CHAIR'S STATEMENT ON DC GOVERNANCE

Year ended 31 March 2020

As Chair of the Trustee Board of the Santander (UK) Group Pension Scheme (the Scheme), I am very pleased to present the annual governance statement.

Each year the Trustee Board ("Trustee") prepares a Chair's Statement to report to members on how the Scheme's defined contribution (DC) arrangements have complied with the legal governance standards.

The Scheme's DC arrangements are made up of:

- The Alliance & Leicester (A&L) Defined Contribution (DC) Section;
- The Household Mortgage Corporation (HMC) Section; and
- The Additional Voluntary Contributions (AVC) plans including a number of Legal & General policies that receive employer contributions.

There has been an important development in the Scheme year in that the principal employer requested that the Trustee consents to a transfer of the DC assets in the Scheme to a Master Trust, with the exception of what are described in this report as 'legacy AVC arrangements.' In addition to fulfilling its normal governance duties for the Scheme, much of the Trustee's focus in the year has been geared towards considering this proposal. A separate section on the proposal is included in this statement below.

This statement is for the Scheme year 1 April 2019 to 31 March 2020 and considers five key areas:

1. Value for members.
2. The investment strategy relating to the default and other investment options.
3. The charges and transaction costs.
4. Administration and core financial transactions.
5. How the Scheme is managed including making sure that the Trustees have the appropriate knowledge and understanding.

The Trustee agreed that the period for reviewing Scheme charges will be the same as the Scheme year.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Transfer to a master trust

The principal employer has participated in the LifeSight Master Trust arrangement since 1 December 2017 and this is the open DC plan for all new hires to the company. (A Master Trust is an occupational pension scheme into which unconnected employers can choose to participate). During the Scheme year the company confirmed to the Trustee that it wished to close the DC arrangements in the Scheme and arrange for the assets to be transferred to LifeSight. (This proposal currently excludes legacy AVC arrangements with Legal & General and Phoenix).

The Trustee appointed an independent firm of consultants to advise it on this proposal and to help it meet their fiduciary obligations to the membership, namely to be satisfied that such a transfer is in the interests of members. Following extensive consideration and negotiation with the company and LifeSight, the Trustee agreed to the company's proposal during the Scheme year.

The company has subsequently consulted with the active members of the Scheme and confirmed that it will be proceeding to pay future contributions to LifeSight with effect from 1 October. At the time of preparing this statement, the Trustee is still formally to agree that the DC assets will be transferred to LifeSight in October 2020. Once agreed, communications will be sent to affected members, explaining the rationale, the terms of the transfer and the options available within LifeSight.

Given the importance of this decision, much of the Trustee's focus in the Scheme year has been to ensure that the terms of the transfer would be favourable and appropriate for members. The principles covered in this governance statement have also been considered by the Trustee in assessing the suitability of the transfer to LifeSight.

Value for members

The Trustee remains committed to ensuring that members receive value for money from the Scheme's DC arrangements and that any costs and charges that are deducted from members' Personal Accounts provide good value in relation to the benefits and services that are provided.

The Trustee undertakes an annual 'value for member' assessment, with support from its advisers. The latest assessment covers the 12-month period to 31 March 2020 and was undertaken in accordance with the Pensions Regulator's DC Code of Practice no. 13 (paragraphs 113 - 133) and with the relevant legislation.

The Trustee assessed the value of those services and features that members pay for. In the case of the Scheme, members pay for investment services via the annual management charges levied on the funds (with the exception of those items listed below). The Trustee also considered broader elements of good value provided by the Scheme that members do not meet the cost for (e.g. scheme governance and management, administration and communication services and features).

Having reviewed the scope, quality, efficiency and general value of a range of services and features, the Trustee concluded that the DC arrangements continue to provide good value for members.

Some key points from this year's assessment.

- Members have access to a variety of investment options, which include a range of asset classes and lifestyle strategies, and so can make choices based on their personal circumstances. Further details on the investment options and their performance are set out from page 48 onwards.
- The assessment benchmarked the Scheme's investment fund charges and confirmed that they remain highly competitive and generally well below the average for similar sized DC schemes and the cap that can be charged to members in a scheme's default option (0.75% a year). The level and impact of charges is covered from page 49 onwards. The appendix also provides a 'pounds and pence' illustration to help members understand the impact of charges on the growth of their funds.
- The Scheme provides administration and communication services to assist members with any queries or decisions that they need to make. The administration services are assessed in more detail on page 52.

In general, the costs for administration and other running costs* are covered by the Company (Santander Group). This means that members only pay for the investment charges.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

*There are some administration charges, which are not met by the Company. These include:

- Taking more than one lump sum when taking benefits. There is no charge for the first lump sum taken but for each additional lump sum there is a £150 charge. This is taken off the lump sum when the payment is made.
- Divorce. Unless the Court says otherwise, or other arrangements are made, there is a charge of £1,380 for putting a Pension Sharing Order in place.
- Transfer values. The Scheme only has to provide one transfer value quote each year. Each additional quote will cost £160. **A Transfer Value can be obtained free of charge from BenPal**.

When considering the option to transfer members' funds to LifeSight, the Trustee compared the value for members offered by the respective schemes. Ongoing fees would normally be higher in LifeSight than in the Scheme. This is because Santander pays the administration fees for the Scheme and members just pay the investment fees. Whereas in LifeSight, both administration and investment fees are paid by the member. However, Santander has agreed to cover the cost of the LifeSight administration fees for the next five years, so for that period members will only be paying LifeSight investment fees. As a result, during those 5 years the charges in LifeSight will be lower than for equivalent funds in the Scheme.

The Trustee also considered other areas of value for members by agreeing to the transfer including:

- Direct access to income drawdown at retirement,
- Free at retirement advice on how to use your pension savings,
- A broader range of investment options,
- Easy online account management, and
- Quicker processing of investment changes

Investment strategy – default lifestyle strategy and other investment options

The Trustee maintains a 'statement of the investment principles' (SIP) which outlines their principles and policies that govern decisions about investments, including the Scheme's default lifestyle strategy. A copy of the current SIP is provided in the Appendix.

Lifestyle strategy

A Lifestyle strategy (or 'Lifestyling') is when your Personal Account is automatically moved into lower risk funds as you come up to retirement, to protect its value. There are two lifestyle strategies: Income Lifestyle and Cash Lifestyle.

The default lifestyle option is 'Income Lifestyle'. This option is based on a typical member who, at retirement, may want to buy a secure income (annuity) and take the rest as cash. As set out in the SIP, this strategy seeks to capture the expected outperformance of growth assets, such as equities and alternative investments, over other asset classes whilst providing some protection against fluctuations in the costs of buying a non-inflation-linked pension and providing a lump sum cash payment at retirement.

The Cash Lifestyle moves the funds to put the member in an appropriate position to take their entire Personal Account as cash (taxed and tax-free) at retirement.

Six self-select funds are also available for members who want to make their own investment decisions.

How often are the funds reviewed?

A detailed strategic investment review takes place every three years. The last strategic review took place in the Scheme year in May 2019 and is therefore covered in this statement.

The Trustee also reviews the suitability of the DC investments each year.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

The performance of the individual DC investment funds, relative to their performance benchmarks, (including those that form part of the Lifestyle strategies), is monitored at quarterly intervals using information provided by the Scheme's investment manager, Legal & General Investment Management (LGIM).

What was the scope and outcome of the strategic review?

The review took place in May 2019 and considered:

- The profile of the Scheme membership, noting that the vast majority of members are deferred, such that ongoing contributions are limited to a small group of members. As a result, the average age profile and account sizes were expected to increase gradually.
- How members are taking their benefits at retirement. This had been considered at the previous triennial review but that had taken place soon after the new pension freedoms were introduced. The Trustee felt that members were now less likely to annuitise. It was also noted that a majority of members aged over 55 might be expected to take a lump sum. There was consideration as to whether the default strategy at retirement portfolio should try to accommodate these differing requirements.
- Detailed modelling of expected risks and returns and outcomes for example membership profiles. The review noted a reduction in members' expected retirement outcomes since the last strategic review, primarily due to lower expected return assumptions for the Balance Focus fund.
- The at retirement portfolio of the Income Lifestyle Strategy. Recognising the potential for members to choose to take their benefits in a different way to the assumed objective for the default, the review considered potential alternatives to the construction of the portfolio by the member's retirement age.

Following the analysis the Trustee was satisfied that the default strategy remained consistent with its aims and objectives and decided against making any immediate changes to the default strategy or the Cash Lifestyle Strategy. It was felt that changes considered would not make a material difference to the expected outcomes or risks faced by members. At the time the Trustee did undertake to reconsider this position if the proposed move to LifeSight did not proceed.

Subsequent to the strategic review and in the final quarter of the Scheme year, the Covid-19 pandemic broke out and had a major impact on financial markets. Steep falls in equity markets and increased volatility also impacted the Scheme's assets. The Trustee reviewed performance over the quarter to 31 March 2020 and, whilst the Balance Focus and Growth Focus funds both experienced falls, diversification in the growth stage of the lifestyle strategies had helped protect members; in particular, members approaching retirement had experienced more modest falls in value. Markets recovered sharply in the later stages of the quarter and in the subsequent quarter (not covered in this review).

On transferring to LifeSight members will have access to a range of lifestyle strategies targeting cash, annuity or drawdown outcomes, with different levels of risk available for all three outcomes. A range of 20 self-select funds will also be available for members. The Trustees have also taken advice on how funds should be mapped to LifeSight and would communicate this in detail to members.

How are the funds reviewed?

The annual review also looks at how the two main funds in the Income Lifestyle strategy, namely the Balance Focus and the Pre-Retirement funds, have performed.

The Balance Focus Fund:

The Balance Focus Fund currently invests in LGIM's Diversified Growth Fund. LGIM's aim for the Fund is to achieve returns in line with developed market equities but at approximately two thirds of the volatility of an equity fund. For the 12-month period to 31 March 2020 the Balance Focus Fund returned -5.5% before the deduction of charges. The Fund has achieved a return ahead of its equity benchmark, which returned -8.0% over the same period, and has experienced lower levels of volatility.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

In addition, the Trustee receives a detailed report from its advisers on a six-monthly basis to track risk and returns. Its advisers look at other target returns including a goal to beat the return from cash by 3.5% a year and to beat another comparator which they consider appropriate for this type of fund. That comparator is the return on a portfolio 60% invested in global equities and 40% in bonds. The Fund achieved a return marginally ahead of the comparator portfolio, which returned -5.7% over the same period. Performance of the Fund over 3 and 5 years has been ahead of the comparator. The Fund has been behind its cash plus target over 1 and 3 years, being 9.8% behind over the year, but remains ahead over 5 years.

The Trustee remains satisfied that the Balance Focus Fund remains appropriate for the growth phase of the strategy. Whilst it hasn't captured the outperformance of growth assets over 1 and 3 years, periods of short-term underperformance are anticipated. On a longer term view it has continued to perform in line with expectations and at lower volatility than equities.

The Pre-Retirement Fund:

The Pre-Retirement Fund is managed by LGIM. In addition to monitoring its absolute returns, its performance is measured by comparing the return of the Fund against the level of annuity prices. This is considered appropriate as the Fund's aim is to help members buy a secure income in retirement.

For the 12-month period to 31 March 2020 the Pre-Retirement Fund had a nominal return of 6.11% before the deduction of charges. This compared with a change in the cost of a typical annuity of 5.75%. The fund has also risen in value more than the cost of a typical annuity over 3 and 5 years. The Trustee therefore considers that the fund has succeeded in providing some protection against fluctuations in the costs of buying a non-inflation-linked pension at retirement.

Overall, the Trustee is satisfied that the Income Lifestyle and the overall investment strategy are continuing to meet their aims and objectives. Both the growth phase and the consolidation phase have been consistently achieving objectives appropriate for the relevant stages of the Lifestyle.

Review of charges and transaction costs

Charges

The charges applied to the component funds of the DC default investment, the 'Income Lifestyle', range from 0.07% to 0.19% per annum.

The charges applied to all other DC investment funds (excluding the default arrangement) range from 0.07% to 0.57% per annum.

Transaction costs

Transaction costs are those incurred as a result of routine fund management activities such as buying and selling investments. The investment options offered to members use a "single swinging price" pricing methodology which means one price exists on any day, but this can either be the bid price or the offer price. The "bid" price is the lower price at which units are typically sold and the "offer" price is the higher price at which units are typically bought. The difference between these two prices is known as the "bid/offer spread". All of the funds that members can invest in are pooled funds. In a pooled fund, the manager looks at trades of all investors in the fund rather than the individual trades of a member or those of the Scheme. The price used is determined by whether the manager needs to buy assets into the fund or sell assets out of the fund.

- When the fund needs to sell assets (i.e. the net transactions are negative), then the fund uses the bid price.
- When the fund needs to buy assets (i.e. the net transactions are positive), then the fund uses the offer price.

Depending on the above, the transaction costs can in some cases be negative which results in a small "gain" as a result of trading.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

The below table has been prepared in accordance with statutory guidance and rules for investment managers on how to calculate and disclose transaction costs and shows the level of charges and transaction costs applicable for each DC investment fund and the component funds of the default Lifestyle investment for the 12 months to 31 March 2020.

Individual self-select funds	Asset class	Total member borne deductions: Annual Management Charge plus additional expenses (% p.a)*	Total member borne deductions: Transaction costs (% p.a) +
Growth Focus Fund	Equities	0.095	0.04
Balance Focus Fund	Diversified	0.19	-0.02
Pre-Retirement Inflation-linked Fund	Fixed income	0.08	0.01
Pre-Retirement Fund	Fixed income	0.08	-0.02
Property Fund	Property	0.57	-0.43
Cash Fund	Cash	0.07	0.00

Funds used within the Lifestyle strategies (including the Income Lifestyle default strategy)	Asset class	Total member borne deductions: Annual Management Charge plus additional expenses (% p.a)*	Total member borne deductions: Transaction costs (% p.a) +
Balance Focus Fund	Diversified	0.19	-0.02
Cash Fund	Cash	0.07	0.00
Pre-Retirement Fund	Fixed Income	0.08	-0.02

* The total member deductions include the Annual Management Charge (AMC) from the investment manager and additional expenses incur in the operation of investment funds such as custodian fees, auditing/accounting fees, and regulatory charges

+ Transaction costs: the fund managers' expenses from buying, selling, lending or borrowing investments. These costs are taken into account using the unit price for each of the funds.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

£ and pence illustration

To show the cumulative effect of charges and transaction costs over time, a '£ and pence' illustration example is provided with this Chair's statement. We have used four sample members, including one active member and three deferred members, to show the cumulative effect over the period to normal retirement age of the charges and transaction costs on the value of a range of realistic and representative funds, pot sizes and contribution rates. A brief summary of the illustration is shown below with more detailed information contained in the appendix to this statement. This is supplemented by the notes below the tables.

Example Deferred Member	Years	Income Lifestyle (default)		Cash Lifestyle		Balance Focus Fund		Pre-Retirement Fund		Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Young member	1	£1,015	£1,013	£1,015	£1,013	£1,015	£1,013	£993	£992	£995	£994
	39	£1,614	£1,519	£1,656	£1,557	£1,787	£1,674	£746	£728	£822	£800
Average member	1	£35,525	£35,466	£35,525	£35,466	£35,525	£35,466	£34,738	£34,717	£34,825	£34,801
	21	£43,202	£41,912	£44,335	£42,961	£47,847	£46,192	£29,882	£29,505	£31,503	£31,041
Approaching retirement	1	£24,960	£24,938	£25,060	£25,033	£25,375	£25,333	£24,813	£24,798	£24,875	£24,858
	2	£24,873	£24,831	£25,085	£25,033	£25,756	£25,669	£24,626	£24,597	£24,751	£24,716

Example Active Member	Years	Income Lifestyle (default)		Cash Lifestyle		Balance Focus Fund		Pre-Retirement Fund		Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Average member	1	£47,690	£47,612	£47,690	£47,612	£47,690	£47,612	£46,655	£46,627	£46,770	£46,738
	20	£97,490	£95,381	£99,859	£97,589	£107,201	£104,393	£75,844	£75,161	£78,768	£77,937

Notes:

A full list of the assumptions used in these illustrations is provided in the appendix. The example members are as follows: Example deferred members

- Youngest: age 26, starting account size: £1,000.
- Average: age 44, starting account size: £35,000.
- Approaching retirement: age 58, starting account size: £25,000

Example active member

- Average: age 45, starting contribution: £2,000, starting account size: £45,000.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Administration and core financial transactions

The Scheme's administration is handled by Mercer. The Trustee has in place a service level agreement (SLA) with Mercer that sets out the services provided, the respective roles and responsibilities and expected performance targets of the administrator. This SLA was reviewed in the Scheme year. The SLA covers the administration and core financial transactions such as collection and reconciliation of contributions, remittance of contributions to the investment manager, transfers in and out of the Scheme, retirements and deaths.

The Trustee receives regular reports to help them monitor that the SLA is being met:

- Mercer provides quarterly administration reports and monthly scorecards.
- Santander's Central Pensions Unit helps the Trustee to check regularly the core financial transactions of the Scheme. This is done using quarterly reports prepared by Mercer and six-monthly reports prepared by the Central Pensions Unit.

The reports include:

- The investment of contributions
- Transfer of assets into and out of the Scheme
- Fund switches and payments out of the Scheme

Mercer run what is known as a 'straight through' processing platform to LGIM which speeds up the transaction process:

- Mercer reviews the funds that come into the Trustee's account daily to identify and confirm that they have been received
- Each payment is put into the relevant category
- Money that is moving between Mercer and LGIM is monitored each day by the Financial Control team at Mercer. They also run regular reconciliations with LGIM, which are audited
- Cash management monitoring is reviewed at executive level each month by Mercer
- The controls around how financial transactions are processed are reviewed regularly by Mercer. The Trustee makes available a copy of this report to members each year.

The Trustee considers that the Scheme's core financial transactions were processed quickly and accurately during the Scheme year and within the stated SLA. There are no specific issues to report in the Scheme year and Mercer have met their legal obligations.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Additional Voluntary Contributions (AVCs) and top-up contributions

As part of the Scheme, there are a number of AVC arrangements that are linked to the defined benefit (DB) and defined contribution (DC) sections. There is also a top-up arrangement under the HMC Section.

The governance of the AVCs is covered in this statement.

In the 2016/2017 Scheme year, the Trustee made available as AVCs the same funds accessed by DC section members. This was in order to make the options available consistent for all members. As a result of these changes, there are now only two 'legacy' AVC providers (Legal & General and Phoenix Life). The Trustee has agreed to keep these existing funds/providers because they had valuable guarantees that could be lost if the funds were taken out.

Four AVC policies formerly held with Equitable Life were transferred to Utmost in January 2020 and then subsequently switched to the Scheme's A&L DC Section.

AVC provider	Number of members			Value of assets		
	Other sections	A&L section	Total	Other sections	A&L section	Total
Legal & General	-	79	**79**	-	£1,180,500	**£1,180,500**
Phoenix Life – Scottish Mutual	38	-	**38**	£148,400	-	**£148,400**
Phoenix Life – Scottish Provident	4	-	**4**	£23,600	-	**£23,600**
Total	**44**	**81**	**125**	**£178,100**	**£1,204,200**	**£1,382,300**

The Trustee reviewed the legacy AVCs in November 2019 and concluded that no changes should be made to the policies above.

Legal & General policies

Whilst the Legal & General (L&G) policies are used predominantly for AVC provision, there are a small number of members who also receive an employer contribution. The Trustee has therefore provided further information on the policies below.

The policies are invested in with-profits funds and were formerly known as a High Performance Pension Plan (HP3). For cost and administration reasons the HP3 policy was switched by L&G to another policy known as a Company Pension Plan (CPP) in September 1997.

When a claim is made from the CPP policy prior to Normal Retirement Date (NRD), L&G compares the current CPP fund value to the fund value that would have been achieved under the old HP3 policy. The most favourable fund value is then used to calculate the value of the member's policy.

If benefits are taken at NRD, a further 5% enhancement is added to the HP3 value, and the greater of the CPP value vs. the enhanced HP3 value is then used to calculate the value of the member's policy.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

It is possible for members to buy an annuity using the proceeds of the policy. To calculate the best level of annuity Legal & General can provide, it compares:

- the CPP fund value divided by current immediate annuity rates to,
- the non-enhanced HP3 value divided by guaranteed annuity rates.

Currently the annuity provided by the guaranteed annuity rate is considerably higher than immediate annuity rates. The Trustee recognises that these options are complex and so the Scheme's administrator sends an information leaflet to members who are considering withdrawing their monies from these policies to highlight the availability of guaranteed annuity rates.

There is no explicit annual management charge for the with-profits fund. There is a monthly plan administration charge of £1 per member.

The investments available through these policies are pension funds provided by Legal & General Assurance Society Limited, which are held under an insurance policy issued to the Trustee.

Managing the Scheme

Trustee Knowledge and Understanding (TKU)

The combined knowledge and understanding of the Trustee, together with advice from the Trustee's advisers, enable them to properly exercise their trustee duties.

A full day Trustee effectiveness and skills session took place in November which included full personality profiling and skills assessment, and individual meetings to discuss the results with each Trustee Director.

The Trustee has a strong TKU process in place which, together with advice available, enables them to exercise their functions. During the Scheme year, the Trustee made sure that they met the TKU requirements by:

- Completing the relevant modules on the Pensions Regulator's Trustees Toolkit and refresher training when updates are made
- Maintaining a working knowledge of the Scheme's governing documents (including their powers under the Scheme rules) and knowledge and understanding of applicable pensions/trust law and DC funding and investment principles. The Trustee receives training and ongoing advice in these areas. In particular, the Trustee took advice from its legal advisers on the implications of the proposed transfer to LifeSight
- Maintaining a working knowledge of Scheme's statement of investment principles through regular review each year or as often as changes to investment strategy or policy necessitate. The Trustee last reviewed and approved the A&L DC Section SIP in August and September 2019.
- The advisers keeping the Trustee up to date on market, regulatory and legislative developments at DC Committee meetings, including quarterly updates on areas that will affect the Scheme

All the training received is recorded in a training log covering 13 areas including both defined benefit and defined contribution training.

New Trustee Directors receive induction training on their appointment.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Roles of the Trustee's sub-committees

The Trustee is responsible for the overall running of the DC arrangements, but a lot of the day-to-day work is carried out by two sub-committees. These sub-committees monitor the arrangements and report back to the Trustee. The sub-committees are:

- **The Operations Committee** which monitors administration performance and receives regular reports from JLT.
- **The Defined Contribution (DC) Committee**, which manages the business plan for all the DC arrangements and is responsible for the delivery of the plan. The DC Committee confirmed that they are on track and that all financial transactions were made on time during the Scheme year.

The DC Committee reviewed its own performance and effectiveness in its February 2020 meeting by reference to its 2019-20 business plan. It concluded that all of the objectives for the DC Committee had been completed.

P Trickett

Paul Trickett

Signed by the Chairman on behalf of Santander (UK) Group Pension Scheme Trustees Limited.

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Appendix - £ and pence illustration in detail

We have used four sample members, including one active member and three deferred members, to show the cumulative effect over the period to normal retirement age of the charges and transaction costs on the value of a range of realistic and representative funds, pot sizes and contribution rates. The illustrations are explained in the notes below the tables.

Example Deferred Member	Years	Income Lifestyle (default)		Cash Lifestyle		Balance Focus Fund		Pre-Retirement Fund		Cash Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Young member	1	£1,015	£1,013	£1,015	£1,013	£1,015	£1,013	£993	£992	£995	£994
	3	£1,046	£1,040	£1,046	£1,040	£1,046	£1,040	£978	£976	£985	£983
	5	£1,077	£1,068	£1,077	£1,068	£1,077	£1,068	£963	£960	£975	£972
	10	£1,161	£1,141	£1,161	£1,141	£1,161	£1,141	£927	£922	£951	£944
	15	£1,250	£1,219	£1,250	£1,219	£1,250	£1,219	£893	£885	£928	£918
	20	£1,347	£1,302	£1,347	£1,302	£1,347	£1,302	£860	£850	£905	£892
	25	£1,451	£1,391	£1,451	£1,391	£1,451	£1,391	£828	£816	£882	£867
	30	£1,560	£1,484	£1,561	£1,484	£1,563	£1,486	£798	£784	£860	£842
	35	£1,619	£1,530	£1,636	£1,545	£1,684	£1,588	£768	£752	£839	£819
	39	£1,614	£1,519	£1,656	£1,557	£1,787	£1,674	£746	£728	£822	£800
Average member	1	£35,525	£35,466	£35,525	£35,466	£35,525	£35,466	£34,738	£34,717	£34,825	£34,801
	3	£36,599	£36,415	£36,599	£36,415	£36,599	£36,415	£34,218	£34,156	£34,478	£34,405
	5	£37,705	£37,390	£37,705	£37,390	£37,705	£37,390	£33,707	£33,605	£34,134	£34,014
	10	£40,619	£39,944	£40,619	£39,944	£40,619	£39,944	£32,462	£32,266	£33,289	£33,055
	15	£42,949	£41,919	£43,157	£42,114	£43,758	£42,672	£31,263	£30,980	£32,465	£32,124
	20	£43,354	£42,093	£44,291	£42,961	£47,140	£45,586	£30,108	£29,746	£31,661	£31,219
	21	£43,202	£41,912	£44,335	£42,961	£47,847	£46,192	£29,882	£29,505	£31,503	£31,041
Approaching retirement	1	£24,960	£24,938	£25,060	£25,033	£25,375	£25,333	£24,813	£24,798	£24,875	£24,858
	2	£24,873	£24,831	£25,085	£25,033	£25,756	£25,669	£24,626	£24,597	£24,751	£24,716

CHAIR'S STATEMENT ON DC GOVERNANCE (CONTINUED)

Example Active Member	Years	Income Lifestyle (default)		Cash Lifestyle		Balance Focus Fund		Pre-Retirement Fund		Cash Fund	
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Average member	1	£47,690	£47,612	£47,690	£47,612	£47,690	£47,612	£46,655	£46,627	£46,770	£46,738
	3	£53,191	£52,940	£53,191	£52,940	£53,191	£52,940	£49,928	£49,843	£50,283	£50,184
	5	£58,859	£58,411	£58,859	£58,411	£58,859	£58,411	£53,152	£53,006	£53,762	£53,590
	10	£73,790	£72,737	£73,790	£72,737	£73,790	£72,737	£61,002	£60,693	£62,307	£61,939
	15	£87,492	£85,820	£88,106	£86,395	£89,874	£88,043	£68,563	£68,074	£70,640	£70,052
	20	£97,490	£95,381	£99,859	£97,589	£107,201	£104,393	£75,844	£75,161	£78,768	£77,937

Notes:

1. Projected pension account values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Contributions for the example active member are assumed to be made halfway through the year.
3. Investment returns, charges and costs, as a percentage reduction per annum, are assumed to be deducted at the end of the year.
4. Inflation is assumed to be 2.5% each year.
5. Switching costs are not considered in the lifestyle strategy.
6. The values shown are for illustrative purposes only and are not guaranteed.
7. The real gross projected annual growth rates for each fund are as follow:
    - Income Lifestyle (default): from -0.35% to 1.50% (adjusted depending on term to retirement)
    - Cash Lifestyle: from 0.10% to 1.50% (adjusted depending on term to retirement)
    - Balance Focus Fund: 1.50%
    - Pre-Retirement Fund: -0.75%
    - Cash Fund: -0.50%
8. Transactions costs and other charges have been provided by Legal & General and cover the period 01 April 2019 to 31 March 2020.
9. Example deferred members
    - Youngest: age 26, normal retirement age 65, starting account size: £1,000.
    - Average: age 44, normal retirement age 65, starting account size: £35,000.
    - Approaching retirement: age 58, normal retirement age 60, starting account size: £25,000
10. Example active member
    - Average: age 45, normal retirement age 65, starting contribution: £2,000, starting account size: £45,000.
11. The illustrations take account of the Statutory Guidance issued by the Department for Work and Pensions