

## Appendix 2 - Illustrative examples of the cumulative effect of costs and charges

In order to achieve greater transparency about costs, new regulations came into force on 6 April 2018 which require the Trustee to provide members with additional information in relation to investment charges and transactions costs. These must be set out as example member illustrations that have been prepared with regard to the relevant statutory guidance: "Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational pension schemes" (September 2018). The illustrations have been prepared in accordance with the relevant statutory guidance and reflect the impact of costs and charges for a range of Plan members and investment funds. As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

Within this Appendix we have provided illustrations based on:

- The potential period of Plan membership for the youngest member and average age of a Plan member
- The different member types within the Plan:
  - Members of the New Section with DC Element by virtue of earning over the earnings cap for Defined Benefit Section accrual
  - DB Section members (not New Section members) paying additional voluntary contributions
  - Deferred members with no new contributions going into the Plan
  - A range of investment choices have been illustrated, including:
    - Fidelity BlackRock Cash Fund - the fund that the largest number of members invest in and forms part of the New Section's core default investment strategy. This is also considered to carry the lowest level of potential investment returns and has the joint lowest Total Expense Ratio of any of the funds offered by the Trustee.
    - Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy – this is the New Section's core default lifestyle investment strategy.
    - The Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund) is the fund with the highest level of charges and is also considered to carry the highest level of potential investment returns.
    - Fidelity BlackRock World (ex) UK Index Fund - This fund is classified as a default investment arrangement.
    - Fidelity BlackRock UK Equity Index Fund - This fund is classified as a default investment arrangement.
    - Fidelity BlackRock Equity/Bond Split75/25 Fund - This fund is classified as a default investment
- The risk and return ratings have been determined with input from the Trustee's investment adviser.

The following tables give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented against six member examples: New Section 'Over the Cap' (youngest and average members), AVC payers (youngest and average members), and Deferred (youngest and average members). Additionally, the tables include the performance of the funds over different time periods depending on the age of the member.

Values are rounded to the nearest £100.

Criteria	1 New Section		2 AVCs		3 Deferred	
	1a (youngest)	1b (average)	2a (youngest)	2b (average)	3a (youngest)	3b (average)
<b>Illustrative members</b>						
<b>Age</b>	29	46	36	53	25	54
<b>Salary</b>	£100,000	£110,000	£65,000	£115,000	n/a	n/a
<b>Contributions</b>	In line with age related scheme design (based on salary over the DB Earnings Cap)		£5,500 pa	£5,300 pa	n/a	n/a
<b>Fund size</b>	£1,000	£19,000	£3,000	£30,000	£200	£10,000

Example Member	Years	Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund Class 5		Fidelity BlackRock UK Equity Fund Class 2	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£2,200	£2,200	£2,200	£2,200	£2,300	£2,300
	3	£5,600	£5,600	£5,500	£5,500	£5,800	£5,800
	5	£9,500	£9,400	£9,100	£9,100	£9,900	£9,800
	10	£19,400	£19,200	£18,000	£17,800	£21,200	£20,800
	15	£32,100	£31,500	£28,800	£28,400	£36,300	£35,500
	20	£46,500	£45,300	£40,300	£39,500	£54,800	£53,200
	25	£63,900	£61,800	£53,700	£52,500	£78,100	£75,300
	30	£83,300	£80,100	£67,800	£65,900	£106,000	£101,500
	35	£100,700	£96,300	£81,500	£79,000	£138,000	£131,000
36	£103,300	£98,800	£84,300	£81,600	£145,000	£137,400	
New Section 'Over the Cap' members (average member)	1	£23,700	£23,600	£23,400	£23,300	£24,000	£24,000
	3	£33,200	£33,000	£32,000	£31,900	£34,500	£34,300
	5	£43,500	£43,000	£41,100	£40,800	£46,100	£45,600
	10	£74,500	£73,200	£67,800	£66,900	£82,700	£81,200
	15	£107,000	£104,400	£94,000	£92,300	£124,700	£121,400
	19	£129,300	£125,600	£114,500	£112,000	£162,700	£157,300

Example Member	Years	Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund Class 5		Fidelity BlackRock UK Equity Fund Class 2	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£8,600	£8,500	£8,500	£8,500	£8,700	£8,600
	3	£19,900	£19,800	£19,400	£19,300	£20,500	£20,400
	5	£31,500	£31,200	£30,200	£30,000	£32,900	£32,700
	10	£61,600	£60,700	£56,800	£56,200	£67,300	£66,200
	15	£93,400	£91,400	£83,000	£81,600	£106,700	£104,200
	20	£127,100	£123,400	£108,600	£106,300	£152,000	£147,200
	25	£162,200	£156,400	£133,700	£130,200	£203,900	£195,800
	29	£184,300	£177,000	£153,500	£148,900	£250,900	£239,200
DB AVC payers (average member)	1	£35,700	£35,600	£35,200	£35,100	£36,200	£36,100
	3	£47,200	£46,900	£45,500	£45,200	£49,200	£48,800
	5	£59,000	£58,400	£55,700	£55,200	£62,800	£62,100
	10	£88,100	£86,500	£80,800	£79,700	£100,500	£98,500
	12	£98,200	£96,200	£90,800	£89,300	£117,100	£114,400

Example Member	Years	Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund Class 5		Fidelity BlackRock UK Equity Fund Class 2	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£200	£200	£200	£200	£200	£200
	3	£200	£200	£200	£200	£200	£200
	5	£200	£200	£200	£200	£200	£200
	10	£200	£200	£200	£200	£300	£300
	15	£200	£200	£200	£200	£300	£300
	20	£300	£200	£200	£200	£300	£300
	25	£300	£200	£200	£200	£400	£400
	30	£300	£300	£200	£200	£500	£400
	35	£300	£300	£200	£200	£500	£500
	40	£300	£300	£200	£200	£600	£500
Deferred New Section members (average member)	1	£10,100	£10,100	£10,000	£9,900	£10,300	£10,300
	3	£10,300	£10,300	£9,900	£9,800	£10,900	£10,800
	5	£10,600	£10,400	£9,800	£9,700	£11,500	£11,300
	10	£10,800	£10,600	£9,600	£9,400	£13,200	£12,800
	11	£10,800	£10,500	£9,600	£9,400	£13,500	£13,100

Example Member	Years	Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1		Fidelity Chevron Equity/Bond Split 50/50 Fund	
		Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£2,300	£2,300	£2,200	£2,200
	3	£5,800	£5,800	£5,600	£5,600
	5	£9,900	£9,800	£9,500	£9,400
	10	£21,100	£20,800	£19,400	£19,200
	15	£36,300	£35,500	£32,100	£31,500
	20	£54,600	£53,200	£46,500	£45,300
	25	£77,900	£75,300	£63,900	£61,800
	30	£105,700	£101,500	£83,300	£80,100
	35	£137,600	£131,000	£103,800	£99,100
36	£144,500	£137,400	£108,000	£103,000	
New Section 'Over the Cap' members (average member)	1	£24,000	£24,000	£23,700	£23,600
	3	£34,500	£34,300	£33,200	£33,000
	5	£46,100	£45,600	£43,500	£43,000
	10	£82,600	£81,200	£74,500	£73,200
	15	£124,400	£121,400	£107,300	£104,700
	19	£162,300	£157,300	£135,000	£130,900

Example Member	Years	Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1		Fidelity Chevron Equity/Bond Split 50/50 Fund	
		Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£8,700	£8,600	£8,600	£8,500
	3	£20,500	£20,400	£19,900	£19,800
	5	£32,900	£32,700	£31,500	£31,200
	10	£67,200	£66,200	£61,600	£60,700
	15	£106,500	£104,200	£93,400	£91,400
	20	£151,600	£147,200	£127,100	£123,400
	25	£203,300	£195,800	£162,700	£156,800
	29	£250,100	£239,200	£192,700	£184,600
DB AVC payers (average member)	1	£36,200	£36,100	£35,700	£35,600
	3	£49,100	£48,800	£47,200	£46,900
	5	£62,800	£62,100	£59,000	£58,400
	10	£100,400	£98,500	£89,700	£88,000
	15	£117,000	£114,400	£102,400	£100,100

Example Member	Years	Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1		Fidelity Chevron Equity/Bond Split 50/50 Fund	
		Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£200	£200	£200	£200
	3	£200	£200	£200	£200
	5	£200	£200	£200	£200
	10	£300	£300	£200	£200
	15	£300	£300	£200	£200
	20	£300	£300	£300	£200
	25	£400	£400	£300	£200
	30	£500	£400	£300	£300
	35	£500	£500	£300	£300
40	£600	£500	£300	£300	
Deferred New Section members (average member)	1	£10,300	£10,300	£10,100	£10,100
	3	£10,900	£10,800	£10,300	£10,300
	5	£11,500	£11,300	£10,600	£10,400
	10	£13,100	£12,800	£11,200	£10,900
	11	£13,500	£13,100	£11,300	£11,000

Example Member	Years	Fidelity Chevron Equity/Bond Split 75/25 Fund		Fidelity HSBC UCITS Common Contractual Fund Islamic Global Equity Fund CI9	
		Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£2,300	£2,200	£2,300	£2,300
	3	£5,700	£5,700	£5,800	£5,800
	5	£9,700	£9,600	£9,900	£9,800
	10	£20,300	£20,000	£21,300	£20,800
	15	£34,200	£33,400	£36,700	£35,500
	20	£50,500	£49,000	£55,600	£53,200
	25	£70,700	£68,200	£79,700	£75,300
	30	£93,900	£90,000	£108,500	£101,500
	35	£119,600	£113,700	£141,900	£131,000
	36	£125,000	£118,600	£149,200	£137,400
New Section 'Over the Cap' members (average member)	1	£23,900	£23,800	£24,100	£24,000
	3	£33,900	£33,600	£34,600	£34,300
	5	£44,800	£44,300	£46,400	£45,600
	10	£78,500	£77,100	£83,500	£81,200
	15	£115,700	£112,700	£126,400	£121,400
	19	£148,200	£143,400	£165,600	£157,300

Example Member	Years	Fidelity Chevron Equity/Bond Split 75/25 Fund		Fidelity HSBC UCITS Common Contractual Fund Islamic Global Equity Fund CI9	
		Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£8,600	£8,600	£8,700	£8,600
	3	£20,200	£20,100	£20,500	£20,400
	5	£32,200	£31,900	£33,100	£32,700
	10	£64,400	£63,400	£67,800	£66,200
	15	£99,900	£97,500	£108,100	£104,200
	20	£139,000	£134,700	£154,600	£147,200
	25	£182,200	£175,000	£208,300	£195,800
	29	£219,900	£209,800	£257,400	£239,200
DB AVC payers (average member)	1	£35,900	£35,800	£36,300	£36,100
	3	£48,200	£47,800	£49,300	£48,800
	5	£60,900	£60,200	£63,200	£62,100
	10	£95,000	£93,100	£101,600	£98,500
	15	£109,600	£107,000	£118,600	£114,400

Example Member	Years	Fidelity Chevron Equity/Bond Split 75/25 Fund		Fidelity HSBC UCITS Common Contractual Fund Islamic Global Equity Fund CI9	
		Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£200	£200	£200	£200
	3	£200	£200	£200	£200
	5	£200	£200	£200	£200
	10	£200	£200	£300	£300
	15	£300	£300	£300	£300
	20	£300	£300	£400	£300
	25	£300	£300	£400	£400
	30	£400	£300	£500	£400
	35	£400	£400	£600	£500
	40	£400	£400	£600	£500
Deferred New Section members (average member)	1	£10,200	£10,200	£10,300	£10,300
	3	£10,600	£10,500	£10,900	£10,800
	5	£11,000	£10,900	£11,600	£11,300
	10	£12,200	£11,800	£13,400	£12,800
	11	£12,400	£12,000	£13,800	£13,100

## Assumptions and notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. Annual contributions are assumed to be paid once, halfway through the year, as an approximation for contributions being paid monthly.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before the application of investment returns.
5. Inflation is assumed to be 2.5% each year.
6. Contributions, where applicable, are assumed from age 25 to 65 and increase in line with assumed earnings inflation of 0% per year.
7. Values shown are estimates and not guaranteed.
8. The projected growth rates for each fund or arrangement are as follows:

Fund	Real projected growth rate (p.a.)
Lifestyle Strategy	-0.390% -1.130% (adjusted depending on term to retirement)
Fidelity BlackRock Cash Fund Class 5	-0.390%
Fidelity BlackRock UK Equity Fund Class 2	2.795%
Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1	2.775%
Fidelity Chevron Equity/Bond Split 50/50 Fund	1.130%
Fidelity Chevron Equity/Bond Split 75/25 Fund	1.973%

9. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
10. Transaction costs and other charges have been provided by Fidelity and covered the period 1 October 2018 to 31 December 2022. Transaction costs have been averaged by WTW using a time-based approach.
11. Pension scheme's normal retirement age is 65.
12. Example members:
  - New Section 'Over the Cap' members (youngest member): age 29, starting contribution: £1,219.40, starting fund value: £1,000
  - New Section 'Over the Cap' members (average member): age 46, initial contribution: £4,438.80, starting fund value: £19,000
  - AVC payers (youngest member): age 36, starting contribution: £5,500, starting fund value: £3,000
  - AVC payers (average member): age 53, starting contribution: £5,300, starting fund value: £30,000
  - Deferred (youngest member): age 25, starting contribution: nil, starting fund value: £200
  - Deferred (average member): age 54, starting contribution: nil, starting fund value: £10,000

### 13. Age-related contribution structure

Tier	Age	Contribution rate
Tier 1	Under 30	10%
Tier 2	30-39	15%
Tier 3	40-49	20%
Tier 4	50 and over	25%

### 14. Other assumptions

- Defined Benefit Earnings cap: £87,806 (as at 01.04.23)
- The DB Earnings cap is assumed to increase with earnings inflation.

#### Transaction cost data

*'A zero cost has been used where there are negative transaction costs (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.'*