

# Diodes Zetex Pension Scheme (“the Scheme”)

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

Scheme Year - 1 April 2024 to 31 March 2025

---

### 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 1 April 2024 to 31 March 2025.

### 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. 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”) and is open to further contributions.
- 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 5 years approaching retirement age.
  - 3.2.2. Up until 5 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 Diversified Fund.
  - 3.2.3. Over the 5 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 Diversified Fund is maintained at 50% throughout.
  - 3.2.4. Investment objectives of the default include maximising member outcomes and to manage the expected volatility of the returns.

#### Asset allocation of the default

- 3.3. We have provided further details in the table below of the underlying asset allocation of the default investment arrangement. We have provided this information in line with statutory guidance.

- 3.4. Within the default investment arrangement, the underlying assets change over time. Asset allocations are shown for members aged 25, 45, 55 and 1 day before retirement age, all assuming retirement at age 65.

#### Default Investment Arrangement

Asset Class	Allocation (%) 25-year-old	Allocation (%) 45-year-old	Allocation (%) 55-year-old	Allocation (%) 1 day before retirement age (65)
Cash				50.0%
Bonds	18.7%	18.7%	18.7%	18.7%
Listed Equities	68.0%	68.0%	68.0%	18.0%
Private Equity	1.4%	1.4%	1.4%	1.4%
Infrastructure	2.7%	2.7%	2.7%	2.7%
Property/Real Estate	5.4%	5.4%	5.4%	5.4%
Private Debt/Credit	1.1%	1.1%	1.1%	1.1%
Other	2.9%	2.9%	2.9%	2.9%

#### Review of the default

- 3.5. No formal review of the default was undertaken in the Scheme Year. The strategy and performance of the default were last formally reviewed in the 2023/24 Scheme year.
- 3.6. The Trustees monitor the performance of all investment options, including the default, on a quarterly basis via L&G investment reports. These quarterly reviews are part of the regular governance of the Scheme and do not constitute part of the formal review of the default, which ordinarily follows a three-year cycle.

#### 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 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. Due to changes in investment regulations, the Trustees were informed that Barnett Waddingham could no longer operate a pooled banking facility for the Scheme. During the Scheme Year, Barnett Waddingham assisted the Trustees with opening a new bank account for the Scheme in the Trustees' name, and therefore a move to non-pooled banking was completed.

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 were 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. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. 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).

5.1.2. 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

5.2. 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.)	2024/25 Transaction costs (p.a.)
Default	0.246% - 0.298% <sup>[1]</sup>	0.017% - 0.078% <sup>[1]</sup>
LGIM UK Equity Index Fund	0.121%	0.007%
LGIM UK Smaller Companies Index Fund	0.331%	0.047%
LGIM North America Equity Index Fund	0.215%	0.000%
LGIM Europe (ex-UK) Equity Index Fund	0.270%	0.115%
LGIM Future World Global Equity Index Fund	0.244%	0.005%
LGIM Japan Equity Index Fund	0.241%	0.006%
LGIM Asia Pacific (ex-Japan) Equity Index Fund	0.304%	0.002%
LGIM World Emerging Markets Equity Index Fund	0.484%	0.002%
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.185%	0.026%
LGIM Over 15 Year Gilts Index Fund	0.115%	0.062%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.115%	0.068%
LGIM Cash Fund	0.140%	0.127%

LGIM Managed Property Fund	1.267%	-0.001% <sup>[2]</sup>
LGIM AAA-AA-A Corporate Bond – All Stocks Index Fund	0.165%	0.000%
LGIM Dynamic Diversified Fund	0.540%	0.089%
LGIM Diversified Fund	0.351%	0.028%
LGIM FTSE4Good UK Equity Index Fund	0.216%	0.021%

[1] the charges and transaction costs for each lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also the charges and transaction costs will vary depending upon each member's term to 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

5.3. 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 (data sourced from Standard Life):

Investment option	TER (p.a.)	2024/25 Transaction costs (p.a.)
Standard Life Multi Asset Managed (20%-60% Shares) Fund	0.60%	0.139%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.60%	0.105%
Standard Life Managed Pension Fund	0.60%	0.128%
Standard Life Global Equity 50:50 Pension Fund	0.60%	0.070%

### Impact of costs and charges

5.4. 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.

## 6. Net investment returns

6.1. The Trustees are required to disclose returns, net of charges and transaction costs, for the default investment arrangement and for each fund that members are able, or were previously able, to select and in which members' assets were invested during the Scheme year. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

6.2. For the default investment arrangement, the underlying funds used, and therefore the net returns change over time. As the default investment arrangement involves a de-risking period of 5 years, net returns are shown for a member aged 60 and 65 at the start of the period and assuming a retirement age of 65. Details of the net investment returns are provided in the table below (Source: LGIM, as at 31 March 2025):

## Default investment arrangement

Age of member	Annualised Returns – 1 year (2024 to 2025)	Annualised Returns – 3 years (2022 to 2025)	Annualised Returns – 5 years (2020 to 2025)	Annualised Returns – 10 years (2015 to 2025)
Up to 60	4.82%	9.80%	-	-
61	4.80%	9.05%	-	-
62	4.79%	8.30%	-	-
63	4.77%	7.55%	-	-
64	4.75%	6.81%	-	-
65+	4.74%	6.06%	-	-

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

## Self-select funds

Investment Fund	Annualised Returns – 1 year (2024 to 2025)	Annualised Returns – 3 years (2022 to 2025)	Annualised Returns – 5 years (2020 to 2025)	Annualised Returns – 10 years (2015 to 2025)
LGIM UK Equity Index Fund	10.31%	7.18%	12.02%	6.16%
LGIM UK Smaller Companies Index Fund	5.67%	1.27%	12.15%	6.62%
LGIM Europe (ex UK) Equity Index Fund	0.45%	6.92%	11.71%	7.56%
LGIM North America Equity Index Fund	6.04%	9.31%	17.33%	13.57%
LGIM Future World Global Equity Index Fund	5.11%	11.49%	-	-
LGIM Japan Equity Index Fund	-3.03%	6.21%	7.99%	6.92%
LGIM Asia Pacific (ex-Japan) Equity Index Fund	-3.15%	0.05%	9.88%	6.56%
LGIM World Emerging Markets Equity Index Fund	8.06%	2.78%	7.85%	5.36%
LGIM Global Equity Fixed Weights (50:50) Index Fund	6.02%	7.16%	12.58%	7.94%
LGIM Over 15 Year Gilts Index Fund	-8.23%	-15.01%	-12.61%	-2.89%
LGIM Over 5 Year Index-Linked Gilts Index Fund	-10.54%	-16.66%	-9.08%	-1.75%

LGIM Cash Fund	4.95%	4.00%	2.37%	1.36%
LGIM AAA-AA-A Corporate Bond – All Stocks - Index Fund	2.03%	-1.31%	-1.11%	0.98%
LGIM Managed Property Fund	6.61%	-2.80%	2.65%	3.56%
LGIM Dynamic Diversified Fund	4.79%	2.72%	5.88%	4.11%
LGIM Diversified Fund	4.53%	8.11%	-	-
LGIM FTSE4Good UK Equity Index Fund	11.75%	7.34%	11.62%	6.06%

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

### Investment returns 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 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 2025):

Investment Fund	Annualised Returns – 1 year (2024 to 2025)	Annualised Returns – 5 years (2020 to 2025)	Annualised Returns – 10 years (2015 to 2025)
Standard Life Multi Asset Managed (20%-60% Shares) Fund	4.25%	4.33%	3.37%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	4.63%	4.96%	2.97%
Standard Life Managed Pension Fund	4.38%	7.44%	5.05%
Standard Life Global Equity 50:50 Pension Fund	7.61%	12.19%	6.74%

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

## 7. Value for members

- 7.1. The Trustees are required to annually assess the extent to which the charges and transaction costs borne by members represent good value.
- 7.2. 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.
- 7.3. The value for members assessment was undertaken in accordance with the statutory guidance for the scheme year. Analysis was undertaken by the Trustees' professional advisers, Barnett Waddingham, and the findings are set out in the September 2025 report.
- 7.4. The assessment comprises three components:

- 7.4.1. An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
- 7.4.2. An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
- 7.4.3. A self-assessment across seven key metrics of scheme administration and governance.
- 7.5. 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).
- 7.6. 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.
- 7.7. The outcomes of the three components of the assessment were:
  - 7.7.1. 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 closely comparable to the average for the comparator schemes with regards to the default investment arrangement, and moderately lower in relation to self-select funds. The Trustee therefore concluded that the DC Section provides good value for members in relation to costs and charges.
  - 7.7.2. 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 Scheme provides good value for members in relation to net investment returns.
  - 7.7.3. The Trustees considered all seven metrics across scheme administration and governance. The Trustee concluded that the Scheme provides good value for members in relation to administration and governance.
- 7.8. Taking the three components into account, the Trustees concluded that overall, the DC Scheme provides good value for members.
- 7.9. The method of assessment is prescribed. Factors that were not considered but that add value include:
  - 7.9.1. the services fully paid for by the Company, e.g. the administration and communication services, and the services of legal advisers, consultants and auditors;
  - 7.9.2. the operation of the professional Trustee, with a duty to act in the best interest of members, which is paid for by the Company;
  - 7.9.3. the employer contributions available through the DC Section; and
  - 7.9.4. the operation of salary sacrifice for employee contributions.

## AVCs

- 7.10. In relation to AVCs, the member-borne charges and transaction costs relate to:
  - 7.10.1. investment services.
  - 7.10.2. administration services.
  - 7.10.3. communication services.
- 7.11. 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.

- 7.12. The Trustees concluded that the AVC arrangements offer good value in relation to the charges and transaction costs borne by members.
- 7.13. In reaching this conclusion, the Trustees recognised:
- 7.13.1. the range of investment options is limited and does not provide automatic protection over the years approaching retirement age via a lifestyle strategy.
  - 7.13.2. Standard Life provides basic administration services, normally liaising directly with Barnett Waddingham on behalf of the Trustees.
  - 7.13.3. communication services are relatively basic and there is no online member access.
  - 7.13.4. the costs are broadly in line with AVC arrangements of a similar size.

## 8. Trustee knowledge and understanding

### The Trustee Board

- 8.1. The Trustee Board 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. Ahead of the government change coming into effect in 2028, increasing the State Pension Age to 67, the Trustees have updated their member communications to refer to the change in the (NMPA) and communicated the change to members in the annual benefit statements.
- 8.10. The Trustees were provided with a project plan to ensure that the Scheme connects to the Pensions Dashboard as scheduled.
- 8.11. The Trustees reviewed the following Scheme documents:
  - 8.11.1. the Risk Register.
  - 8.11.2. the Remuneration policy.
  - 8.11.3. the Risk Management policy.
  - 8.11.4. the Equity, Diversity and Inclusion policy.
  - 8.11.5. the Managing Advisers and Service Providers policy.
  - 8.11.6. the Annual Report and Accounts.
  - 8.11.7. the General Data Protection Regulations (GDPR) policy.
- 8.12. The structured training programme was followed during the Scheme Year with topics over the year covering:
  - 8.12.1. asset-backed securities
  - 8.12.2. diversifier investment strategies
  - 8.12.3. active equities and illiquid credit
  - 8.12.4. an oversight of what diversity, equity and inclusion involves.
- 8.13. One of the Trustees attended the Professional Pensions DC Conference which covered a variety of topics. The training log was reviewed and updated.
- 8.14. No new Trustees were appointed during the Scheme Year, so the induction process was not required.
- 8.15. 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.
- 8.16. During the Scheme Year, the Trustees took professional advice on:
  - 8.16.1. undertaking the annual value for members assessment.
  - 8.16.2. disclosure of costs, charges and investments.
  - 8.16.3. calculating the Statutory Money Purchase Illustrations (SMPIs) for the DC Section's funds for the purpose of inclusion within members' annual benefit statements.
  - 8.16.4. the Lifetime Allowance to check that there were not any unintended consequences of its abolition for the Scheme.

## Assessment

- 8.17. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

- 8.17.1. The Trustees are able to challenge and question advisers, service providers and other parties effectively
- 8.17.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties
- 8.17.3. The Trustees' decisions are not compromised by such things as conflicts or hospitality arrangements

*Kevin Clark on behalf of Vidett*

*Governance Services Limited*

*Chair of the Trustees*

.....

*Date:* .....

## 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 £63,233. The average retirement date is October 2031. The Trustees have used a starting value such that projected values reach approximately the median level 10-15 years from retirement. A £26,000 fund broadly achieves this if no contributions are made.

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

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 £45,140 p.a. The illustrations have been produced using a salary of £45,000 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 2025 is age 43. As the normal retirement 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 TPR'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 charged fund.

A1.9. There are 39 members with pot sizes in excess of £80,000, with an average fund value of £165,521 and average retirement date of January 2032. 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, i.e. before inflation) and costs and charges used are as follows:

Investment option	Rationale for inclusion	Assumed return above inflation	TER	Average Transaction Costs*
Default Investment Strategy	Default Investment	3.00% - 5.00%	0.246% - 0.298%	0.0195% - 0.0328%
LGIM Over 15 Year Gilts Index Fund	Lowest charge	7.00%	0.115%	0.0622%
LGIM Managed Property Fund	Highest charge	4.00%	1.267%	-0.1634%

\* The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As data is only available for the last four years for the LGIM Future World Global Equity Index Fund and the last two years for the LGIM Diversified Fund, the illustrations use four- and two-year averages respectively.

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

A1.17. The starting date for the illustrations is 31 March 2025.

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 £26,000		Starting pot size £100,000	
		Before charges	After charges	Before charges	After charges
Active member	0	£26,000	£26,000	£100,000	£100,000
	1	£31,820	£31,733	£109,430	£109,114
Starting pensionable	5	£58,082	£57,407	£151,980	£149,929
	10	£98,790	£96,675	£212,157	£206,928
Salary: £45,000	15	£150,445	£145,771	-	-
	20	£215,988	£207,156	-	-
Total contribution level: 10%	25	£299,156	£283,904	-	-
	30	£393,750	£369,975	-	-
Deferred member	0	£26,000	£26,000	£100,000	£100,000
	1	£27,268	£27,188	£104,878	£104,569
Pensionable salary: £0	5	£32,991	£32,508	£126,889	£125,029
	10	£41,862	£40,644	£156,561	£152,159
Total contribution level: 0%	15	£53,118	£50,817	-	-
	20	£67,401	£63,535	-	-
	25	£85,524	£79,438	-	-
	30	£105,524	£96,675	-	-

Note on how to read this table: If an active member had £26,000 invested in this strategy on 31 March 2025, when they came to retire in 30 years, the fund could grow to £393,750 if no charges are applied but to £369,975 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 taking benefits	Starting pot size £26,000		Starting pot size £100,000	
		Before charges	After charges	Before charges	After charges
Active member	0	£26,000	£26,000	£100,000	£100,000
	1	£32,370	£32,321	£111,423	£111,247
	5	£62,506	£62,102	£165,469	£164,235
	10	£113,300	£111,929	£256,563	£252,891
	15	£183,974	£180,700	-	-
	20	£282,310	£275,616	-	-
Starting pensionable Salary: £45,000	25	£419,135	£406,616	-	-
	30	£609,513	£587,420	-	-
	0	£26,000	£26,000	£100,000	£100,000
	1	£27,776	£27,731	£106,829	£106,656
Deferred member	5	£36,176	£35,885	£139,140	£138,018
	10	£50,336	£49,527	£193,599	£190,489
Pensionable salary: £0	15	£70,037	£68,356	-	-
	20	£97,449	£94,344	-	-
Contribution level: 0%	25	£135,591	£130,212	-	-
	30	£188,660	£179,715	-	-

Note on how to read this table: If an active member had £26,000 invested in this strategy on 31 March 2025, after 30 years of membership, the fund could grow to £609,513 if no charges are applied but to £587,420 with charges applied.

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

A1.21. This has been included as it is the self-select option with the highest charges provided through the DC Section.

Illustration basis	Years from taking benefits	Starting pot size £26,000		Starting pot size £100,000	
		Before charges	After charges	Before charges	After charges
Active member	0	£24,000	£24,000	£100,000	£100,000
	1	£29,467	£29,185	£108,433	£107,333
	5	£53,555	£51,434	£145,588	£138,796
Starting pensionable Salary: £45,000	10	£89,344	£82,969	£200,792	£183,392
	15	£132,684	£119,219	-	-
	20	£185,166	£160,889	-	-
Contribution level: 10%	25	£248,720	£208,788	-	-
	30	£325,682	£263,848	-	-
Deferred member	0	£26,000	£26,000	£100,000	£100,000
	1	£27,015	£26,735	£103,902	£102,826
	5	£31,485	£29,887	£121,096	£114,950
Pensionable salary: £0	10	£38,127	£34,355	£146,642	£132,136
	15	£46,170	£39,491	-	-
Contribution level: 0%	20	£55,910	£45,396	-	-
	25	£67,704	£52,182	-	-
	30	£81,987	£59,984	-	-

Note on how to read this table: If an active member had £26,000 invested in this strategy on 31 March 2025, after 30 years of membership, the fund could be to £325,682 if no charges are applied or £263,848 with charges applied.