

2018 Chair's Statement - PIMCO Europe Limited DC Pension Plan

Introduction

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'), the Trustee of the PIMCO Europe Limited DC Pension Plan (the 'Plan') is required to prepare a statement (the 'Statement') on governance in the annual report.

The Trustee is pleased to present the Trustee's annual statement on DC governance for inclusion in the Report and Accounts for the PIMCO Europe Limited DC Pension Plan (the Plan), covering the period 1 July 2017 to 30 June 2018. This statement describes how the Trustee seeks to make sure that the Plan is well-managed and delivers excellent services to members. In doing so, we provide the various statutory disclosures required by legislation. This statement covers five key areas:

1. The investment strategy relating to the Plan's default arrangement;
2. The processing of core financial transactions;
3. Charges and transaction costs within the Plan;
4. Value for Money assessment; and
5. The Trustee's compliance with the statutory knowledge and understanding requirements.

The Plan was established in June 2014 and is administered by Zurich, through the Mercer Workplace Savings Platform and is overseen by a sole Professional Trustee, PTL Governance Ltd ('PTL') (company name changed from Pitmans Trustees Ltd on 7 July). A governance committee (Gov Co) established by PIMCO (the Company) provides oversight of the Plan on investment and communication matters. The Gov Co can make recommendations to the Trustee; but ultimately the Trustee has the final decision on any actions taken.

Default Investment Arrangements

During the Scheme year the Trustee undertook a review of the default investment strategy and the self-select fund range. In undertaking this review the Trustee took advice from Mercer dated March 2017, May 2017 and 16 January 2018.

Off the back of this advice, the Trustee made the decision to move to the Mercer Smartpath™ delegated investment solution for default and alternative investment lifestyles. The reasons for this were to seek a solution that:

- Provides a governed investment solution designed to improve outcomes in retirement by improving risk adjusted returns for members;
- Default strategy has a dynamic asset allocation which allows it to be changed for market economic conditions;
- Is a cost effective investment solution; and
- Is designed to align easily with member engagement.

The default growth phase is now delivered through the Mercer Growth Fund. Part of Mercer's role is to set the strategic benchmark of the fund and then invest relative to this benchmark, taking tactical positions dependent on the market environment, with the aim of adding value for investors.

As members approach retirement they will be asked to choose an appropriate Target Retirement Fund that best reflects their likely requirements for income in retirement. The Trustee, on advice from its advisors, believe that asking members to make these decisions nine years from retirement provides a much more realistic decision-making horizon than traditional lifestyle strategies which often ask members to make decisions about their retirement when this is still 30 to 40 years away.

As such, as members approach retirement they will be asked to choose:

- A retirement destination that best reflects their likely requirements for income in retirement – either annuity, cash or drawdown (or some combination of the three); and
- When they want to retire.

The investment of the members' assets will then be moved to an appropriate Target Retirement Fund, corresponding to the member's target retirement year and chosen retirement destination. A member may select the Target Annuity Retirement Path, the Target Cash Retirement Path or the Mercer Target Drawdown Retirement Path. If no decision is made, they will be moved to a default that the Trustee has chosen which is the Zurich Mercer Target Drawdown Retirement Path. The structure of the Target Drawdown Retirement Path is suitable for members who wish to take drawdown at retirement as it:

- Manages volatility: by reducing the allocation to the most volatile component of the asset allocation – equities – first.
- Is dynamically managed: the asset allocation is dynamically managed in response to market conditions by Mercer's FM business.
- Utilises the Mercer Diversified Retirement Fund: which balances risk and return and is tailored to the needs of an investor who wishes to remain invested through retirement.

In addition, the Trustee offers a range of active and passive self-select options on the Zurich CSP platform, which includes three blended funds. The 'Self-select' funds are for members who are confident in making investment choices and want to tailor their investments to suit their own characteristics. As part of the review of the Plan's investment arrangements, the Trustee agreed to rationalise the self-select fund range down to the 'core' range of funds shown below. The key investment principles that were considered as part of the rationalisation exercise included:

- Reduce/eliminate any duplicate funds;
- For rationalisation purposes, use passive funds, unless there is a clear case for active management;

- Where active funds are used, use the Mercer white-labelled funds. White-labelling is not required for the passive funds;
- Retain PIMCO funds within the self-select range.

Prior to this review at the end of 2017, the default investment strategy was the PIMCO Lifestyle.

The PIMCO Lifestyle invested in different types of investment funds at different stages of a member's working life, according to the remaining time to their intended retirement date. The strategy was designed to be broadly suitable for someone taking a 25% cash lump sum at retirement and purchasing an annuity. In particular, this meant that:

- Up until 31 years before retirement, members will be in the growth phase of the programme (Diversified Fund 1 and Diversified Fund 2). This phase aims to provide growth by investing in higher risk investments with the potential for greater returns, when members can afford to take more investment risk. This phase suits someone who is willing to accept above average risk.
- From 30 years prior to retirement, funds are moved in 5 year tranches into the Diversified Fund 3 which aims to provide an increasing allocation to funds that continue to offer growth, though with some downside protection and some protection against inflation erosion.
- From 15 years prior to retirement, funds are moved in a similar manner, into a Pre-Retirement Fund, which holds lower risk investments as members approach their intended retirement date. This aims to reduce the volatility of members' investments further, by reducing exposure to the risk of large falls in value in the years leading up to the intended retirement date, as it is likely members cannot afford as much investment risk at this stage. It also aims to protect the annuity purchasing power of members' assets in the run up to retirement.
- From 5 years to retirement, switching is carried out on an annual basis, with an allocation to cash introduced 3 years before retirement. This strategy is designed to be suitable for someone taking 25% of their account as tax-free cash and purchasing an annuity with the remainder of their account.

In accordance with the Administration Regulations, the Trustee has appended the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, signed 7th March 2018.

The SIP covers the following key matters in relation to the default arrangement:

- The Trustee's aims and objectives in relation to the investments held in the default arrangement;
- The Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (if at all) to which social, environmental or ethical considerations are taken into account when selecting, retaining or realising investments;

- An explanation of how these aims, objectives and policies (which together form the Trustees “default strategy”) are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangement.

A copy of the latest Statement of Investment Principles (‘SIP’) is appended to this Chair Statement (found under Appendix B) and is also available on request, by contacting the HR team. Furthermore, this Statement will be published on a publically available website and will be signposted in the annual benefit statements which are issued by Zurich.

Over the year the Trustee, governance committee and their advisers have reviewed the performance of the investment funds and the current default arrangement on a quarterly basis. To enable the Trustee to review the performance of the investment funds, MWS provide the Trustee and governance committee with reports that highlight net performance against benchmarks and also any change to the rating Mercer assigns to funds. These reports are reviewed by the Trustee and Governance committee and where there have been any concerns these are raised with the investment manager via Mercer. Each regular review focusses, in particular, on the extent to which the return on investments relating to the default arrangement (after deduction of any costs and charges which are relevant to those investments) is consistent with the Trustee’s aims and objectives in respect of the default arrangements (as recorded in the SIP). The Trustee may also at times undertake reviews of specific aspects of the SIP and the performance of the default arrangements.

Core Financial Transactions

As required by the Administration Regulations, the Trustee must ensure that “core financial transactions” are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Scheme by members and their employer(s);
- Transfers into and out of the Scheme of assets relating to members;
- Switches of members’ investments between different funds within the Scheme; and
- Payments from the Scheme to or in respect of members (e.g. payment of death benefits).

The Trustee monitors this through:

- Agreeing minimum timescales for processing requests, including core financial functions with Zurich, as the Plan’s delegated administrator. The Trustee reviews this through the administration reports produced by Zurich quarterly which provides information to the Trustee on how promptly and accurately transactions and member enquiries are dealt with.
- Reviewing any complaints received from the membership to see if there are any concerns with the administration provided by Zurich.
- Zurich have their own internal quality control processes to ensure the accuracy of transactions.

- The Trustee also maintains a Risk Register which is used to manage any risks occurring and potentially impacting the Plan.
- A Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Plan. The deduction and payment of contributions is reviewed by the Company and Trustee.

The Trustee has an administration agreement in place with Zurich through the Mercer Workplace Savings platform. The administration agreement sets out the service standards expected of Zurich and if Zurich fall short of these standards then financial penalties are in place until the situation is rectified.

The expected service standards are:

SLA	Description	Target Service Level (%)	Service Level Failure Point (%)	Comment
2	Website Availability	99.5	97.5	Zurich shall ensure that the Website is available to Users during the hours of 0800 and 1730 on Business Days.
3	Documentation	97.0	85.0	Zurich shall provide electronic access to policy documentation held within the portal library to members within two (2) Business Days of receipt of all required new joiner details submitted in an electronic format from either the Client or a Member. Hard copies, where issued will be issued within five (5) Business days of receipt of all required new joiner details submitted in hard copy format.
4	Contribution Processing	100.0	90.0	Subject to the completion of the longest delayed dealing cycle, Zurich shall process regular contributions and allocate to Member policies within two (2) Business Days of receipt of the validated contribution schedule and reconciled payment.
5	Investment Transactions	97.0	85.0	Zurich shall action investment transaction (switches, redirections and single contributions where appropriate) requests from Members or Trustees within three (3) Business Days from the date of receipt of complete instructions.
6	General	97.0	85.0	Zurich shall respond to non-complex

	Enquiries			general enquiries from Members (such as valuations, projections, contribution statements and change of details) within five (5) Business Days of receipt of the enquiry.
7	Payments Out	97.0	85.0	Subject to the completion of the longest delayed dealing cycle, Zurich shall process payments out within five (5) Business Days of receipt of the completed payment authority form and all required documentation from the authorised party. In respect of payments to Members on retirement, the period of five (5) Business Days referred to in this SLA shall commence from the normal retirement age of the retiring Member.
8	Payments In	97.0	85.0	Subject to the completion of the longest delayed dealing cycle, Zurich shall issue confirmation to Members or Trustee Clients that transferred assets have been allocated as at the date of receipt of both payment and complete documentation within five (5) Business Days of receipt.
9	Complaints	0.01	0.02	Zurich shall ensure that upheld complaints constitute not more than 1 in every 10,000 (0.01%) lives within the Mercer Platform book on a monthly basis.
10	Helpline	97.0	95.0	Zurich shall answer all calls to the Mercer helpline during the hours of 0800 and 1730 Monday to Friday (excluding Bank/Public Holidays).

The administrator has adopted a number of processes to ensure that core transactions are carried out promptly and accurately. These include:

- Daily monitoring of bank accounts,
- A dedicated contribution processing team, and
- Two individuals checking all investment and banking transactions.

Adherence to these processes is reviewed annually by the Trustee through the AAF01/06 report provided by Zurich which is an independent audit of compliance with their internal controls and processes.

Mercer also oversees the performance of Zurich through the Mercer Workplace Savings platform that the Plan is operated through. Mercer would raise any concerns with the Trustee.

Over the year there have been some minor issues with the service provided by Zurich. The first issue was identified in April 2018 by a member of the Plan. It was found that the January 2018 contributions were stuck in cash and not invested due to a FNZ platform issue. Zurich managed the reassignment of assets and ensured that all members were put into the position they would have been in, had contributions been invested on time. The second issue relates to the late payment of contributions. RSM, the outsourced payroll provider was late in uploading the February 2018 contributions to Zurich and as a result they were not paid until 29th March 2018. As before, Zurich completed an assessment to ensure that all members were put into the position they would have been in, had contributions been invested on time. All issues have now been resolved and since this date, Zurich now hold weekly conference calls with the Company and their advisers in attendance.

During the Plan year, the Trustee reviewed the actions it takes in meeting the expectations of the Pensions Regulator, as set out under its DC Code of Practice 13 for the governance and administration of defined contribution pension schemes. The Code sets out the standards of conduct and practice that the Regulator expects trustee boards to meet in complying with their duties in legislation.

The Trustee has put in place an action plan to consider the items noted above and these actions have been included within the Business Plan.

Charges and Transaction Costs

As required by the Administration Regulations, the Trustee is required to report on the charges and transaction costs for the investments used in the default investment option as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members.

The total charges payable (quoted in the following table as TER – Total Expense Ratio) applicable to the Plan's current default arrangement are detailed below. The Trustee can confirm that the default fund remains within the charge cap of 0.75% of funds under management since April 2015 and Zurich monitors these charges on a quarterly basis to ensure they remain within this cap.

Fund Name	TER (%p.a.)
Mercer Growth	0.424
Mercer Target Drawdown 2024 Retirement Fund	0.475

Source: Mercer and Zurich. Fee Data as at 30 June 2018.

As noted in the 'Default Investment Arrangements' section of this statement, the default arrangement was changed during the Scheme Year. Therefore, the total charges payable applicable to the Plan's previous default arrangement is detailed below.

Fund Name	TER (%p.a.)
Diversified 1	0.616
Diversified 2	1.059
Diversified 3	0.623

Source: Mercer and Zurich. Fee Data as at 31 July 2017.

The charges (total expense ratios) for the self-select funds currently range from 0.21% to 1.17% and are detailed below.

Fund Name	TER (%p.a.)
Mercer Annuity Retirement Fund	0.312
Mercer Target Annuity 2019 Retirement Fund	0.369
Mercer Active Global Equity	0.950
Mercer Active Global Small Cap Equity	1.169
Mercer Active Emerging Markets Equity	1.173
Mercer Cash Fund	0.250
Mercer Diversified Growth	0.480
BlackRock - Passive UK Equity	0.219
LGIM - Passive Global Equity (30:70) (GBP Hedged)	0.263
BlackRock - Passive Overseas Equity	0.225
BlackRock - Passive US Equity	0.213
BlackRock - Passive Europe (ex-UK) Equity	0.230
BlackRock - Passive Japan Equity	0.216
BlackRock - Passive Asia Pacific (ex-Japan) Equity	0.230
BlackRock - Passive Emerging Markets Equity	0.431
BlackRock - Passive Fixed Interest Gilts	0.219
BlackRock - Passive UK Corporate Bonds	0.230
BlackRock - Passive Index-Linked Gilts	0.219
PIMCO - Emerging Markets Bond	0.600
PIMCO - Global High Yield Bond	1.050
PIMCO - Global Investment Grade Credit	0.740
PIMCO - Income Strategy	0.680
PIMCO - Diversified Income	0.690
LGIM - Pre-Retirement	0.880
Threadneedle - Property	0.255
PIMCO - Global Multi Asset	0.840

Source: Mercer and Zurich. Fee Data as at 30 June 2018.

The charges (total expense ratios) for the self-select funds used until 16 January 2018 range from 0.21% to 1.14% and are detailed below.

Fund Name	TER (%p.a.)
Stewart Investors Asia Pacific Leaders	0.99
Threadneedle Pension Property	0.84
JPM Continental Europe Select Equity	0.79
Fidelity Select Global Equity	1.08
Artemis UK Equity Income	0.96
Baillie Gifford Long Term Global Growth	0.76
PIMCO GIS Emerging Markets Bond	1.05
Schroder Global Emerging Markets	1.12
PIMCO GIS Global Investment Grade Credit	0.71
Standard Life Global Absolute Returns Strategy	0.86
Schroder QEP Global Core	0.58
Baillie Gifford UK Equity Alpha	0.75
Investec Emerging Markets Local Currency Debt	0.85
R&M UK Equity Smaller Companies	1.14
BlackRock DC Diversified Growth	0.83
JPM UK Specialist Equity	0.54
Schroder QEP Global Active Value	0.83
Mercer Diversified Growth	0.48
Henderson UK Smaller Companies	0.77
Insight UK Government Long Maturities Bond	0.44
Standard Life Corporate Bond	0.50
Newton Global Equity 50/50	0.75
Insight UK Broad Market Bond	0.48
JPM UK Equity	0.54
M&G Corporate Bond	0.85
Newton Global Balanced	0.70
Schroder Diversified Growth	0.89
LGIM Active Aggregate All Stocks (50:50) Fixed Interest	0.42
Majedie UK Equity	0.97
BlackRock Aquila US Equity Index	0.21
LGIM World Emerging Markets Equity Index	0.54
BlackRock Aquila European Equity Index	0.23
LGIM UK Equity Index	0.24
LGIM Europe (ex UK) Equity Index	0.24
BlackRock Aquila 60/40 Global Equity Index	0.21
LGIM North America Equity Index	0.24
BlackRock Aquila Japanese Equity Index	0.22
LGIM Japan Equity Index	0.24
BlackRock Aquila 50/50 Global Equity Index	0.21

LGIM World (ex UK) Equity Index	0.26
LGIM Asia Pacific (ex Japan) Dev Equity Index	0.24
BlackRock Aquila Pacific Rim Equity Index	0.23
LGIM Over 5 Year Index-Linked Gilt	0.22
LGIM Over 15 Year Gilt Index	0.24
LGIM World ex UK Dev Equity Index - GBP Cur Hgd	0.26
LGIM World ex UK Dev Equity Index	0.24
LGIM AAA-AA-A Corp Bonds All Stocks Index	0.26
LGIM Global Equity FW (50:50) Index	0.24
BlackRock Aquila Corporate Bond All Stocks Index	0.23
BlackRock Aquila 30/70 Currency Hedged Global Equity Index	0.30
BlackRock Aquila Over 15 Years UK Gilt Index	0.22
HSBC Amanah	0.49

Source: Mercer and Zurich. Fee Data as at 31 July 2017.

The charges stated above do not include transaction costs, the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty. Details of the transaction costs which apply to these funds are provided in Appendix A.

The Pensions Regulator expects trustees to have an understanding of the types and levels of transaction costs that are incurred by different investments and include them in a value for members' assessment. However, the transaction cost reporting 'issue' is not still fully resolved within the new disclosure framework and we note the following:

- In the first phase of enhanced transparency, since 6 April 2015, trustees have been required to report on the transaction costs about which they are able to get information from those managing their scheme's assets. While trustees are encouraged to report this information in as useful a way as possible, flexibility has been built into these requirements to recognise that in some cases it may not be possible to obtain and report on full information on transaction costs.
- The second phase built on these requirements for disclosure of information about transaction costs in a standardised, comparable format. The DWP and FCA published a joint call for evidence on this issue in March 2015, and further guidance and information was provided by the Financial Conduct Authority (in September 2017) on how to calculate all transaction costs on a consistent basis with the regulation coming in to force on 3 January 2018. This requires assessment, within the Value for Members exercise, of the transaction costs occurred due to underlying trading by the fund managers within the funds and needs to be reported in Chair's Statements with a Scheme Year-End past April 2018. We have collected this information from Zurich and it is provided in Appendix A. The data does not suggest that members are not receiving value from these trading costs but no assessment of value in relation to transaction costs has been undertaken at this time, due to the absence of wider market data that would

enable appropriate comparative assessment. The Trustee intends to build transaction costs into its 2019 Chair's Statement.

Reporting of Costs and Charges

Using the charges and transaction cost data provided by Zurich and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To make this representative of the membership, the Trustee has based this on the average member age of 36, using a starting pot size of £50,000 and a salary of £95,000 which are both reflective of the average for the age band of 30-39. It also assumes an overall contribution level of 11% per annum, which is the default contribution structure offered by the employer.

Year	Default Fund 0.424 (TER % p.a.) Transaction Cost (0.0% p.a.)*		Cheapest Fund 0.213 (TER % p.a.) Transaction Cost (0.0% p.a.)*		Most Expensive Fund and Greatest Expected Investment Return 1.173 (TER % p.a.) Transaction Cost (0.54% p.a.)*		Lowest Expected Investment Return 0.250 (TER % p.a.) Transaction Cost (0.0% p.a.)*	
	Mercer Growth		BlackRock – Passive US Equity		Mercer Active Emerging Markets Equity		Mercer Cash	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with no Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£61,894.76	£61,632.32	£62,396.49	£62,263.59	£62,722.92	£61,648.48	£59,331.68	£59,183.35
2	£74,073.79	£73,492.16	£75,192.15	£74,895.10	£75,924.22	£73,527.89	£68,490.71	£68,174.27
3	£86,543.91	£85,583.95	£88,399.82	£87,905.57	£89,621.89	£85,642.83	£77,480.31	£76,976.79
4	£99,312.07	£97,912.25	£102,032.79	£101,306.38	£103,834.60	£97,997.96	£86,303.60	£85,594.87
5	£112,385.38	£110,481.67	£116,104.73	£115,109.22	£118,581.70	£110,598.04	£94,963.66	£94,032.37
6	£125,771.15	£123,296.93	£130,629.80	£129,326.18	£133,883.29	£123,447.93	£103,463.51	£102,293.08
7	£139,476.83	£136,362.84	£145,622.57	£143,969.66	£149,760.22	£136,552.58	£111,806.11	£110,380.69

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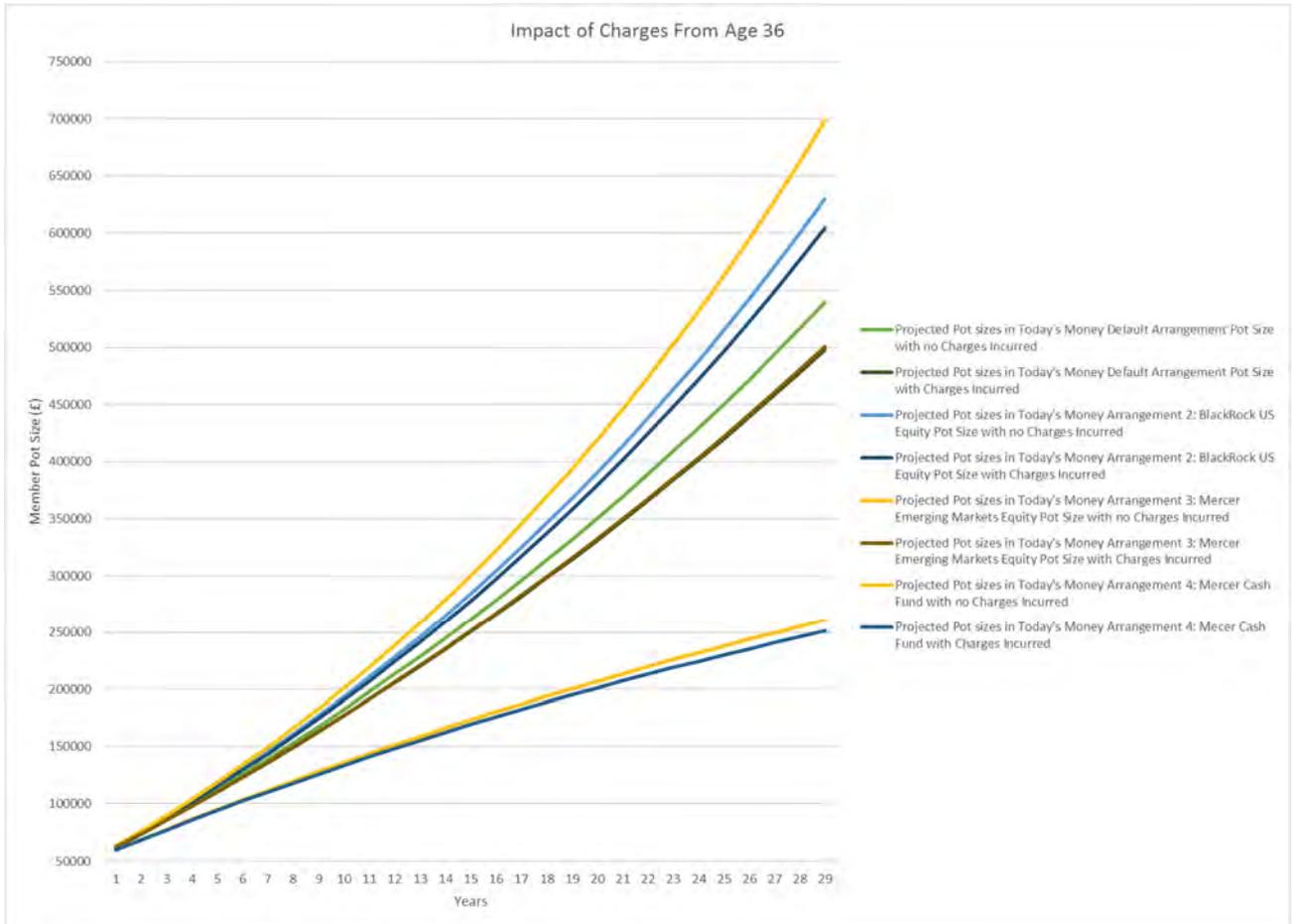
8	£153,510.08	£149,684.30	£161,098.10	£159,052.47	£166,234.12	£149,917.04	£119,994.37	£118,298.83
9	£167,878.73	£163,266.32	£177,071.95	£174,587.78	£183,327.45	£163,546.46	£128,031.15	£126,051.06
10	£182,590.79	£177,113.98	£193,560.16	£190,589.18	£201,063.48	£177,446.10	£135,919.25	£133,640.85
11	£197,654.46	£191,232.48	£210,579.29	£207,070.64	£219,466.39	£191,621.31	£143,661.41	£141,071.61
12	£213,078.16	£205,627.12	£228,146.43	£224,046.57	£238,561.24	£206,077.56	£151,260.35	£148,346.66
13	£228,870.48	£220,303.30	£246,279.23	£241,531.79	£258,374.06	£220,820.41	£158,718.71	£155,469.27
14	£245,040.24	£235,266.52	£264,995.91	£259,541.60	£278,931.85	£235,855.56	£166,039.09	£162,442.64
15	£261,596.46	£250,522.41	£284,315.27	£278,091.73	£300,262.61	£251,188.79	£173,224.04	£169,269.89
16	£278,548.37	£266,076.68	£304,256.72	£297,198.39	£322,395.40	£266,826.02	£180,276.07	£175,954.09
17	£295,905.43	£281,935.17	£324,840.27	£316,878.28	£345,360.39	£282,773.27	£187,197.64	£182,498.22
18	£313,677.32	£298,103.84	£346,086.62	£337,148.59	£369,188.86	£299,036.69	£193,991.16	£188,905.24
19	£331,873.97	£314,588.74	£368,017.10	£358,027.04	£393,913.28	£315,622.55	£200,659.00	£195,178.00
20	£350,505.51	£331,396.06	£390,653.74	£379,531.87	£419,567.34	£332,537.23	£207,203.48	£201,319.32
21	£369,582.35	£348,532.11	£414,019.28	£401,681.88	£446,185.99	£349,787.27	£213,626.89	£207,331.96
22	£389,115.12	£366,003.32	£438,137.19	£424,496.42	£473,805.50	£367,379.30	£219,931.47	£213,218.61
23	£409,114.72	£383,816.25	£463,031.70	£447,995.43	£502,463.51	£385,320.11	£226,119.41	£218,981.91
24	£429,592.32	£401,977.57	£488,727.81	£472,199.44	£532,199.06	£403,616.61	£232,192.88	£224,624.45
25	£450,559.33	£420,494.10	£515,251.33	£497,129.61	£563,052.66	£422,275.86	£238,153.98	£230,148.76
26	£472,027.46	£439,372.79	£542,628.92	£522,807.71	£595,066.36	£441,305.05	£244,004.81	£235,557.32
27	£494,008.67	£458,620.73	£570,888.06	£549,256.20	£628,283.78	£460,711.50	£249,747.40	£240,852.54
28	£516,515.23	£478,245.12	£600,057.14	£576,498.17	£662,750.17	£480,502.71	£255,383.75	£246,036.81
29	£539,559.70	£498,253.35	£630,165.47	£604,557.45	£698,512.50	£500,686.29	£260,915.82	£251,112.45

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £50,000
3. Contributions of 11% are assumed from age 36 to 65 with no change to salary
4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund are as follows:
 - A. Mercer Growth Fund (Default Fund): 2.39% p.a. gross expected real return above inflation
 - B. BlackRock - Passive US Equity Fund (Cheapest Fund): 3.22% p.a. gross expected real return above inflation
 - C. Mercer Active Emerging Markets Equity Fund (Most Expensive Fund): 3.76% p.a. gross expected real return above inflation
 - D. Mercer Cash Fund (Lowest Expected Investment Return): -1.85% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the actual transaction costs incurred in the Plan year

The projected growth rates use the same underlying assumptions as the SMPI assumptions plus any transaction costs. It is worth noting that whilst the BlackRock - Passive US Equity Fund and

the Mercer Active Emerging Markets Equity Fund use the same SMPI assumptions, in practice we expect the long run net of fee and costs return for these funds to differ.



N.B. In the chart above, the outcomes of the projected pot sizes of the Default Arrangement and the Emerging Market Equity Funds with charges incurred overlap.

Due to the diverse Plan demographics, the Trustee has presented two further illustrations within Appendix C of this Statement.

Value for money

In accordance with regulation 25(1)(b), the Trustee undertakes a review of the charges and transaction costs incurred by members in order to ascertain whether or not the DC and AVC arrangements in place represent good value for members, relative to peers and alternative arrangements that are available.

There is no legal definition of “good value”, so the process of determining good value is a subjective one. “Value” is not a straightforward concept to quantify and can be open to broad interpretation.

The PIMCO Europe Limited DC Pension Plan’s value for money assessment examines the current investment management charges relative to standard institutional fees for equivalent size mandates, Mercer Manager Research Ratings and historical performance. The reason for using only the investment management charges is due to the Total Expense Ratio (TER) consisting of both an administration and investment cost. For the purposes of the comparison the administration cost was excluded (due to PIMCOs unique arrangement whereby the Company pays a proportion of these fees) and ensures a like for like comparison. Where funds offered to members are highly rated by Mercer, are being offered at a competitive fee rate, and are performing in line with their objectives over the longer term, they can be considered to be offering good value for money for members. The value for money assessment covered the following aspects:

- Investment charges for the default and self-select funds, when benchmarked against comparable funds;
- Net of fees investment performance; and
- Investment fund range and ratings.

The review concluded that the Plan’s overall represents **good value for money** in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- The Plan’s current default investment arrangement complies comfortably with the charge cap of 0.75% per annum.
- The Value for Money does not compare TERs directly but uses an investment cost estimate by removing example admin fees. This is then compared against a manager database and found that four of the 26 available funds rated red, three of which are PIMCO own funds. For these four funds the Trustees will be challenging the fund manager about the fees.
- The majority of the funds used by the Plan remain highly rated by Mercer.
- The performance of the funds in use has also been reviewed, and for the period to 30 June 2018 since inception, concern has been raised for two funds which were rated red meaning that they underperformed its benchmark (or underperformed in excess of its target tracking for passive funds). These funds are the PIMCO Emerging Markets Bond and PIMCO Global Multi Asset Fund.
- As a result of the Value for Money assessment, the Trustee intends to monitor both the fees and the performance of any underperforming funds.
- Administration - the Plan is a bundled arrangement whereby members bear the cost of investment fees, administration and other general running costs; however, the Company pays a per capita fee to reduce the charges imposed on member’s funds.

- The Company also pays for an Independent Trustee to govern the Plan's arrangements and provide oversight on behalf the members' best interests, and also pays for Trustee advisory services.
- The Company also pays a fee for Mercer Workplace Savings (MWS) which benefits members with enhanced Service Level Agreements for the administration services provided by Zurich, lower member fund charges and an additional layer of governance in respect of Zurich and the underlying investments which are researched by Mercer on the Zurich platform.
- The Company also pays for supplementary communications issued on behalf of the Trustee and/or Company, including an annual newsletter, information regarding pension taxation, and other ad hoc material.
- Members are also in receipt of additional benefits, for example:
 - Ongoing oversight and review of the default investment strategy and the DC fund range;
 - The efficiency of the administration processes and the Trustees' and Company's governance of the services;
 - The wide-ranging support and governance of the Scheme from the Trustee and the Company and the Trustees' professional advisers.

This Statement will be published on a publically available website and will be signposted in the annual benefit statements which are issued by Zurich.

Knowledge and Understanding

The Plan is run by a sole Professional Trustee, PTL. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL act as an independent trustee on several hundred trust based pension schemes and sit on a number of Investment Governance Committees (IGCs). PTL has oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at www.ptluk.com. There have been no changes to the Trustee over the year.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent PTL as Trustee of the Scheme. The annual review process within PTL identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year. Each Director is shadowed by another Client Director and calls take place on a three monthly basis to provide a peer review to the work undertaken and challenge the Director running the matter. All key decisions would be subject to peer review by the shadow Client Director or another Director.

Kim Nash is the Director managing the Scheme supported by Debbie Mather as Scheme Secretary and other members of the PTL team who provide support and peer review functions. Kim is a qualified actuary and so, has an in depth understanding of the funding and investment

issues related to the Scheme. Kim is also subject to CPD requirements of the actuarial profession. Kim has undertaken regular training throughout the year including:

- How ESG factors are built into investment processes
- DC retirement choices and uses of defaults at retirement
- How we can use data to ensure personalised messages are sent to members
- GDPR regulation requirements.

Kim is a leading DC professional Trustee and has significant experience in running stand alone DC Trustees, hybrid Trusts and Master Trusts. She is able to challenge the status quo to ensure the best outcomes for members.

Kim is familiar with the issues relating to this Scheme and all records are held on PTL's electronic document storage system and can be accessed at any time.

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme's Lawyers Sackers LLP.

PTL work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes.

The Trustee is conversant with, and has a working knowledge of, the current SIP and it has recently been revised post the changes to the default investment strategy and self select fund range. PTL undertake regular training on investment matters and are regular commentators on the wider DC market. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisor.

PTL operate a governance framework which includes policies on how the Trustee will deal with conflicts, manage risk, ensure key tasks are completed in time and deal with member complaints. The Trustee reviews these documents on an annual basis to ensure they are still suitable and makes any changes as required.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Plan.

The Trustee receives professional advice from Mercer and Sackers to support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor

performance or selecting new advisers. The advice received by the Trustee along with their own experience allows them to properly exercise their function as Trustee.

The Trustee will also review and assess, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

Signed: 
Date: 17 January 2019

Kim Nash on behalf of PTL

Appendix A

Transaction Costs as at 30th June 2018

Fund Name	Fund Code	Transaction Costs Total (bps)⁵	Total % Assets Reported	Fund Manager(s)*	Guidance Notes
Zurich L&G Pre-Retirement CS1	FFAX	-2.3	100.0%	FM3	
Zurich Threadneedle Pension Property CS1	FFBY	60.8	100.0%	FM6	
Zurich L&G 30/70 Gbl Equity Ind Currency Hdg CS1	FFDN	4.7	100.0%	FM3	
Zurich PIMCO Global Investment Grade Credit CS1	FFEO	36.8	100.0%	FM5	
Zurich Aquila Corporate Bond All Stocks Index CS1	FFFG	-6.7	100.0%	FM2	
Zurich Aquila Emerging Markets Equity Index CS1	FFFI	-6.9	100.0%	FM2	
Zurich Aquila European Equity Index CS1	FFFJ	-3.9	100.0%	FM2	
Zurich Aquila IL Over 5 Year Gilt Index CS1	FFFK	-0.6	100.0%	FM2	
Zurich Aquila Japanese Equity Index CS1	FFFL	-14.7	100.0%	FM2	
Zurich Aquila Over 15 Years UK Gilt Index CS1	FFFM	-1.4	100.0%	FM2	
Zurich Aquila Pacific Rim Equity Index CS1	FFFN	-0.4	100.0%	FM2	
Zurich Aquila UK Equity Index CS1	FFFO	2.0	100.0%	FM2	
Zurich Aquila US Equity Index CS1	FFFP	-2.3	100.0%	FM2	
Zurich Aquila World ex UK Equity Index CS1	FFFQ	-1.2	100.0%	FM2	
Zurich PIMCO GIS Diversified Income CS1	FFGQ	16.8	100.0%	FM5	
Diversified 1	FFJD	31.6	100.0%	FM2 FM5	1
Diversified 2	FFJE	74.9	100.0%	FM5	
Diversified 3	FFJF	7.7	100.0%	FM2 FM5	1
Zurich PIMCO GIS Global Multi Asset CS1	FFJI	84.1	100.0%	FM5	
Zurich PIMCO GIS Emerging Markets Bond CS1	FFJL	59.8	100.0%	FM5	

Zurich PIMCO GIS Global High Yield Bond CS1	FFJM	30.5	100.0%	FM5	
Zurich PIMCO GIS Income CS1	FFQS	6.9	100.0%	FM5	
Zurich Mercer Diversified Growth CS1	GGAL	-2.2	100.0%	FM4	
Zurich Mercer Active Global Equity CS1	GGAN	50.0	100.0%	FM4	
Zurich Mercer Active Emerging Markets Equity CS1	GGAO	54.0	100.0%	FM4	
Zurich Mercer Growth CS1	GGAY	-0.4	100.0%	FM2 FM4	1
Zurich Mercer Annuity Retirement CS1	GGBO	-1.1	100.0%	FM1 FM3	1
Zurich Mercer Active Global Small Cap Equity CS1	GGCG	71.0	100.0%	FM4	
Zurich Mercer Active Money Market CS2	GGEB	2.4	100.0%	FM1	
Zurich Mercer Target Drawdown 2024 Retirement CS1	GGHZ	1.9	100.0%	FM2 FM4	1

* Reference to the underlying Fund Managers can be found in the 'External Fund Manager Data' table presented below.

External Fund Manager Data

Fund Manager 6,7	Period Start	Period End	Ref.	Notes
BlackRock Inv Mgt (Dublin) Ltd	No Date Given	31/03/2018	FM1	
BlackRock Pensions Mgmt Ltd	01/07/2017	30/06/2018	FM2	
Legal & General Assurance Soc	01/04/2017	31/03/2018	FM3	
Mercer Global Investment Mgmt	01/01/2017	31/12/2017	FM4	
PIMCO Global Advisors(IRL) Ltd	01/01/2017	31/12/2017	FM5	
Threadneedle Pensions	01/01/2018	31/03/2018	FM6	Data provided for shorter period than a year. Figure has been annualised.

Guidance Notes

1	For funds with more than one component, transaction cost calculations are based on blended fund-level holdings at the report date given.
5	Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Zurich fund level when Zurich deals in the underlying funds.
6	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.
7	Fund managers may use different methodologies to calculate their transaction costs; therefore overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.

Appendix B

PIMCO Europe Limited DC Pension Plan

Statement of Investment Principles – February 2018

1. Introduction

Under legislation set out in the Occupational Pension Plans (Investment) Regulations 2005 (S.I. 2005/3378) ("the Investment Regulations"), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, it is a requirement for trustees to prepare a statement of the principles that govern their investment decisions.

The Trustee of the PIMCO Europe Limited DC Pension Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with said requirements and those of the Pensions Act 1995 (the "Act") and subsequent legislation, and to fulfil the spirit of the Pensions Regulator's DC Code of Practice no. 13. As required under the Act, the Trustee has consulted a suitably qualified person and has obtained written advice from Mercer Limited ("Mercer"). In preparing this statement, the Trustee has given due consideration to the reasons why the Plan uses an insurance policy and their policy for securing compliance with the requirements of section 36 of the Act (*choosing investments*), and in addition the Trustee has consulted PIMCO Europe Limited (the "Principal Employer").

The Plan's invested assets are held in an insurance policy issued by Zurich Assurance Limited ("Zurich"). The Plan is a registered pension scheme as defined in section 153 of the Finance Act 2004. The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. Overall investment policy falls into two parts. The first is the strategic management of members' assets, which is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer, and is driven by the investment objectives as set out in Section 3 below. The second element of the policy is the day-to-day management of the assets which is delegated to professional investment managers via the arrangements set out in the separate Investment Policy Implementation Document ("IPID").

Additionally, the Principal Employer has established an investment governance sub-committee (the "Governance Committee") to make recommendations to the Trustee on the range of funds available to members. The Governance Committee will, through its terms of reference, provide recommendations and support to the Trustee to ensure that the Plan is valued by employees, is administered to a good standard, and has a broad and appropriate range of investments.

The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

The Trustee's investment responsibilities are governed by the Plan's Trust Deed and this Statement takes full regard of its provisions. A copy of the Plan's Trust Deed is available for inspection upon request.

2. Governance Structure

The Trustee has ultimate responsibility for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether they have the appropriate training and expertise in order to take an informed decision. The Trustee has established the following decision making structure:

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2.1 **Trustee**

- Sets structures and processes for carrying out its role;
- Sets investment structures and their implementation, including the structure of the blended funds and the default lifestyle strategy;
- Selects and monitors investment advisers and fund managers;
- Sets structures for implementing investment strategy;
- Selects and monitors direct investments (see below); and
- Makes on-going decisions relevant to the principles of the Plan's investment strategy.

2.2 **Governance Committee**

- Makes recommendations on the day-to-day management of the Plan's assets and on the structure of the blended funds and default lifestyle strategy;
- Makes on-going recommendations relevant to the principles of the Plan's investment strategy, including the range of funds available to members; and
- Provides recommendations and support to the Trustee to ensure that the Plan is valued by employees, is administered to a good standard, and has a broad and appropriate range of investments.

2.3 **Mercer, the investment adviser**

- Advises on all aspects of the investment of the Plan assets, including implementation, suitability of the default lifestyle strategy and each fund's structure, composition and benchmark;
- Advises on this Statement;
- Monitors investment managers; and
- Provides required training.

2.4 **Zurich Assurance Limited, the bundled services platform provider**

- Operates within the terms of this Statement and the written contract;
- Provides access to a platform through which third party funds can be accessed by the Trustee, for the Plan's members;
- Provides pension administration services for the Plan.

2.5 **Underlying fund managers**

- Selects individual investments with regard to their suitability and diversification.

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2.6 Mercer Workplace Savings

- Provides advice in selecting the bundled services platform provider;
- Provides on-going governance monitoring services (i.e. on the platform provider);
- Provides investment governance of the platform provider's fund range; and
- Provides investment management services via Smartpath lifestyle strategies.

3. Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee regards their duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a Default Lifestyle Option.

These objectives translate to the following principles:

- a. Offering members a 'Lifestyle' approach for the default investment option in which the investments are managed over the course of their working life;
- b. Ensuring that the other investment strategy options allow members to plan for their specific retirement objectives;
- c. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Plan members. This includes offering both passively and actively managed investment funds;
- d. Adopting a framework which provides flexibility to change investment managers proactively and which allows efficient fund switching (e.g. without out-of-market risk) as required;
- e. Providing general guidance as to the purpose of each investment option;
- f. Encouraging members to seek independent financial advice from an appropriate party in determining the most suitable option for their individual circumstances;
- g. In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustee aims to make available a range of options which satisfy the needs of the majority of members.

The Governance Committee have noted a preference to use PIMCO funds where possible. As such, members are offered a range of PIMCO funds as self-select options. The Trustee understands this preference.

The Trustee regularly reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as part of the self-select fund range as appropriate. Given their fiduciary duties, MWS will review the suitability of the lifestyle options provided and from time to time will change or introduce additional investment funds.

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4. The Trustee's Policy with Regard to Risk

The Trustee has considered investment risk from a number of perspectives. These are:

- a. The risk that the investment returns over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension. The Trustee measures this risk by considering the real returns expected from the various asset classes. The Trustee offers the Default Lifestyle Option, which has an explicit allocation to assets that are expected to outperform inflation over the long term. Members are also able to self-select funds which are expected to outperform with inflation;
- b. The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currency). Currency risk is measured by considering the variability of returns from overseas markets in both local currency and pound sterling terms. The Trustee offers a number of funds which are currency hedged to the pound sterling, allowing members to choose whether they are exposed to this risk. The Default Lifestyle Option also makes use of such funds;
- c. The risk that investment market movements particularly in the period immediately prior to retirement leads to a substantial reduction in the anticipated level of retirement wealth. Investment risk is measured as the volatility of expected returns. The Trustee offers a Default Lifestyle Option, which reduces the level of investment risk members are exposed to as they approach retirement;
- d. The risk of a fall in the value of the members' funds. This risk is measured as the volatility of expected returns. The Trustee offers a range of self-select investment options with different levels of risk and return;
- e. The risk that the investment vehicles in which monies are invested under-perform the expectations of the Trustee. This risk is measured by the volatility of fund returns relative to their benchmark and compared to the investment manager's stated target/expected tracking error. The Trustee monitors the performance of the investment vehicles on a quarterly basis to ensure the Investment Managers are meeting expectations; and
- f. The risk that the pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity. This risk is measured by the dealing and pricing frequencies of pooled funds. The Trustee accesses pooled funds via an investment platform, which is expected to provide daily pricing and liquidity.

The Trustee believes that the investment strategy outlined in the IPID is appropriate for minimising, where possible, the risks outlined above.

5. The Trustee's Investment Beliefs

The Trustee expects (but does not guarantee):

- the long-term return on the investment options that invest predominantly in equities and other growth-seeking asset classes (e.g. Diversified Growth Funds) to exceed price inflation and general salary growth;
- the long-term returns on the bond and cash options to be lower than the equity options;

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- money market funds to 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 (although it is not guaranteed that these funds will not fall in value).

In choosing the Plan's investment options, it is the policy of the Trustee to consider:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class for a defined contribution scheme;
- The need for appropriate diversification.

6. **Additional Voluntary Contributions**

Members can invest additional voluntary contributions into the same funds that are available for the investment of regular contributions paid into the Plan. The Trustee regularly reviews the continuing suitability of the Plan's investment arrangements. The Trustee utilises Mercer as an investment consultant to advise on investment strategy and provider appointments, and to assist in monitoring the funds available, both in the form of written reports and attendance at meetings.

7. **Use of an Insurance Policy**

The Plan's invested assets are held through an insurance policy with Zurich. It has no other investments other than this qualifying insurance policy. The Plan is, therefore, "wholly insured" for the purposes of regulation 8 of the Investment Regulations.

The reasons why the Trustee believes that an insurance policy is most suited to their circumstances, and those of the Plan beneficiaries, are as follows:

- a. The Zurich policy offers the Trustee the facility to design a good quality retirement package that enables members of the Plan to invest in a range of asset classes at a reasonable cost;
- b. The financial strength of Zurich and its level of commitment displayed to the Plan;
- c. The security given by Zurich's regulation by the Financial Conduct Authority and the Financial Services Compensation Plan;
- d. The professional management of the investment funds available through Zurich's contract and its willingness to keep the product competitive in the future;
- e. Zurich's capabilities in relation to pension plan administration and communication to employees; and
- f. The overall value-for-money offered by investing in a packaged product with Zurich. The Trustee continues to believe that this approach is in the best interests of its members, but will regularly review this decision, with the assistance of their investment advisors, to ensure that it remains so.

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12. Social, Environmental or Ethical Investment

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. Due to the arrangement with Zurich to access pooled funds, the Trustee has given the Investment Managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments.

Similarly, the Plan's voting rights are exercised by its Investment Managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

13. Buying and Selling Investments

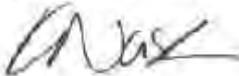
The Investment Managers have responsibility for buying and selling the underlying assets. As already mentioned, the day-to-day activities which the Investment Managers carry out for the Trustee is governed by the arrangements between the Investment Managers and Zurich.

14. Compliance with this Statement

The Trustee, Zurich and Mercer each have duties to perform to ensure compliance with this Statement. These are:

- The Trustee will review this Statement regularly on the advice of Mercer. The Trustee will monitor the arrangement with Zurich and MWS to ensure that the service continues to meet the Plan's needs and objectives. The Trustee will also consult with the Principal Employer over any changes to the Statement.
- Zurich will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Plan from time to time as required by the Trustee.
- Mercer will provide the advice needed to allow the Trustee to review and update this Statement tri-annually (or more frequently if required).

Signed on behalf of the PIMCO Europe Limited DC Pension Plan



KIM NASH

Name

7/3/2018

Date

Appendix C

Reporting Costs and Charges – Additional Illustrations

Due to the diverse Plan demographics, the Trustee has presented two further illustrations below.

The below illustration is based on a member age of 21 (the age of the youngest member), using a starting pot size of £10,000 and a salary of £55,000 based on the average for the age band of 20-29. It also assumes an overall contribution level of 11% per annum, which is the default contribution structure offered by the employer.

Year	Default Fund 0.424 (TER % p.a.) Transaction Cost (0.0% p.a.)*		Cheapest Fund 0.213 (TER % p.a.) Transaction Cost (0.0% p.a.)*		Most Expensive Fund and Greatest Expected Investment Return 1.173 (TER % p.a.) Transaction Cost (0.54% p.a.)*		Lowest Expected Investment Return 0.250 (TER % p.a.) Transaction Cost (0.0% p.a.)*	
	Mercer Growth		BlackRock – Passive US Equity		Mercer Active Emerging Markets Equity		Mercer Cash	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with no Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	16,433.60	16,363.92	16,566.81	16,531.52	16,653.48	16,368.21	15,753.08	15,713.69
2	23,020.95	22,852.30	23,345.07	23,259.00	23,557.13	22,862.67	21,399.72	21,307.66
3	29,765.75	29,467.59	30,341.59	30,188.31	30,720.36	29,485.89	26,941.90	26,784.42
4	36,671.75	36,212.27	37,563.40	37,325.51	38,152.92	36,240.42	32,381.55	32,146.41
5	43,742.79	43,088.86	45,017.75	44,676.84	45,864.95	43,128.86	37,720.56	37,396.05
6	50,982.84	50,099.95	52,712.14	52,248.72	53,866.96	50,153.88	42,960.81	42,535.70
7	58,395.93	57,248.17	60,654.28	60,047.76	62,169.83	57,318.17	48,104.11	47,567.64
8	65,986.19	64,536.20	68,852.15	68,080.79	70,784.90	64,624.51	53,152.26	52,494.15
9	73,757.85	71,966.77	77,314.00	76,354.81	79,723.89	72,075.69	58,107.02	57,317.43
10	81,715.26	79,542.68	86,048.32	84,877.08	88,998.99	79,674.61	62,970.11	62,039.65
11	89,862.85	87,266.75	95,063.89	93,655.02	98,622.83	87,424.17	67,743.24	66,662.91
12	98,205.16	95,141.90	104,369.76	102,696.31	108,608.53	95,327.38	72,428.06	71,189.31
13	106,746.86	103,171.08	113,975.27	112,008.85	118,969.69	103,387.28	77,026.22	75,620.85
14	115,492.71	111,357.30	123,890.09	121,600.78	129,720.43	111,606.98	81,539.31	79,959.54
15	124,447.58	119,703.63	134,124.16	131,480.49	140,875.40	119,989.63	85,968.91	84,207.32
16	133,616.47	128,213.20	144,687.77	141,656.60	152,449.80	128,538.49	90,316.56	88,366.09
17	143,004.50	136,889.21	155,591.52	152,138.00	164,459.39	137,256.82	94,583.78	92,437.72
18	152,616.90	145,734.91	166,846.38	162,933.87	176,920.54	146,148.01	98,772.05	96,424.03
19	162,459.04	154,753.62	178,463.64	174,053.62	189,850.23	155,215.48	102,882.84	100,326.82

20	172,536.41	163,948.73	190,454.98	185,506.99	203,266.08	164,462.71	106,917.59	104,147.82
21	182,854.62	173,323.68	202,832.44	197,303.97	217,186.37	173,893.28	110,877.69	107,888.77
22	193,419.44	182,881.99	215,608.46	209,454.87	231,630.05	183,510.82	114,764.52	111,551.32
23	204,236.76	192,627.24	228,795.86	221,970.32	246,616.82	193,319.04	118,579.46	115,137.13
24	215,312.62	202,563.10	242,407.90	234,861.26	262,167.10	203,321.71	122,323.81	118,647.81
25	226,653.18	212,693.30	256,458.24	248,138.93	278,302.06	213,522.70	125,998.89	122,084.92
26	238,264.79	223,021.62	270,961.00	261,814.96	295,043.70	223,925.93	129,605.99	125,450.01
27	250,153.91	233,551.96	285,930.76	275,901.29	312,414.82	234,535.41	133,146.35	128,744.60
28	262,327.19	244,288.25	301,382.54	290,410.23	330,439.10	245,355.23	136,621.22	131,970.14
29	274,791.40	255,234.54	317,331.87	305,354.45	349,141.09	256,389.57	140,031.80	135,128.10
30	287,553.51	266,394.91	333,794.76	320,747.03	368,546.27	267,642.68	143,379.29	138,219.89
31	300,620.63	277,773.57	350,787.76	336,601.40	388,681.09	279,118.88	146,664.85	141,246.90
32	314,000.06	289,374.78	368,327.94	352,931.42	409,572.98	290,822.62	149,889.62	144,210.48
33	327,699.26	301,202.89	386,432.91	369,751.38	431,250.41	302,758.39	153,054.74	147,111.96
34	341,725.87	313,262.35	405,120.86	387,075.95	453,742.90	314,930.79	156,161.30	149,952.64
35	356,087.71	325,557.67	424,410.56	404,920.28	477,081.11	327,344.53	159,210.39	152,733.80
36	370,792.80	338,093.48	444,321.39	423,299.97	501,296.84	340,004.38	162,203.08	155,456.68
37	385,849.34	350,874.46	464,873.35	442,231.08	526,423.08	352,915.22	165,140.40	158,122.51
38	401,265.74	363,905.43	486,087.08	461,730.14	552,494.07	366,082.04	168,023.37	160,732.48
39	417,050.58	377,191.26	507,983.90	481,814.21	579,545.33	379,509.89	170,853.02	163,287.76
40	433,212.69	390,736.95	530,585.79	502,500.83	607,613.71	393,203.97	173,630.31	165,789.50
41	449,761.07	404,547.57	553,915.46	523,808.07	636,737.47	407,169.55	176,356.22	168,238.82
42	466,704.95	418,628.31	577,996.35	545,754.56	666,956.28	421,412.00	179,031.71	170,636.82

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £10,000
3. Contributions of 11% are assumed from age 21 to 65 with no change to salary.
4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund are as follows:
 - A. Mercer Growth Fund (Default Fund): 2.39% p.a. gross expected real return above inflation
 - B. BlackRock - Passive US Equity Fund (Cheapest Fund): 3.22% p.a. gross expected real return above inflation
 - C. Mercer Active Emerging Markets Equity Fund (Most Expensive Fund): 3.76% p.a. gross expected real return above inflation
 - D. Mercer Cash Fund (Lowest Expected Investment Return): -1.85% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the actual transaction costs incurred in the Plan year

The projected growth rates use the same underlying assumptions as the SMPI assumptions plus any transaction costs. It is worth noting that whilst the BlackRock - Passive US Equity Fund and

the Mercer Active Emerging Markets Equity Fund use the same SMPI assumptions, in practice we expect the long run net of fee and costs return for these funds to differ.

The below illustration is based on a member age of 45, using a starting pot size of £110,000 and a salary of £135,000 based on the average for the age band of 40-49. It also assumes an overall contribution level of 11% per annum, which is the default contribution structure offered by the employer.

Year	Default Fund 0.424 (TER % p.a.) Transaction Cost (0.0% p.a.)*		Cheapest Fund 0.213 (TER % p.a.) Transaction Cost (0.0% p.a.)*		Most Expensive Fund and Greatest Expected Investment Return 1.173 (TER % p.a.) Transaction Cost (0.54% p.a.)*		Lowest Expected Investment Return 0.250 (TER % p.a.) Transaction Cost (0.0% p.a.)*	
	Mercer Growth		BlackRock – Passive US Equity		Mercer Active Emerging Markets Equity		Mercer Cash	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with no Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	127,833.92	127,291.90	128,870.17	128,595.68	128,870.17	126,662.62	122,540.28	122,233.92
2	146,094.06	144,922.00	148,347.96	147,749.25	148,347.96	143,567.16	134,848.55	134,211.50
3	164,790.62	162,896.93	168,452.93	167,477.46	168,452.93	160,717.13	146,929.13	145,938.10
4	183,934.03	181,223.42	189,205.29	187,797.54	189,205.29	178,116.09	158,786.22	157,418.99
5	203,534.97	199,908.36	210,625.87	208,727.25	210,625.87	195,767.65	170,423.95	168,659.31
6	223,604.37	218,958.75	232,736.19	230,284.88	232,736.19	213,675.48	181,846.38	179,664.10
7	244,153.43	238,381.73	255,558.47	252,489.28	255,558.47	231,843.31	193,057.50	190,438.30
8	265,193.62	258,184.61	279,115.62	275,359.83	279,115.62	250,274.90	204,061.21	200,986.74
9	286,736.66	278,374.80	303,431.31	298,916.54	303,431.31	268,974.10	214,861.35	211,314.15
10	308,794.58	298,959.88	328,529.97	323,179.98	328,529.97	287,944.77	225,461.69	221,425.17
11	331,379.68	319,947.59	354,436.81	348,171.36	354,436.81	307,190.87	235,865.92	231,324.31
12	354,504.57	341,345.78	381,177.84	373,912.51	381,177.84	326,716.40	246,077.68	241,016.04
13	378,182.15	363,162.49	408,779.94	400,425.94	408,779.94	346,525.40	256,100.52	250,504.69
14	402,425.62	385,405.91	437,270.82	427,734.80	437,270.82	366,622.00	265,937.93	259,794.51
15	427,248.50	408,084.38	466,679.11	455,862.97	466,679.11	387,010.36	275,593.36	268,889.68
16	452,664.66	431,206.41	497,034.35	484,835.03	497,034.35	407,694.74	285,070.15	277,794.27
17	478,688.26	454,780.68	528,367.03	514,676.28	528,367.03	428,679.42	294,371.63	286,512.27
18	505,333.82	478,816.03	560,708.61	545,412.82	560,708.61	449,968.76	303,501.03	295,047.60
19	532,616.22	503,321.48	594,091.60	577,071.50	594,091.60	471,567.19	312,461.54	303,404.09
20	560,550.66	528,306.22	628,549.52	609,679.98	628,549.52	493,479.20	321,256.27	311,585.47

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £110,000
3. Contributions are assumed from age 45 to 65 with no change to salary.
4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund are as follows:
 - A. Mercer Growth Fund (default arrangement): 2.39% p.a. gross expected real return
 - B. BlackRock - Passive US Equity Fund (Cheapest Fund): 3.22% p.a. gross expected real return
 - C. Mercer Active Emerging Markets Equity Fund (Fund with the highest TER): 3.76% p.a. gross expected real return
 - D. Mercer Cash Fund (Lowest Expected Investment Return): -1.85% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the actual transaction costs incurred in the Plan year

The projected growth rates use the same underlying assumptions as the SMPI assumptions plus any transaction costs. It is worth noting that whilst the BlackRock - Passive US Equity Fund and the Mercer Active Emerging Markets Equity Fund use the same SMPI assumptions, in practice we expect the long run net of fee and costs return for these funds to differ.