadlines.

### AVC administration

4.11. The Trustee has delegated the administrative oversight of the separate AVC arrangements to Aviva and Prudential and the administration of the DB Section to Barnett Waddingham LLP.

4.12. Barnett Waddingham report back to the Trustee with any specific issues relating to the administration of the separate AVC policies. There were no issues reported to, or identified by, the Trustee in connection with the promptness or accuracy of the processing of core financial transactions for the AVC policies in the reporting period.

4.13. From the reports prepared by Aviva for the AVC arrangements, the current measure shows that they were able to process 77.3% of the 22 demands within 5 days of receipt in the 12 months to 30 September 2019 and 66.7% of the 27 demands in the six month period to 31 March 2020. There were significantly fewer 'demands' in the last 6 month period. The expectation is that this performance measurement will show improvements over time.

4.14. Prudential have been unable to provide scheme specific administration performance statistics, but the service received by Barnett Waddingham has been acceptable.

4.15. In the event that an issue does arise, the Trustee will be alerted by Aviva at the earliest reasonable point and will consider it at the next Trustees meeting to ensure that the problem is appropriately resolved and any systemic issues are addressed to avoid similar problems arising in the future.

4.16. There were no issues reported to or identified by the Trustee in connection with either the promptness or accuracy of AVC core financial transactions processed during the period covered by this statement and all contributions were paid well within statutory deadlines.

### Trustee view of core financial transactions

4.17. Taking the above into consideration, the Trustee is confident that all core financial transactions over the reporting period have been processed promptly and correctly. The Trustee notes that there were no issues relating to core financial transactions over the reporting period.

## 5. Charges and transaction costs

5.1. Members bear charges deducted from the funds in which their DC pension savings are invested. The charges differ between the investment options available and consist of both explicit and implicit charges:

- Explicit charges: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. We refer to these explicit charges as the Total Expense Ratio (TER).
- Implicit charges: these relate to the charges and costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges.

These implicit charges vary according to each fund's investment approach and prevailing market conditions. We refer to these implicit charges as the Transaction Costs.

### DC Section cost and charges

5.2. The following tables provide details of the explicit and implicit costs applied to each of the investment options provided through the DC Section over the reporting period. This data has been sourced from Aviva and covers the year to 31 March 2020.

5.3. The Trustee is aware that the Regulations require the transaction costs data to be based on an average of the past 5 years' transaction costs; however, Aviva was not able to provide transaction cost data covering this timeframe for this Statement. The Trustee, in conjunction with its professional advisers, will continue to work with Aviva to provide such information, although, as the managers concerned have not collated this information going back five years, it is unlikely to be provided until the Regulations have been in place for five years:

| Default Investment option* | TER (p.a.) | Transaction costs |
|---|---|---|
| AV My Future Focus Growth Fund | 0.59% | 0.03% |
| AV My Future Focus Target Cash Lump Sum Fund | 0.59% | 0.03% |
| **Alternative investment options*** | **TER (p.a.)** | **Transaction costs** |
| AV My Future Focus Consolidation Fund | 0.59% | 0.02% |
| AV My Future Focus Drawdown Fund | 0.59% | -0.06%** |
| AV My Future Focus Annuity Fund | 0.59% | 0.00% |
| AV BlackRock Institutional Sterling Liquidity Fund | 0.49% | 0.01% |
| AV BlackRock Over 5 Year Index-Linked Gilt Index Fund | 0.49% | -0.02%** |
| AV BlackRock Over 15 Year Gilt Index Fund | 0.49% | 0.02% |
| AV BlackRock Over 15 Year Corporate Bond Index Fund | 0.49% | 0.12% |
| AV BlackRock UK Equity Index Tracker Fund | 0.49% | -0.01%** |
| AV BlackRock Global Equity 40:60 Index Fund | 0.49% | 0.10% |
| AV BlackRock World (ex-UK) Equity Index Fund | 0.49% | 0.06% |

**Source:** Aviva Transaction Cost Data report as at 31 March 2020. This was the most accurate information available as Aviva currently provides their Transaction Cost Data on a quarterly basis.

* The TER for the My Future Plus range of funds was 0.70% p.a. until October 2019. Aviva have not provided details of the transaction costs for the part year in question. The Trustee will continue to seek this information from Aviva.

** In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

### AVC arrangements cost and charges - Aviva

5.4. Plan members that hold AVC benefits with Aviva follow the same investment default strategy as the DC Section, the My Future Focus Target Cash Lump Sum lifestyle option. The TERs and transaction costs applicable to the funds available for AVC payers are the same as outlined in 5.3 above.

### AVC arrangements cost and charges - Prudential

5.5. Plan members that hold AVC benefits with Prudential are invested in the Prudential Deposit Fund. Details of the charges and transaction costs quoted by Prudential for this fund is provided below:

| Investment option | TER (p.a.) | Transaction costs |
|---|---|---|
| Prudential Deposit Fund | Nil – taken into account in the interest payable to members | 0.00% |

*Data is provided as at 31 March 2020.

### Transitions during the period

5.6. Aviva worked to minimise the costs involved in making the changes to the lifestyle strategies during the reporting period but have not provided details of the costs involved. The Trustee will continue to seek this information from Aviva. The Trustee is aware that any costs have ultimately been borne by those investing in these funds, but note that the costs of investing in the new funds have reduced by at least 0.10% p.a., so any transition costs will quickly be offset by the reduced future charges.

## 6. Demonstrating the impact of costs and charges

6.1. To demonstrate the impact of the costs and charges applied through the Plan, in this year's Chair's Statement, Aviva, on the behalf of the Trustee has produced illustrations in line with September 2018 guidance from the Department for Work & Pensions entitled "Reporting of costs, charges and other information: guidance for trustees and manager of relevant occupational schemes".

6.2. These illustrations are set out in the appendix to this document and are designed to cater for a representative cross-section of the membership of the Plan's DC arrangements.

## 7. Value for members

7.1. The Regulations require the Trustee to assess the extent to which the charges and transaction costs borne by members represent good value.

7.2. The charges and transaction costs borne by members relate to the costs of providing the administration, communication and investment services. The costs of governance and any additional communications are met by the Company.

7.3. The annual Value for Members analysis relating to the reporting period of this Statement was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP as at 5 April 2020. The Trustee considered the assessment methodology and accepted the assessment.

7.4. The assessment recognised that low cost does not necessarily mean better value, so considered a range of different factors, including:

- In relation to investment services:
    - The range of investment options available and the design of the default;
    - The arrangements for monitoring the performance of the investment funds; and
    - The governance arrangements in place.
- In relation to Administration services:
    - The accuracy and efficiency of administration services; and
    - Record-keeping and frequency of common and conditional data reviews.

- In relation to Communication services:
    - The range and quality of communication materials both pre- and post-retirement.
    - The degree of support provided to members.
- Other options available in the market

7.5. The assessment considered various factors under each element and looked at these in 'Absolute' and 'Relative' terms, absolute being the DC Section and Aviva and Prudential AVCs on their own merits and on a relative basis comparing them to alternative options.

7.6. The Trustee concluded that in the reporting period the Plan's DC arrangements provided good value for members in relation to the charges and transactions costs by members. There are no areas in which the DC Section's arrangements detract value.

7.7. The assessment considered just those services for which members bear or share the costs. Factors that were not considered but that add value include:

- The services fully paid for by the Company, e.g. the DC Section's governance and additional communication services, and the services of legal advisers, consultants and auditors;
- The operation of the Trustee Board, with a duty to act in the best interest of members (includes the services of a professional trustee);
- The Company contributions available to active members; and
- The operation of a salary sacrifice arrangement, providing an optional, tax efficient way of paying into the Plan.

7.8. As part of its independent analysis, Barnett Waddingham also reviewed the degree to which the AVC benefits invested with Prudential represent value for members. This assessment highlighted that the arrangements operate via a legacy platform and that there is limited scope for making significant improvements given their size. The assessment concluded that the AVC arrangement provides reasonable value to members for the following reasons:

- Members investing in the arrangement can use their benefits to fund their tax free cash entitlements through the DB Section of the Plan;
- The fund provides a capital guarantee and returns in line with the Bank of England base rates, with no explicit costs.
- Members benefit from the administration services provided by Barnett Waddingham in the ongoing management of these benefits over and above those provided by Prudential.

## 8. Trustee knowledge and understanding

### The Trustee Board

8.1. Britannia Refined Metals Retirement Plan Limited, the Trustee, is a trustee company, chaired by a professional, independent trustee. There were no changes to the membership of the Trustee board over the year to 5 April 2020. There are currently three Trustee Directors as at 5 April 2020.

### Trustee knowledge and understanding requirements

8.2. The Trustee is required to have, or have access to, appropriate knowledge to run the Plan effectively. This has been achieved in the Plan year in a number of ways:

- All new Trustee Directors are required to complete the Pensions Regulator's online Trustee e-learning Toolkit within six months of being appointed;
- The Trustee Training Log provides a record of Training sessions that have been provided by professional advisers over the year, including:
    - Investment training on ESG considerations;

    - DC governance – Legislation updates include the future of trusteeship and governance;
    - DC governance – The Occupational Pension Schemes (Charges and Governance) Regulations;
    - DC governance – TPR interest in DC schemes, and DC code of practice;
    - Setting strategic objectives for the investment advisers.
- The Trustee includes an independent professional trustee whose skills and experience gained from other schemes supplements the Trustee Board knowledge. In addition, the professional trustee works for a company who have specific internal controls, which require them to undertake continual professional development so that they keep up to date with all the legislative requirements and pensions industry developments.
- The appointed professional advisers use their knowledge of the Plan rules, policies and legislation to support Trustee decision making. For example, the Plan Auditor each year provides the Trustee with feedback on the audit of the Plan's financial statements and on internal control matters that came to their attention during the course of their audit.
- Input from the advisers is received as part of the regular Trustee meetings (updating the SIP and setting strategic objectives for the investment advisers) and pro-actively on an ad hoc basis in between meetings.

8.3. The Trustee is required to be conversant with the Plan's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of plan assets to enable them to properly exercise their functions.

8.4. The Trustee addresses the requirements through a combination of the ongoing training and taking professional advice, particularly as and when decisions are being taken (such as understanding their powers when the SIP was updated and when the investment strategy review was undertaken).

### Trustee training

8.5. The Trustee maintains a training log which outlines the training undertaken by the group and by each individual Trustee Director.

8.6. In addition, the Trustee assesses its training needs annually, as set out in its detailed Business Plan. This analysis enables both group and individual training needs to be identified and a training plan established for the coming year.

### Access to professional advice

8.7. The Trustee consults with professional advisers as and when required, for example on the Plan's value for members' assessment, the production of the annual DC governance statement and updating the SIP. Their professional advisers alert the Trustee, and where appropriate provide training, on relevant changes to pension and trust law as outlined above.

### Assessment

8.8. The Trustee Directors consider that their combined knowledge, skills and understanding, the access to advice and the Chairmanship by a professional, independent Trustee enables them to properly exercise their trustee functions in relation to the Plan's DC arrangements.

**Signed for and on behalf of the Trustee of the Plan**

**Wayne Phelan** **Date: September 2020**
**Chair of the Trustee**

# Appendix – Illustrations on the impact of costs and charges

## Guidance to the illustrations

A1.1. To determine the parameters used in these illustrations, the Trustee worked with Aviva to analyse the membership of those invested in the DC Section over the reporting period and has taken into consideration the range of investment options offered to members. As a result of this analysis the Trustee has elected to base these illustrations on the following variables:

- Pot size: The starting pot size of £0 has been selected as the youngest members will not hold the median pot size when they join the Plan. Taking a median pot size approach will overstate both projected benefits and the charges taken over the term to retirement.
- The investment options selected for these illustrations include:
    - The most popular fund by number of members and (one of) the highest charged funds – AV My Future Focus Growth Fund
    - Part of the default strategy - AV My Future Focus Cash Lump Sum Fund
    - The lowest charged fund - AV BlackRock Over 5 Year Index-Linked Gilt Index Fund
    - The fund with the lowest assumed future investment return - AV BlackRock Institutional Sterling Liquidity Fund
    - One of the funds with the highest assumed future investment return - AV BlackRock Global Equity 40:60 Index
- Timeframe: the illustrations are shown over a 50 year time frame as this covers the approximate duration that the youngest member would take to reach NRA.
- The Trustee has included future contributions of £100pm in these illustrations as the arrangements remain open to contributions.

A1.2. For each individual illustration, each savings pot has been projected twice; firstly, to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund

## Notes to the illustrations

A1.3. Projected pot sizes are shown in today's terms and do not need to be reduced further for the effects of future inflation

A1.4. The starting pot size of £0 has been selected as the youngest members will not hold the median pot size when they join the Plan. Taking a median pot size approach will overstate both projected benefits and the charges taken over the term to retirement.

A1.5. A contribution rate of £100 per month is assumed, increasing in line with assumed earning inflation of 2.5% each year. Thus, pensionable salary is assumed to grow at 2.5% per year

A1.6. Each illustration assumes up to 50 years of membership leading up to the DC Section's normal retirement age of 65.

A1.7. Values shown are estimates and not guaranteed.

A1.8. Each of the illustrations allow for the future impact of inflation which is assumed to be 2.5%. This is why the real terms value of the savings pot does not increase over time for certain funds.

A1.9. The starting date for the illustrations is 5 April 2020.

A1.10. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the growth rates provided by Aviva in their illustrations. We provide details for each investment option used to produce the illustrations in the table below:

| Investment option | Assumed future growth rate* |
|---|---|
| AV My Future Focus Growth Fund | 4.3% |
| AV My Future Focus Target Cash Lump Sum Fund | 2.5% |
| AV BlackRock Over 5 Year Index-Linked Gilt Index Fund | 2.5% |
| AV BlackRock Institutional Sterling Liquidity Fund | 1.5% |
| AV BlackRock Global Equity 40:60 Index Fund | 5.0% |

*The assumed growth rates are the growth rates used by Aviva in the Statutory Money Purchase Illustrations used in the annual benefit statements.

A1.11. The illustrations presented below were prepared by Aviva, on the behalf of the Trustee.

## AV My Future Focus Growth

A1.12. This has been included as it is the most popular investment fund for the DC Section by number of members (as part of the default strategy) and also one of the highest charged funds.

| Years from taking benefits | Before charges | After charges |
|---|---|---|
| 1 | £1,200 | £1,190 |
| 2 | £2,420 | £2,400 |
| 3 | £3,660 | £3,620 |
| 4 | £4,920 | £4,850 |
| 5 | £6,200 | £6,100 |
| 10 | £13,000 | £12,500 |
| 15 | £20,400 | £19,300 |
| 20 | £28,400 | £26,500 |
| 25 | £37,200 | £34,100 |
| 30 | £46,800 | £42,100 |
| 35 | £57,200 | £50,500 |
| 40 | £68,600 | £59,400 |
| 45 | £81,100 | £68,800 |
| 50 | £94,700 | £78,800 |

A1.13. Note on how to read this table: If an active member had £0 invested in this strategy on 5 April 2020, when they came to retire in 20 years with monthly contributions of £100 per month, increasing in line with assumed earnings inflation of 2.5% each year, the fund could grow to £23,700 if no charges are applied but to £22,200 with charges applied.

## AV My Future Focus Target Cash Lump Sum Fund

A1.14. This has been included as it is part of the default strategy along with the fund above.

| Years from taking benefits | Before charges | After charges |
|---|---|---|
| 1 | £1,190 | £1,180 |
| 2 | £2,370 | £2,360 |
| 3 | £3,560 | £3,520 |
| 4 | £4,750 | £4,680 |
| 5 | £5,930 | £5,840 |
| 10 | £11,900 | £11,500 |
| 15 | £17,800 | £17,000 |
| 20 | £23,700 | £22,200 |
| 25 | £29,700 | £27,400 |
| 30 | £35,600 | £32,300 |
| 35 | £41,500 | £37,100 |
| 40 | £47,500 | £41,800 |
| 45 | £53,400 | £46,300 |
| 50 | £59,300 | £50,600 |

A1.15. Note on how to read this table: If an active member had £0 invested in this strategy on 5 April 2020, when they came to retire in 20 years with monthly contributions of £100 per month, increasing in line with assumed earnings inflation of 2.5% each year, the fund could grow to £30,500 if no charges are applied but to £28,200 with charges applied.

## AV BlackRock Over 5 Year Index-Linked Gilt Index Fund

A1.16. This has been included as it is the investment fund with the highest assumed investment return.

| Years from taking benefits | Before charges | After charges |
|---|---|---|
| 1 | £1,190 | £1,180 |
| 2 | £2,370 | £2,360 |
| 3 | £3,560 | £3,530 |
| 4 | £4,750 | £4,700 |
| 5 | £5,930 | £5,860 |
| 10 | £11,900 | £11,600 |
| 15 | £17,800 | £17,200 |
| 20 | £23,700 | £22,600 |
| 25 | £29,700 | £28,000 |
| 30 | £35,600 | £33,200 |
| 35 | £41,500 | £38,300 |
| 40 | £47,500 | £43,200 |
| 45 | £53,400 | £48,100 |
| 50 | £59,300 | £52,800 |

A1.17. Note on how to read this table: If an active member had £0 invested in this strategy on 5 April 2020, when they came to retire in 20 years with monthly contributions of £100 per month, increasing in line with assumed earnings inflation of 2.5% each year, the fund could grow to £23,700 if no charges are applied but to £22,600 with charges applied.

## AV BlackRock Institutional Sterling Liquidity Fund

A1.18. This has been included as it is the investment fund with the lowest assumed future investment return.

| Years from taking benefits | Before charges | After charges |
|---|---|---|
| 1 | £1,180 | £1,180 |
| 2 | £2,350 | £2,340 |
| 3 | £3,510 | £3,480 |
| 4 | £4,650 | £4,610 |
| 5 | £5,790 | £5,710 |
| 10 | £11,300 | £11,000 |
| 15 | £16,500 | £15,900 |
| 20 | £21,500 | £20,500 |
| 25 | £26,300 | £24,800 |
| 30 | £30,800 | £28,700 |
| 35 | £35,100 | £32,400 |
| 40 | £39,200 | £35,800 |
| 45 | £43,200 | £38,900 |
| 50 | £46,900 | £41,900 |

A1.19. Note on how to read this table: If an active member had £0 invested in this strategy on 5 April 2020, when they came to retire in 20 years with monthly contributions of £100 per month, increasing in line with assumed earnings inflation of 2.5% each year, the fund could grow to £21,500 if no charges are applied but to £20,500 with charges applied.

## AV BlackRock Global Equity 40:60 Index

A1.20. This has been included as it is one of the investment arrangements with the highest assumed future investment return.

| Years from taking benefits | Before charges | After charges |
|---|---|---|
| 1 | £1,200 | £1,180 |
| 2 | £2,430 | £2,420 |
| 3 | £3,700 | £3,660 |
| 4 | £4,990 | £4,930 |
| 5 | £6,310 | £6,220 |
| 10 | £13,400 | £13,000 |
| 15 | £21,500 | £20,500 |
| 20 | £30,500 | £28,700 |
| 25 | £40,700 | £37,700 |
| 30 | £52,300 | £47,500 |

| Years from taking benefits | Before charges | After charges |
|---|---|---|
| 35 | £65,300 | £58,300 |
| 40 | £96,500 | £70,100 |
| 45 | £79,900 | £83,000 |
| 50 | £115,000 | £97,200 |

A1.21. Note on how to read this table: If an active member had £0 invested in this strategy on 5 April 2020, when they came to retire in 20 years with monthly contributions of £100 per month, increasing in line with assumed earnings inflation of 2.5% each year, the fund could grow to £30,500 if no charges are applied but to £28,700 with charges applied.