

Mercer Master Trust

**UCRSS**

Costs and Charges Illustration

Over time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustees have set out illustrations of the impact of charges and transaction costs on different investment options in the Scheme. Using the charges and transaction cost data provided by Aviva and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes", published October 2021, has been followed in full when providing these examples.

# Mercer Master Trust

## UCRSS

### Costs and Charges Illustration

As each member has a different amount of savings within the Section and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees have had to make a number of assumptions about what these might be. The assumptions are explained below and in the notes at the end of this document:

- 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 as at 31 March 2022 and an allowance for transaction costs.
- The transaction cost figures used in the illustration are based on those provided by the managers over the past five years.

The illustration is shown for the default investment arrangements, Mercer Target Cash Retirement strategy (or Mercer SmartPath™), as well as any technical defaults and two funds from the Section’s self-select fund range. The self-select funds shown in the illustration are:

- The fund with highest annual member borne costs
- The fund with lowest annual member borne costs

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

 To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the Total Expense Ratio, transaction costs and inflation. See notes on methodology on the "Notes" page.

### Most Popular Fund

Mercer Target Cash Retirement

Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
25	£470	£470
30	£5,772	£5,634
35	£11,537	£11,040
40	£17,805	£16,699
45	£24,620	£22,623
50	£32,029	£28,825
55	£40,084	£35,316
60	£48,251	£41,684
65	£49,346	£41,962
70	£37,269	£30,887
75	£28,148	£22,735
80	£21,260	£16,734
85	£16,057	£12,317
90	£12,127	£9,066
95	£9,159	£6,673
100	£6,918	£4,912

### Highest Cost Fund

Mercer Active Emerging Markets Equity

Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
25	£470	£470
30	£6,012	£5,624
35	£12,503	£11,067
40	£20,105	£16,815
45	£29,009	£22,885
50	£39,437	£29,295
55	£51,650	£36,063
60	£65,955	£43,211
65	£78,472	£47,799
70	£75,203	£41,302
75	£72,071	£35,688
80	£69,069	£30,837
85	£66,192	£26,646
90	£63,434	£23,024
95	£60,792	£19,894
100	£58,260	£17,190



To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the Total Expense Ratio, transaction costs and inflation. See notes on methodology on the "Notes" page.

### Lowest Cost Fund

Mercer Passive Overseas Equity

Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
25	£470	£470
30	£5,899	£5,805
35	£12,042	£11,691
40	£18,991	£18,186
45	£26,854	£25,352
50	£35,750	£33,260
55	£45,816	£41,985
60	£57,204	£51,613
65	£66,341	£58,803
70	£61,370	£53,051
75	£56,771	£47,861
80	£52,518	£43,179
85	£48,583	£38,955
90	£44,942	£35,144
95	£41,575	£31,706
100	£38,460	£28,605

### Technical Default

Mercer Cash

Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
25	£470	£470
30	£5,303	£5,218
35	£9,787	£9,511
40	£13,948	£13,394
45	£17,808	£16,904
50	£21,390	£20,079
55	£24,714	£22,950
60	£27,797	£25,546
65	£28,460	£25,811
70	£21,495	£18,998
75	£16,234	£13,984
80	£12,261	£10,293
85	£9,261	£7,576
90	£6,994	£5,577
95	£5,282	£4,105
100	£3,990	£3,021

 To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the Total Expense Ratio, transaction costs and inflation. See notes on methodology on the "Notes" page.

## Technical Default

Mercer Target Annuity Retirement

Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
25	£470	£470
30	£5,772	£5,634
35	£11,537	£11,040
40	£17,805	£16,699
45	£24,620	£22,623
50	£32,029	£28,825
55	£40,084	£35,316
60	£48,079	£41,522
65	£49,876	£42,355
70	£39,144	£32,360
75	£30,721	£24,724
80	£24,110	£18,889
85	£18,922	£14,432
90	£14,851	£11,026
95	£11,655	£8,424
100	£9,147	£6,436

## Notes

1. Values shown are estimates at end of each year and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
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. Assumptions have been made to ensure this analysis is broadly representative of the Section's membership as at 31 March 2022. Assumptions are as follows:
  - Starting age taken as the 10th percentile of the entire membership, rounded to 25 years to illustrate a typical young member
  - Starting pot size is the median of the 10th percentile of the entire membership, determined by age. Starting salary is the median of the 10th percentile of the active membership, determined by age.
    - Starting pot size £470
    - Starting salary £12,620
  - Retirement age assumed to be 65 as the section's Normal Pension Age set out in scheme rules
  - Contributions (including employer and employee contributions) are taken as the mode of the entire active membership, this is assumed to be 8% of the members' salary per annum increasing in line with inflation. Contribution figures shown account for the appropriate tax relief. No further adjustment for tax is required.
4. Annual salary growth and inflation is assumed to be 2.5% per annum. Rate of Return or Growth Rate Assumptions produced in line with Actuarial Standards Technical Memorandum 1 and adjusted for transaction costs.
5. The withdrawal rate assumed after a member has reached the Section's Normal Pension Age, is 4% of the preceding years' projected pension pot value per annum.
6. Charges (or Total Expense Ratio), transaction costs and estimated growth rates are assumed as per the table overleaf.

Fund	Total Expense Ratio	Transaction Costs	Growth Rate Assumptions (before inflation and transaction costs)
<b>Mercer Target Annuity Retirement</b>	0.60% p.a. <sup>(a)</sup>	0.04% p.a. <sup>(a) (b)</sup>	4.10% p.a. for members 8 or more years from retirement and 1.75% p.a. for members at retirement
<b>Mercer Target Cash Retirement</b>	0.58% p.a. <sup>(a)</sup>	0.05% p.a. <sup>(a) (b)</sup>	4.10% p.a. before inflation for members 8 or more years from retirement and 1.00% p.a. before inflation for members at retirement
<b>Mercer Active Emerging Market Equity Fund</b>	1.37% p.a.	0.69% p.a.	5.00% p.a.
<b>Mercer Passive Overseas Equity Fund</b> <sup>(c)</sup>	0.50% p.a.	Nil	5.00% p.a.
<b>Mercer Cash Fund</b>	0.50% p.a.	0.01% p.a.	1.00% p.a.

Source: Aviva and Mercer. Transaction costs represent the average of the annual transaction costs reported over the last five years to 31 March 2022, in line with the Regulations and when DCPT data started being reported for the funds. Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Reporting cycles may differ between fund managers, and so data provided may not align completely with the overall report date. The latest available annualised information has been used in each case.

<sup>(a)</sup> Mercer Target Lifestyle Strategies use multiple underlying funds over the life of a member. The average assumed real investment return, future charges and future transaction costs across the funds used in the strategy has been shown in the table. In the illustration, the actual underlying allocations were used to calculate the pot sizes at each age.

<sup>(b)</sup> For funds with more than one component, transaction cost calculations are based on blended fund-level holdings at the report date given.

<sup>(c)</sup> These funds have reported a negative transaction cost over the period of this Statement; we have therefore assumed these costs to be nil, as negative costs are not expected to continue consistently over time.



## Important Notices

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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 different 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

If you need advice based on your personal circumstances, you should speak to an authorised financial adviser - this note should also help your adviser.

This note is provided for information only and does not constitute financial advice. Whilst the Trustees can provide you with information about the options available, we cannot give you advice .

You can find the details of how to obtain advice at [www.fca.org.uk/consumers/finding-adviser](http://www.fca.org.uk/consumers/finding-adviser) . If you are aged over 50 you can also obtain free and impartial pensions information and guidance from a government service called the MoneyHelper service, this service can be accessed at <https://www.moneyhelper.org.uk/en>

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