

# Diodes Zetex Pension Scheme (“the Scheme”)

## Chair’s statement regarding the governance of defined contribution arrangements

Scheme Year - 6 April 2022 to 5 April 2023

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### 1. Introduction

- 1.1. This statement has been prepared by the Scheme’s Trustees (“the Trustees”) to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the Scheme Year 6 April 2022 to 5 April 2023.

### 2. The Scheme’s DC arrangements

- 2.1. The Scheme’s DC arrangements comprise:
  - 2.1.1. The Defined Contribution Section (“the DC Section”), ignoring additional voluntary contributions (AVCs). The DC Section is administered by Barnett Waddingham LLP (Barnett Waddingham) and is open to further contributions.
  - 2.1.2. Additional Voluntary Contributions (AVCs) provided through a ‘bundled’ service arrangement (administration, investment and communication services) with Standard Life. These provide additional benefits for members of the Scheme’s Defined Benefit Section (“the DB Section”).
- 2.2. The DC Section is closed to new joiners, however the Scheme’s Sponsoring Employer, Diodes Zetex Semiconductors Limited and Diodes Zetex Limited (together “the Company”), use the Scheme as a ‘Qualifying Scheme’ to satisfy its auto-enrolment obligations for employees who are active members in this section.

### 3. Default investment arrangement

- 3.1. The Scheme’s DC Section has one default investment arrangement (“the default”).
- 3.2. The key features of the default are as follows:
  - 3.2.1. The default uses a ‘lifestyle’ strategy to automatically reduce risk/volatility in the 10 years approaching retirement age.
  - 3.2.2. Up until 10 years before a member’s retirement age, the default allocates 50% to the Legal & General Investment Management (LGIM) Future World Global Equity Index Fund and 50% to the LGIM Dynamic Diversified Fund.
  - 3.2.3. Over the 10 years to a member’s retirement age, the default automatically and gradually switches out of the LGIM Future World Global Equity Index Fund and into the LGIM Cash Fund. Investment in the LGIM Dynamic Diversified Fund is maintained at 50% throughout.

**Review of the default** No formal review of the default was undertaken in the Scheme Year. The strategy and performance of the default were reviewed throughout the year via L&G quarterly investment reports.

- 3.4. The Trustees monitor the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Scheme and do not constitute a formal review of the default, which ordinarily follows a three-year cycle.
- 3.5. Following the previous review of the default, the Trustees had decided to add the LGIM Future World Global Equity Index Fund to the default investment strategy, replacing the LGIM Global Equity Fixed Weights (50:50) Index Fund. In doing so, there would be no adjustment to the glidepath of the de-risking strategy currently in place. This change comes following the addition of this fund into the self-select investment options available through the DC Section, added during the previous Scheme Year. Member communications regarding the change to the default were prepared and issued in April 2022, with the change of default completed on 1 June 2022.
- 3.6. Details of the implementation of the investment transition from the LGIM Global Equity Fixed Weights (50:50) Index Fund to the LGIM Future World Global Equity Index Fund are set out in Section 5 of this governance statement.

#### Further information on the default

- 3.7. Details of the default are set out in the attached 'statement of investment principles'. This covers the investment policy in relation to the entire Scheme.

## 4. Core financial transactions

- 4.1. The Trustees have a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following, in relation to each of the Scheme's DC arrangements:
  - 4.2.1. investment of contributions (for DC Section only).
  - 4.2.2. transfers into and out of the Scheme.
  - 4.2.3. investment switches within the Scheme.
  - 4.2.4. payments out of the Scheme.
- 4.3. Core financial transactions for the DC Section are undertaken by Barnett Waddingham.
- 4.4. Core financial transactions for the AVC arrangement are undertaken by Standard Life.

## Controls and monitoring arrangements

4.5. The controls in place in relation to ensuring the promptness of core financial transactions are:

4.5.1. In relation to the DC Section, the Trustees have a Service Level Agreement (SLA) in place covering the promptness of transactions, under which Barnett Waddingham aims to ensure that the core financial transactions are processed within the SLAs set out below:

<b>Core financial transaction</b>	<b>Service Level Agreement</b>
Contribution/allocations	5 working days
Transfer payments in	10 working days
Transfer payments out	10 working days
Investment switches	5 working days
Retirement payments out of the Scheme	5 working days

4.6. Barnett Waddingham monitors that contributions are paid within regulatory timescales.

4.7. The controls in place in relation to the accuracy of core financial transactions are:

4.7.1. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out a reconciliation every day. Barnett Waddingham is audited annually and this is evidenced to the independent auditor.

4.7.2. Monitoring of accuracy is undertaken via the auditing of the Scheme's annual report and accounts, as well as periodic auditing of the Scheme's membership data. In addition, Barnett Waddingham's processes are subject to internal controls procedures.

4.7.3. Barnett Waddingham also publishes an annual Assurance Report on Internal Controls which is externally audited.

4.7.4. The Trustees rely on the investment monitoring processes of Standard Life in relation to the core financial transactions of the AVC arrangements.

4.8. During the Scheme Year, Barnett Waddingham provided the Trustees with quarterly administration reports that monitor its performance against agreed SLAs, including cash flow monitoring and identification of any issues regarding administration accuracy. The Trustees consider Barnett Waddingham's reports at each quarterly Trustees meeting.

4.9. For the AVC arrangements, such transactions would be processed by Barnett Waddingham in liaison with Standard Life, on behalf of the Trustees. If any issues arose with Standard Life, Barnett Waddingham would report these to the Trustees through its administration reporting. No issues were reported during the Scheme Year.

4.10. Any issues in connection with either the promptness or accuracy of the core financial transaction processed during the Scheme Year were reported to the Trustees in the quarterly administration report.

## Performance during the Scheme Year

- 4.11. The Trustees received quarterly reports from the administrator during the Scheme Year and was satisfied with the performance against the SLA.
- 4.12. Neither the administrator's quarterly reports nor the audit of the annual report and accounts identified material issues with the accuracy of core financial transactions.

## Assessment

- 4.13. In view of the controls and monitoring arrangements, and the low level of issues experienced during the Scheme Year, the Trustees believe that core financial transactions have been processed promptly and accurately.

## 5. Investment transition carried out in the reporting period

- 5.1. During the course of this reporting period the Trustees carried out an investment transition exercise. The Pensions Regulator sets out a best practice framework for assessing value for money for events that generate one-off costs, such as an investment transition, which is set out below:
- 5.2. Members in the default who were invested in the LGIM Global Equity Fixed Weights (50:50) Index Fund were moved to the LGIM Future World Global Equity Index Fund, as part of the updated Lifestyle strategy.
- 5.3. Nearly all members were moved by default to the updated Lifestyle strategy. Members who have chosen to self-select their own investments were not affected.
- 5.4. The transfer of assets took place over two weeks from the end of May 2022 and was completed on 1 June 2022. Approximately £1.5m was transferred.
- 5.5. There were no explicit costs to members for the transition, either in selling or buying units in the LGIM Funds. Therefore, members' fund values immediately before and immediately after the transition were the same.
- 5.6. The new default investment arrangement should offer members improved value for money. The Trustees believes the new investment will:
  - 5.6.1. Improve the ESG focus of the default
  - 5.6.2. Provide automatic de-risking as members approach retirement
  - 5.6.3. Broadly match the risk profile of membership in the growth phase
  - 5.6.4. Broadly match the retirement outcomes members will target at retirement
  - 5.6.5. Provide access to self-select funds for members who wish to choose their own asset allocation

## 6. Member-borne charges and transaction costs

- 6.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
  - 6.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
  - 6.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, that are not accounted for in the TER charge.

## Charges in relation to the DC Section

6.2. The following table provides details of the charges and transaction costs for each of the investment options provided through the DC Section over the Scheme Year (data sourced from LGIM):

Investment option	TER (p.a.)	2022/23 Transaction costs (p.a.)
Default investment strategy	0.120% - 0.515%	0.032% - 0.127% <sup>[1]</sup>
LGIM UK Equity Index Fund	0.175%	0.038%
LGIM Ethical UK Equity Index Fund	0.201%	0.039%
LGIM UK Smaller Companies Index Fund	0.776%	0.373%
LGIM North America Equity Index Fund	0.201%	0.084%
LGIM Europe (ex-UK) Equity Index Fund	0.255%	0.045%
LGIM Future World Global Equity Index Fund	0.224%	0.079%
LGIM Japan Equity Index Fund	0.230%	0.014%
LGIM Asia Pacific (ex-Japan) Equity Index Fund	0.298%	0.062%
LGIM World Emerging Markets Equity Index	0.470%	0.057%
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.210%	0.051%
LGIM Over 15 Year Gilts Index Fund	0.100%	0.192%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.100%	0.207%
LGIM Cash Fund	0.120%	0.032%
LGIM Managed Property Fund	0.809%	-0.071% <sup>[2]</sup>
LGIM AAA-AA-A Corporate Bond – All Stocks Index Fund	0.150%	-0.016% <sup>[2]</sup>
LGIM Dynamic Diversified Fund	0.515%	0.127%

<sup>[1]</sup> the quoted charges and transaction costs for each lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs. These will vary depending upon each member's term to Normal Retirement Age.

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

### Charges in relation to AVCs – Standard Life

6.3. Scheme members that hold AVC benefits with Standard Life are invested in one, or a combination, of funds. Details of the charges and transaction costs quoted by Standard Life for each of these funds are provided in the table below:

Investment option	TER (p.a.)	2022/23 Transaction costs (p.a.)
Standard Life Multi Asset Managed (20%-60% Shares) Fund	0.60%	0.168%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.60%	0.224%
Standard Life Managed Pension Fund	0.60%	0.181%
Standard Life Global Equity 50:50 Pension Fund	0.60%	0.100%

### Impact of costs and charges

6.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustees have produced illustrations and these are set out in the appendix.

### Value for members

6.5. The Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

6.6. Analysis was undertaken by the Trustees' professional advisers, Barnett Waddingham, and the findings set out in the September 2023 report.

6.7. The outcomes of the three components of the assessment were:

6.7.1. Giving greater weight to the default investment arrangement, in which the large majority of assets are invested, costs and charges for the DC Section were moderately higher than the average for the comparator schemes. The Trustee therefore concluded that the DC Section provides moderate value for members in relation to costs and charges.

6.7.2. Again, giving greater weight to the default investment arrangement, in which the large majority of assets are invested, net returns for the DC Section were significantly higher than the average for the comparator schemes. The Trustee therefore concluded that the Plan provides good value for members in relation to net investment returns.

6.7.3. The Trustees considered all seven metrics across scheme administration and governance. The Trustee concluded that the Plan provides good value for members in relation to administration and governance.

6.8. Taking the three components into account, the Trustees concluded that overall the DC Plan provides good value for members.

- 6.9. The method to be used for this assessment changed for schemes with assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Scheme fits these criteria.
- 6.10. The assessment comprises three components:
- 6.10.1. An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
  - 6.10.2. An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
  - 6.10.3. A self-assessment across seven key metrics of scheme administration and governance.
- 6.11. For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. In addition, costs and charges and net returns for popular self-select funds should be compared with those for the nearest comparable funds in the comparator schemes (or, where there is no comparable fund, a comparator scheme's default arrangement).
- 6.12. The following comparator schemes were used for the relative components of the assessment: Aviva Master Trust, Legal & General WorkSave Mastertrust and the Standard Life Master Trust.
- 6.13. The method of assessment is prescribed. Factors that were not considered but that add value include:
- 6.13.1. the services fully paid for by Diodes Zetex Semiconductors Limited, e.g. the administration and communication services, and the services of legal advisers, consultants and auditors;
  - 6.13.2. the operation of the professional Trustee, with a duty to act in the best interest of members, which is paid for by Diodes Zetex Semiconductors Limited;
  - 6.13.3. the employer contributions available through the DC Section; and
  - 6.13.4. the operation of salary sacrifice for employee contributions.

## AVCs

- 6.14. In relation to AVCs, the member-borne charges and transaction costs relate to:
- 6.14.1. investment services.
  - 6.14.2. administration services.
  - 6.14.3. communication services.
- 6.15. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.
- 6.16. The Trustees concluded that the AVC arrangements offer reasonable value in relation to the charges and transaction costs borne by members.
- 6.17. In reaching this conclusion, the Trustees recognised:
- 6.17.1. the range of investment options is limited and does not provide automatic protection over the years approaching retirement age via a lifestyle strategy.
  - 6.17.2. Standard Life provide basic administration services, normally liaising directly with Barnett Waddingham on behalf of the Trustees.
  - 6.17.3. communication services are relatively basic and there is no online member access.
  - 6.17.4. the costs are broadly in line with AVC arrangements of a similar size.

## 7. Disclosure of net investment returns

7.1. As per the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 that came into effect from 1 October 2021, the Trustees are required to report on the Scheme's net investment returns, covering all lifestyle and self-select investment options available to members. The net investment return disclosures have been produced in line with the June 2021 statutory guidance entitled "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

### Investment returns in relation to the DC Section

7.2. The statutory guidance recommends Trustees disclose net investment returns covering at least a five-year period. The Trustees report on the Scheme's net investment returns for each of the investment options provided through the DC Section in the table below (Source: LGIM, as at 31 March 2023):

Lifestyle Strategy	Age of Member in 2023 (years)	Annualised Returns –1 year (2022 to 2023)	Annualised Returns – 3 years (2020 to 2023)	Annualised Returns – 5 years (2018 to 2023)
Default	25			
	45	2.14%	-	-
	55			
	60	0.85%	-	-
	65	-0.43%	3.34%	2.14%



Investment Fund	Annualised Returns – 1 year (2022 to 2023)	Annualised Returns – 3 years (2020 to 2023)	Annualised Returns – 5 years (2018 to 2023)	Annualised Returns – 10 years (2013 to 2023)
LGIM UK Equity Index Fund	2.91%	13.812%	5.02%	5.832%
LGIM Ethical UK Equity Index Fund	3.55%	13.21%	5.26%	5.95%
LGIM UK Smaller Companies Index Fund	-9.22%	15.74%	4.74%	7.73%
LGIM Europe (ex UK) Equity Index Fund	7.87%	15.38%	7.66%	8.75%
LGIM North America Equity Index Fund	-2.72%	18.31%	13.53%	13.84%
LGIM Future World Global Equity Index Fund	7.26%	-	-	-
LGIM Japan Equity Index Fund	1.75%	7.64%	3.96%	7.52%
LGIM Asia Pacific (ex-Japan) Equity Index Fund	-4.53%	15.14%	6.27%	6.67%
LGIM World Emerging Markets Equity Index Fund	-4.67%	8.60%	2.32%	4.29%
LGIM Global Equity Fixed Weights (50:50) Index Fund	2.33%	14.58%	7.11%	8.08%
LGIM Over 15 Year Gilts Index Fund	-29.80%	-16.47%	-6.46%	0.47%
LGIM Over 5 Year Index-Linked Gilts Index Fund	-30.50%	-9.30%	-4.21%	1.52%
LGIM Cash Fund	2.11%	0.68%	0.62%	0.45%
LGIM AAA-AA-A Corporate Bond – All Stocks - Index Fund	-10.02%	-3.98%	-1.25%	1.60%
LGIM Managed Property Fund	-14.14%	2.14%	1.84%	5.55%
LGIM Dynamic Diversified Fund	-2.98%	6.00%	3.66%	3.60%

- i) Any blank entries in the net investment returns or missing funds are a result of the corresponding funds launching during the specified performance period.

## Investment returns in relation to AVCs – Standard Life

- 7.3. Scheme members that hold AVC benefits with Standard Life are invested in one, or a combination, of funds. Details of the net investment returns quoted by Standard Life for each of these funds are provided in the table below (Source: Standard Life, as at 31 March 2023):

Investment Fund	Annualised Returns –1 year (2022 to 2023)	Annualised Returns – 5 years (2018 to 2023)	Annualised Returns – 10 years (2013 to 2023)
Standard Life Multi Asset Managed (20%-60% Shares) Fund	-4.13%	2.17%	3.84%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	-4.27%	2.07%	2.96%
Standard Life Managed Pension Fund	-3.36%	4.15%	5.46%
Standard Life Global Equity 50:50 Pension Fund	-1.04%	5.71%	6.93%

- 7.4. Standard Life were unable to provide 3-year fund performance figures.

## 8. Trustee knowledge and understanding

### The Trustee Board

- 8.1. The Trustees comprises three Trustees, one of whom is a professional Trustee, bringing a high degree of pensions experience, knowledge, and expertise.

### Trustee knowledge and understanding requirements

- 8.2. The Trustees are required to be conversant with a Scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

### Approach

- 8.3. The Trustees aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles (SIP), the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme Year and access to professional advice.
- 8.4. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional Trustee, as a Trustee and chair.
- 8.5. There is a structured training programme in place that includes an annual self-assessment by the Trustees to identify knowledge gaps and training needs in relation to emerging legislation, Scheme changes and upcoming matters in the Scheme's business plan. The training programme also includes completion of the Pensions Regulator's Trustee toolkit. A training log is maintained in relation to training undertaken and is reviewed at each Trustee meeting.
- 8.6. The Trustees' structured training programme is supplemented with training activities such as attending seminars and conferences, and reading pensions-related articles.

- 8.7. For any newly appointed Trustees, the Trustees ensure that sufficient training is provided by the Trustees' professional advisers either during meetings, or at separate events, and includes completion of the Pension Regulator's Trustee Toolkit. No new Trustees were appointed during the Scheme Year.
- 8.8. The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending Trustee meetings and often in the delivery of training at these meetings.

### Activities over the Scheme Year

- 8.9. The Trustees reviewed the Statement of Investment Principles (SIP) to take account of investment changes and in particular, the introduction of the new default investment strategy. Whilst the review of the SIP commenced in the reporting period, the new SIP was updated in May 2022.
- 8.10. The Trustees reviewed the following Scheme documents:
  - 8.10.1. the risk register.
  - 8.10.2. the internal disputes resolution procedure.
  - 8.10.3. the payment schedule.
  - 8.10.4. the Trustees' engagement strategy.
  - 8.10.5. annual report and accounts.
  - 8.10.6. the General Data Protection Regulations (GDPR) policy.
  - 8.10.7. the liability insurance policy.
- 8.11. The structured training programme was followed during the Scheme Year with annual self-assessments completed by all Trustees, and the training programme itself was also reviewed. The training log was reviewed and updated.
- 8.12. No new Trustees were appointed during the Scheme Year, so the induction process was not required, although the Trustees agreed to update the Trustee Resolution and policy for appointing Member Nominated Trustees.
- 8.13. Kevin Clark, on behalf of Vidett, maintained accreditation for the professional Trustee standards, including fitness and propriety, governance skills, ongoing professional development, managing conflicts of interest and the additional standards for professional Trustees who act as chair.
- 8.14. During the Scheme Year, the Trustees took professional advice on:
  - 8.14.1. undertaking the annual value for members assessment.
  - 8.14.2. disclosure of costs, charges and investments.
  - 8.14.3. calculating the Statutory Money Purchase Illustrations (SMPIs) for the DC Section's funds for the purpose of inclusion within members' annual benefit statements.

## Assessment

8.15. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly exercise their Trustee functions.

*Kevin Clark on behalf of Vidett*

*Governance Services Limited*

*Date X Oct 27, 2023*

*Chair of the Trustees*

Kevin Clark

## Appendix 1 Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustees have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

### Parameters used for the illustrations

A1.2. The membership of the DC Section and the investment options offered were analysed in determining the parameters to be used.

A1.3. Pot size and term to retirement: the median pot size for DC Section members is £36,296. The average retirement date is February 2031. The Trustees have used a starting value such that projected values reach approximately the median level 10-15 years from retirement. A £28,000 fund broadly achieves this if no contributions are made. This also better reflects the fund value of the youngest member (£5,863).

A1.4. Contributions: the default contribution level for active members is 10% (consisting of a 5% employee contribution and 5% employer contribution) and this is also the most common across active members.

A1.5. The Trustees have included future contributions in these illustrations as the DC Section remains open to contributions. For those members who are no longer active, the Trustees have decided to produce illustrations that assume no future contributions will be paid.

A1.6. Pensionable salary: the average salary for active DC members is approximately £40,235 p.a. The illustrations have been produced using a salary of £40,000 and a total contribution of 10%. We also show equivalent illustrations without contributions for comparative purposes.

A1.7. Timeframe: the youngest member in the DC Section as at 31 March 2023 is age 41. As the target investment age of the DC Section is age 65, the illustrations use a person at the age of 35, i.e. use a maximum timeframe of 30 years for consistency and to ensure the DWP's requirement is met. The illustrations are modelled to show the years to target investment age as opposed to the years of membership.

A1.8. Investment options: the investment options selected for the illustrations include the most popular by number of members (the Default), the highest charged fund and the lowest charge fund.

A1.9. There are 34 members with pot sizes in excess of £80,000, with an average fund value of £149,102 and average retirement date of June 2031. Therefore, the Trustees have also prepared illustrations based on £100,000 at 10 years from retirement age.

A1.10. Pensionable salary is assumed to grow at 2.5% per year.

A1.11. Unless stated, each illustration assumes up to 30 years of membership leading up to the DC Section's normal retirement age of 65.

### Guidance to the illustrations

A1.12. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.13. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year. It is for this reason that real growth (after inflation) may be negative.

A1.14. The real-terms rates of growth used in the illustrations are calculated by reference to the Financial Reporting Council's AS TM1.

A1.15. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2023 Statutory Money Purchase Illustrations (SMPI). Details for each investment option used to produce the illustrations are provided in the table below:

Investment option	Rationale for inclusion	Assumed return above inflation	TER	Average Transaction Costs
Default Investment Strategy	Default Investment	1.00% to 5.00%	0.120% - 0.515%	0.0085% - 0.0918%
LGIM Over 15 Year Gilts Index Fund	Lowest charge	1.50%	0.100%	0.0461%
LGIM Managed Property Fund	Highest charge	4.50%	0.809%	-0.0939%

A1.16. Values shown are estimates and not guaranteed.

A1.17. The starting date for the illustrations is 31 March 2023.

A1.18. The illustrations are presented in two different ways:

A1.18.1. For the default, a lifestyle strategy, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

A1.18.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

## Default Lifestyle Strategy

A1.19. This has been included as the default investment arrangement for the DC Section.

Illustration basis	Years from taking benefits	Starting pot size £28,000		Starting pot size £100,000	
		Before charges	After charges	Before charges	After charges
Active member  Starting pensionable Salary: £40,000	0	£28,000	£28,000	£100,000	£100,000
	1	£33,412	£33,163	£108,725	£107,884
	5	£57,832	£55,990	£145,285	£140,129
	10	£95,685	£90,120	£192,406	£179,829
	15	£143,717	£131,736	-	-
	20	£204,663	£182,481	-	-
	25	£274,423	£238,002	-	-
Total contribution level: 10%	30	£344,429	£290,786	-	-
	0	£28,000	£28,000	£100,000	£100,000
	1	£29,366	£29,133	£104,683	£103,858
	5	£35,529	£34,142	£123,385	£118,662
	10	£45,082	£41,631	£145,249	£134,524
	15	£57,204	£50,763	-	-
	20	£72,586	£61,898	-	-
Deferred member  Pensionable salary: £0	25	£89,559	£73,449	-	-
	30	£105,430	£83,267	-	-
	Total contribution level: 0%				

Note on how to read this table: If an active member had £28,000 invested in this strategy on 31 March 2023, when they came to retire in 10 years, the fund could grow to £95,685 if no charges are applied but to £90,120 with charges applied.

## Lowest charge self-select fund - LGIM Over 15 Years Gilts Index Fund

A1.20. This has been included as it is the self-select option with the lowest charges provided through the DC Section.

Illustration basis	Years from 31 March 2023	Starting pot size £28,000		Starting pot size £100,000	
		Before charges	After charges	Before charges	After charges
Active member	0	£28,000	£28,000	£100,000	£100,000
	1	£32,389	£32,347	£105,443	£105,298
Starting pensionable	5	£50,599	£50,316	£128,024	£127,198
	10	£74,901	£74,145	£158,159	£156,241
Salary: £40,000	15	£101,034	£99,589	-	-
	20	£129,136	£126,760	-	-
Contribution level: 10%	25	£159,355	£155,772	-	-
	30	£191,851	£186,752	-	-
Deferred member	0	£28,000	£28,000	£100,000	£100,000
	1	£28,410	£28,370	£101,463	£101,321
Pensionable salary: £0	5	£30,110	£29,899	£107,534	£106,781
	10	£32,378	£31,926	£115,636	£114,022
Contribution level: 0%	15	£34,818	£34,091	-	-
	20	£37,441	£36,403	-	-
	25	£40,262	£38,872	-	-
	30	£43,295	£41,507	-	-

A1.21. Note on how to read this table: If an active member had £28,000 invested in this strategy on 31 March 2023, after 10 years of membership, the fund could grow to £74,901 if no charges are applied but to £74,145 with charges applied.



## Highest charge self-select fund - LGIM Managed Property Fund

A1.22. This has been included as it is the self-select option with the highest charges provided through the DC Section.

Illustration basis	Years from 31 March 2023	Starting pot size £28,000		Starting pot size £100,000	
		Before charges	After charges	Before charges	After charges
Active member	0	£28,000	£28,000	£100,000	£100,000
	1	£33,266	£33,057	£108,427	£107,716
	5	£56,746	£55,223	£146,000	£141,535
Starting pensionable Salary: £40,000	10	£92,380	£87,858	£203,025	£191,327
	15	£136,554	£126,980	-	-
	20	£191,315	£173,878	-	-
Contribution level: 10%	25	£259,199	£230,098	-	-
	30	£343,352	£297,494	-	-
Deferred member	0	£28,000	£28,000	£100,000	£100,000
	1	£29,229	£29,034	£104,390	£103,693
	5	£34,710	£33,566	£123,965	£119,878
Pensionable salary: £0	10	£43,029	£40,238	£153,674	£143,707
	15	£53,340	£48,236	-	-
Contribution level: 0%	20	£66,124	£57,825	-	-
	25	£81,970	£69,319	-	-
	30	£101,614	£83,098	-	-

A1.23. Note on how to read this table: If an active member had £28,000 invested in this strategy on 31 March 2023, after 10 years of membership, the fund could be to £93,380 if no charges are applied or £87,858 with charges applied.