

# Governance statement by the Chair of Trustees for the year ending 30 September 2019

## Defined Contribution Section and AVC arrangements

### Introduction

Governance standards apply to defined contribution pension arrangements like the Defined Contribution Section of our pension scheme. These standards are designed to help members achieve a good outcome from their retirement savings.

As Chair of the Trustees of the Timet UK Limited Pension Plan, I am required to provide you with a yearly statement which explain what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards. The information included in my statement is set out in law and regulation.

I welcome this opportunity to explain what the Trustees do to help to ensure the Defined Contribution Section is run as effectively as it can be.

### Feedback

If you have any questions about anything that is set out in this statement, or any suggestions about what can be improved, please do let us know.

Signed for and on behalf of the Trustees of the Timet UK Limited Pension Plan by Keith Lewis, Chair of Trustees



Date ..... 27 April 2020 .....

## **Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)**

### **Default investment arrangement**

The Trustees have selected and provide a default investment arrangement for members who do not choose an investment option for their contributions, although members can also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. We take professional advice from regulated investment advisers.

### **Setting an appropriate investment strategy**

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

We have chosen the Lower Volatility Lifestyle Option as the default strategy for members who join the Defined Contribution Section of the Plan after 1 April 2011. Members who joined prior to this date are invested in the previous default Lifestyle Option (known as the Higher Volatility Lifestyle Option). Members also have a third Lifestyle Option in which they can invest: the Medium Volatility Lifestyle Option.

When deciding on the investment strategy, the Trustees recognise that the majority of members do not take active investment decisions and instead invest in the default option. Therefore, the Trustees' primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account factors such as the size of members' retirement savings within the Defined Contribution Section, members' current level of income and likely expectations for income post-retirement etc. When choosing the default strategy, it is the Trustees' policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustees also recognise that there are various investment and operational risks and give qualitative and quantitative considerations to such risks.

The Lifestyle Options are structured to provide the potential for a level of growth over and above inflation in the long term. In addition, as members approach retirement the monies in the Lifestyle Options are gradually switched to less volatile investments which aim to protect members' potential income in retirement.

When the member is more than 10 years from retirement how monies are invested depends on the Lifestyle Option:

- Lower Volatility Lifestyle Option – 100% in the Aegon BlackRock Diversified Growth Fund
- Medium Volatility Lifestyle Option – 50% in the Aegon BlackRock Diversified Growth Fund and 50% in the Aegon BlackRock 50:50 Global Equity Index Fund

## Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)

- Higher Volatility Lifestyle Option – 100% in the Aegon BlackRock 50:50 Global Equity Index Fund

From 10 years onwards all Lifestyle Options move progressively towards Pre-Retirement and cash, ending at 75% in the Aegon LGIM Pre-Retirement Fund and 25% in the Aegon BlackRock Cash Fund.

### Reviewing the default investment arrangement

The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and consider the needs of the Defined Contribution Section membership when designing it.

The Trustees review the investment objectives and the performance of the default investment arrangement on a quarterly basis, taking advice from the Trustees' investment consultant as appropriate.

No review of the default investment arrangement was undertaken during the Plan year. The last formal review was completed on 1 October 2010. A review was considered in 2015 but was delayed pending a more comprehensive review of all UK schemes in the PCC Group by the Company. The Company's review has now been concluded and the implications of this and the default investment option for members will be considered by the Trustees and communicated to members shortly.

### Self-select investment choices

In addition to the default investment arrangement, the Trustees allow members to self-select from the following range of funds. Members may wish to take financial advice before choosing between these funds.

Investment Fund
70:30 Global Growth
50:50 Global Equity Index
Over 5 Year Index-Linked Gilt
UK Equity Index
Cash
Diversified Growth
Global Property Securities Index
Institutional Emerging Markets Equity
Property
LGIM Pre-Retirement
LGIM World (Ex UK) Equity Index

### Charges and transaction costs paid by members

The Trustees are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Defined Contribution Section) that are paid by members rather than the employer. In the Plan members typically pay for investment management, investment transactions and administration and the Company pays the other costs of running the Plan i.e. governance.

## Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)

The investment management and transaction costs can be explained like so:

- The total **ongoing charges** figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges). The charges for the default investment strategy are compared against the 0.75% charge cap set by legislation.
- **Transaction costs** are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund or strategy. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and the costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike the ongoing charges figures, transaction costs are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is typically net of these transaction costs.

The level of charges applicable to the Defined Contribution Section's investment arrangement during the last Plan year were:

Fund	Direct Charges (%)	Indirect Charges (%)	Total Ongoing Charges (%)
70:30 Global Growth	0.60	0.00	0.60
50:50 Global Equity Index*	0.28	0.01	0.29
Over 5 Year Index-Linked Gilt	0.28	0.01	0.29
UK Equity Index	0.28	0.01	0.29
Cash*	0.25	0.03	0.28
Diversified Growth*	0.55	0.05	0.60
Global Property Securities Index	0.41	0.01	0.42
Institutional Emerging Markets Equity	0.60	0.06	0.66
Property	0.98	0.02	1.00
LGIM Pre-Retirement*	0.40	0.00	0.40
LGIM World (Ex UK) Equity Index	0.40	0.01	0.41

\*Funds used in the Lifestyle Options.

The transaction costs applicable to the Defined Contribution Section's investment options (including the funds that are used in the lifestyle Options) were confirmed by Aegon as being:

Fund	Transaction Cost (%)
70:30 Global Growth	0.15
50:50 Global Equity Index*	0.08
Over 5 Year Index-Linked Gilt	0.05
UK Equity Index	0.09
Cash*	0.01
Diversified Growth*	0.21
Global Property Securities Index	0.10
Institutional Emerging Markets Equity	0.86
Property	0.00
LGIM Pre-Retirement*	0.07
LGIM World (Ex UK) Equity Index	0.00

\*Funds used in the Lifestyle Options

## **Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)**

### **Completeness of transaction cost information**

Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

I can confirm that there were no instances where information could not be obtained.

### **Examples of the impact of costs and charges**

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on the value of a member's pension savings.

We have prepared the example attached to this statement, having taken account of the statutory guidance issued by the Department of Work and Pensions in preparing this section of our statement. We have not deviated from this approach.

### **Core financial transactions**

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

- investing contributions paid into the Defined Contribution Section;
- transferring assets relating to members into and out of the Defined Contribution Section;
- transferring assets between different investments within the Defined Contribution Section; and
- making payments from the Defined Contribution Section to, or on behalf of, members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Plan's administrator, Aegon.

There is a service level agreement in place between the Trustees and Aegon which provides for Aegon to ensure accurate and timely processing of the core financial transactions for which it is responsible. Aegon is required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Plan's trust deed and rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

In order to monitor this service the Trustees receive quarterly reports confirming the payment and allocation of contributions, together with statistics on the level of service that is provided in comparison to agreed targets and timescales.

The Plan Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

During the past year Aegon have failed to meet their service level agreement targets. However, despite this members have continued to receive a good administration service during the year. Whilst Aegon have not met some of their targets, I am confident that all core financial transactions have been processed within a reasonable time.

## Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)

Overall, we are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

### Trustee knowledge and understanding

The law requires the Trustees to be conversant with the Plan's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Plan effectively.

The Trustees meet all the knowledge and understanding requirements and understands the Plan and its documents. The Trustees are aware that they must have a working knowledge of the trust deed and rules of the Plan, the statement of investment principles and the documents setting out the Trustees' current policies. They are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board.

During the Plan year the following training and development activities have taken place:

- The training log is reviewed annually to identify any gaps in the knowledge and understanding across the Trustee Board as a whole. The training carried out during the Plan year included:
  - Payment of discretionary benefits
  - Impact of GMP equalisation
  - Setting investment strategy
  - New regulations relating to Environmental, Social and Governance (ESG) aspects of investing.
- All of the Trustees have made progress in completing the Pensions Regulator's on-line trustee toolkit. New Trustees are requested to complete the toolkit within 6 months of becoming a member of the Trustee Board. Trustees must review the toolkit on an on-going basis to ensure their knowledge remains up to date.
- The Trustees receive "on-the-job" training. This means that as new topics arise their professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests, as well as training during the meeting so that the Trustees may engage on such topics in an informed manner.
- An induction process is in place for newly appointed Trustees.
- The Trustees have assessed the Defined Contribution Section against the standards set out in the code of practice for trustees of pension schemes providing money purchase benefits (the DC code) and related guides and have established an action plan to ensure we can demonstrate that we are offering a quality scheme.
- An Independent Trustee is appointed to the trustee board who is an experienced pensions professional.

## **Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)**

Relevant advisers attend trustee meetings and are in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Plan or in respect of pension or trust law.

As a result of the training activities which have been completed by the Trustee Board individually and collectively, taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees.

### **Assessing value for members**

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which the member-borne costs and charges within the Defined Contribution Section represent good value for members when this is compared to other options available in the market.

There is no legal definition of 'good value' and so the process of determining good value for members can be subjective. We have received advice on how to assess good value from our advisers and considered the statutory guidance.

We note that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has been considered in the assessment for value to members.

Members pay the investment charges and administration charges. The Company pays for the general governance of the Plan (i.e. the Trustees' expenses of running the Plan).

This section sets out the approach that the Trustees have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

### **Overall approach and conclusion**

Assisted by our advisers and in line with The Pensions Regulator's guidance, we have taken the following approach:

1. We have collated information on services that members receive and the total costs that members pay, including transaction costs (where available);
2. We have assessed the scope and quality of the services that members receive;
3. We have compared the value members receive from the services against the cost of those services; and
4. We have reflected on our key findings and suggested courses of action to maintain areas of good value and improve areas where value could be better.

Overall, the above approach ensures that we are comparing the level of charges in each fund with the levels of return they have delivered to members, as well as comparing the costs of membership (i.e. the charges) against the benefits of membership (i.e. the services provided by the Defined Contribution Section).

In attempting to compare these against other options available in the market, the Trustees have found that there are limited industry-wide benchmarks for each service area and so the Trustees have relied on the market knowledge of its advisers.

## Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)

Based on our assessment, we conclude that the Defined Contribution Section offered satisfactory 'value for members' over the year to 30 September 2019 when measured against the definition required by legislation.

There are areas where 'value for members' could be improved and the Trustees plan to perform further investigations into these areas, taking action in some, over the year to 30 September 2020 in conjunction with the Company, particularly around the investment options and default investment arrangement.

### Preparation for the assessment

The Trustees received support from advisers around how to undertake a value for members assessment and also considered the statutory guidance.

A number of key decisions were made as part of these preparations:

- The Trustees used a scoring system for the 'value for members' assessment;
- Individual elements of service were given scores by considering the scope and quality of the services under those areas;
- An overall weighted score ranging from 0% to 100% was produced;
- The Trustees agreed that any score between 50% to 75% represented satisfactory value and a score of 75% or over represented good value.

### Process followed for the assessment, including key factors considered

The Trustees, assisted by their advisers, then considered the services provided by the Plan in the areas where costs are borne such as investment, communications, scheme management and governance, and administration. The scores for these areas were assessed by considering the scope and quality of the services in each area.

This assessment was performed for members in the Defined Contribution Section.

We assessed the historic return and volatility of the default fund versus benchmark, and the charges and transaction costs. We then considered the larger set of services, including (but not limited to) the following:

Area	Examples
<b>Investments / charges</b>	The quality / governance of the default fund and alternative choices, the historic return and volatility of the default fund, charges and transaction costs versus benchmark, etc
<b>Communications / member support</b>	Whether bespoke / tailored or event-driven communications are used, at-retirement communications / guides / modellers / support, access to pension freedoms, etc
<b>Scheme management and governance</b>	Understanding of membership characteristics / attitudes / needs, compliance with The Pensions Regulator's Codes of Practice, Trustee Knowledge and Understanding practices, use of expert advisers, etc
<b>Administration / online services</b>	Online fund values / switching, use of service level agreements, core administration team / helpline, etc
<b>Employer contribution to member funds</b>	The generosity of the employer contributions over and above the automatic enrolment minimum.

While all of the factors above contribute to whether the Plan is well run, the Trustees believe that two of the biggest factors that can influence retirement outcomes are the level of contributions paid into the Plan and the level of investment performance net of fees.

## Governance statement by the Chair of Trustees for the year ending 30 September 2019 (continued)

As a result, 40% of the overall score is allocated to the benefits of membership including the generosity of the employer contributions, 40% was allocated to the quality, performance and governance of the investment options and 20% to the competitiveness of fees and transaction costs.

### Explanation of the results of the assessment

Our conclusion that the Defined Contribution Section offers satisfactory 'value for members' over the year to 30 September 2019 is based on aspects such as:

- The default investment strategy broadly performed in line with the benchmark when measured over the last 3 years.
- The default investment strategy has a charge of 0.6% (0.29% for members in the previous default), which is higher than the 0.4% average charge for default funds within trust-based defined contribution pension schemes that featured in the 2017 PLSA annual survey but the charge is within an acceptable tolerance of this average.

When we then take into account employer-borne costs, this further supports our assessment of satisfactory value. Employer-borne costs include the following aspects:

- The contribution structure is generous compared to the automatic enrolment minimum contributions.
- The Trustees typically meet three times a year, discussing DC-related matters at each meeting, with a trustee training plan in place and ad-hoc training received before major decisions, as well as clear contracts with external advisers, whose fees are reviewed regularly and benchmarked against the market, etc.

### Defined Benefit Section - AVC arrangements

Our historic AVC arrangements associated with the Defined Benefit Section (which are closed to new AVC payers / further contributions) are provided by Standard Life and Coventry Building Society.

With Standard Life members can choose to invest in a variety of Unit-Linked funds and With-Profits funds.

Investments with Coventry Building Society are held on deposit.

The Trustees take a proportionate approach to reviewing the investments based on the size of the funds invested compared to the size of the funds invested in the Defined Contribution Section and entire Plan and relatively small numbers of members who are invested in these arrangements.

The Trustees periodically review these arrangements to ensure they continue to be fit for purpose and write directly to individual members who have such investments if there is anything of significance to highlight or make members aware of.

The Trustees have not assessed value for money and transaction costs for these arrangements and will consider this further.

## Timet UK Limited Pension Plan

### Trustee's Report and Financial Statements for the year ended 30 September 2019

#### Example illustration

##### Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

Fund transactional charges and costs total (%)				
	Low Volatility Lifestyle* (Default Investment Option)	Aegon BlackRock Cash (BLK)	Aegon BlackRock 70/30 Global Growth (BLK)	Aegon Property (BLK)
Growth	-0.76% to 0.56%*	-0.76%	3.00%	2.15%
AMC	0.25% to 0.55%	0.25%	0.60%	0.98%
AAE	0.00% to 0.05%	0.03%	0.00%	0.02%
TC	0.00% to 0.29%	0.01%	0.15%	-0.01%**

\* As the Lifestyle investment option consists of multiple investment funds we have shown the range of growth and fund costs & charges.

\*\* Negative Transaction Costs have been treated as zero in the illustrated values below.

**Growth** is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

**AMC** is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

**AAE** are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

**TC** are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual annual transaction costs for the period 01/10/17 to 30/09/19.

##### The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	Low Volatility Lifestyle* (Default Investment Option)		Aegon BlackRock Cash (BLK)		Aegon BlackRock 70/30 Global Growth (BLK)		Aegon Property (BLK)	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	39945	39610	39456	39348	40846	40558	40546	40164
3	50120	48986	48471	48112	53269	52245	52204	50874
5	60687	58576	57628	56971	66719	64731	64651	62108
10	88901	83532	81182	79577	105307	99724	99505	92624
15	119847	109980	105765	102922	151969	140714	140278	126880
20	153749	139039	131484	127114	208110	188525	187779	165239
25	189676	170791	158453	152266	275360	244088	242914	208096

## Timet UK Limited Pension Plan

### Trustee's Report and Financial Statements for the year ended 30 September 2019

#### About this illustration

Your current age is 40 and retirement age is 65.

Your current salary is £35,000 and will increase each year by 3.5%.

Future contributions paid will be 16% of your salary (£400 each month increasing by 3.5% each year in line with assumed salary increases).

The existing fund value is £35,000 which is based on the median value of the total holdings within the scheme. We calculate this by listing the total holdings of each member in the scheme, from the lowest to the highest value and selecting the value in the middle.

We've shown the default Low Volatility Lifestyle investment option that the majority of members invest in.

We've also shown the Aegon BlackRock Cash (BLK) and Aegon BlackRock 70/30 Global Growth (BLK) funds to show the asset classes with the lowest and highest assumed growth. The Aegon BlackRock Cash (BLK) Fund is also the fund with the lowest charges and we've shown the Aegon Property (BLK) fund as the fund with the highest charges.

#### Investment growth

The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

## Timet UK Limited Pension Plan

### Trustee's Report and Financial Statements for the year ended 30 September 2019

#### Example illustration

##### Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

Fund transactional charges and costs total (%)

	Low Volatility Lifestyle* (Default Investment Option)	Aegon BlackRock Cash (BLK)	Aegon BlackRock 70/30 Global Growth (BLK)	Aegon Property (BLK)
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AMC	0.25% to 0.55%	0.25%	0.60%	0.98%
AAE	0.00% to 0.05%	0.03%	0.00%	0.02%
TC	0.00% to 0.29%	0.01%	0.15%	-0.01%**

\* As the Lifestyle investment option consists of multiple investment funds we have shown the range of growth and fund costs & charges.

\*\* Negative Transaction Costs have been treated as zero in the illustrated values below.

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual annual transaction costs for the period 01/10/17 to 30/09/19.

The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	Low Volatility Lifestyle* (Default Investment Option)		Aegon BlackRock Cash (BLK)		Aegon BlackRock 70/30 Global Growth (BLK)		Aegon Property (BLK)	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	1908	1899	1894	1891	1933	1925	1924	1914
3	5837	5758	5722	5696	6054	5984	5981	5889
5	9921	9702	9602	9533	10536	10336	10328	10068
10	20844	19950	19553	19281	23490	22603	22568	21456
15	32851	30790	29895	29286	39292	37077	36990	34294
20	46031	42270	40671	39595	58445	54065	53896	48726
25	60479	54442	51928	50254	81534	73917	73628	64907
30	76297	67362	63716	61313	109240	97025	96567	83005
35	93597	81090	76086	72823	142352	123829	123144	103203
40	112498	96397	89097	84840	181789	154826	153844	125701
45	132303	113258	102807	97420	228615	190575	189208	150717

## Timet UK Limited Pension Plan

### Trustee's Report and Financial Statements for the year ended 30 September 2019

#### About this illustration

Your current age is 20 and retirement age is 65.

Your current salary is £12,000 and will increase each year by 3.5%.

Future contributions paid will be 16% of your salary (£160 each month increasing by 3.5% each year in line with assumed salary increases).

We've shown the default Low Volatility Lifestyle investment option that the majority of members invest in.

We've also shown the Aegon BlackRock Cash (BLK) and Aegon BlackRock 70/30 Global Growth (BLK) funds to show the asset classes with the lowest and highest assumed growth. The Aegon BlackRock Cash (BLK) Fund is also the fund with the lowest charges and we've shown the Aegon Property (BLK) fund as the fund with the highest charges.

#### Investment growth

The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.