

Illustration of total charges on fund values over time

(Appendix 2 to the Annual Governance Statement)

The following illustrations project the cumulative value of average current fund values assuming no further contributions are payable.

Annual Management Charges (AMCs) are paid out to the investment fund manager for services involved with the management of the fund. In addition most funds incur transaction costs which are the costs of buying and selling assets and custodian charges. However given the nature of the With Profits policies the Trustees have not been able to determine what these have been.

Transaction costs are deducted before gross and net investment returns are reported.

The level of combined charges deducted from the assets affects the final fund values at retirement. The Employer pays all other costs of running the Plan.

The effects that these charges have on the member's total fund values are illustrated in the following tables.

A summary of the charge associated with the average With Profit fund used by members is shown in Table 1. The With Profits fund itself has no explicit charge, and the 4% guarantee return is net of charges. However, the underlying With Profits subfund has a 1% Annual Management Charge, so for the purposes of this illustration to show the effect of charges, it has been assumed that if that 1% charge didn't apply, the growth could actually be 5%. In addition, the low proportion of funds invested in the other investment linked funds have a 1% Annual Management Charge, so this shows the effect of charges on those funds too.

TABLE 1 – Assumed Investment Returns and Charges on the With Profit Plan

Fund	Gross Investment Return	Expected Annual Charges	Net Investment Return
With Profit Fund	5.00%	1.00%	4.00%

The current average fund values, by age, are as follows;

Average Age	Fund Value
30	£4,800
40	£10,600
50	£24,900
60	£27,700

Projected illustrations to age 65 of these average fund values for the various ages shown, are detailed in Table 2.

Table 3 provides these values in today's terms. These figures have been reduced to reflect the effect of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

TABLE 2 – projected fund value at retirement

Projected to Age	Average age 30 Average Current Fund Value £4,800		Average age 40 Average Current Fund Value £10,600		Average age 50 Average Current Fund Value £24,900		Average age 60 Average Current Fund Value £27,700	
	Without fees	With fees	Without fees	With fees	Without fees	With fees	Without fees	With fees
Age 30	£4,800	£4,800	Without fees	With fees				
Age 40	£7,819	£7,105	£10,600	£10,600				
Age 50	£12,736	£10,517	£17,266	£15,691	£24,900	£24,900	Without fees	With fees
Age 60	£20,745	£15,568	£28,125	£23,226	£40,559	£36,858	£27,700	£27,700
Age 65	£26,477	£18,941	£35,895	£28,258	£51,765	£44,843	£35,353	£33,701

TABLE 3 – projected fund value at retirement adjusted for the effects of anticipated inflation at 2.5% per annum

Projected to Age	Average age 30 Average Current Fund Value £4,800		Average age 40 Average Current Fund Value £10,600		Average age 50 Average Current Fund Value £24,900		Average age 60 Average Current Fund Value £27,700	
	Without fees	With fees	Without fees	With fees	Without fees	With fees	Without fees	With fees
Age 30	£4,800	£4,800	Without fees	With fees				
Age 40	£6,108	£5,551	£10,600	£10,600				
Age 50	£7,772	£6,418	£13,488	£12,257	£24,900	£24,900	Without fees	With fees
Age 60	£9,890	£7,422	£17,164	£14,174	£31,685	£28,793	£27,700	£27,700
Age 65	£11,157	£7,981	£19,362	£15,242	£35,742	£30,963	£31,247	£29,787

The charges above are based on the current reported annual management charges for the fund over the year to 30 September 2020.

It should be noted that these are only illustrations designed to provide members of the Scheme with an understanding of the level of charges being paid for the funds that are being used for investment. These charges reduce the value of the member's projected benefits.

Average fund values have been projected and actual fund values will differ from member to member. The total charges that a member will pay will depend on actual fund values and the amounts invested, investment returns achieved on investments, the time under investment and the total charges applied.