

Lloyd's Register Superannuation Fund Association (LRSFA)

Chairman's Annual Governance Statement

1 April 2023 to 31 March 2024

Money Purchase Section of LRSFA

1. Introduction

I am pleased to present the Trustee's Statement of Governance, covering the period 1st April 2023 to 31st March 2024, the 2023/24 Fund year ("the Fund Year").

This statement has been prepared by the Trustee of the Fund (the "Trustee") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended). It describes how the Trustee has met the statutory governance standards in relation to:

- The default arrangement(s);
- The requirements for processing financial transactions;
- The assessment of charges and transaction costs;
- Net returns of the investment options; and
- The requirement for trustee knowledge and understanding,

2. Default arrangement

As at 31 March 2024, the following arrangement was the Fund's "default arrangement" for the purposes of Administration Regulations:

- Flexible Retirement Strategy, which is a lifestyle strategy containing:
 - Lloyd's Register Adventurous Fund:
 - 63% abrdn Sustainable Index World Equity Fund
 - 30% BlackRock Market Advantage Fund
 - 7% SL Vanguard Emerging Markets Index
 - BlackRock Market Advantage Fund
 - iShares Index Linked Gilt

20 years out from the Selected Retirement Age, a member's fund is moved out of the Adventurous Fund into new holdings in the other two detailed funds. A full breakdown of the switching process is detailed in the Statement of Investment Principles.

2.1 Statement of Investment Principles

Appended to this statement is a copy of the Fund's latest Statement of Investment Principles governing decisions about investment for the purposes of the default arrangement, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles"). The Statement of Investment Principles ("SIP") was reviewed and updated in March 2023 by the Trustee Board. Changes include incorporating the Fund's stewardship priorities

into manager monitoring and engagement as well as the addition of two new policies in relation to the investment management arrangements of the Fund, a Voting Policy and an Engagement policy.

2.2 Review of the default arrangement

The Trustee undertakes a review of the strategy and performance of the default arrangement on a quarterly basis. This includes consideration of the extent to which the default arrangement has performed in line with the aims and objectives of the SIP. The Trustee also regularly monitors and reviews the suitability of the DC investment options available to members.

In Q1 2024, the Trustee initiated a triennial review of the default strategy as it had been three years since the last triennial review was carried out. As a result of that review, the Trustee has decided to change the default investment option (also known as the 'low involvement option') close the legacy lifestyles and update the self-select investment options. The Trustee, having obtained professional advice, believes the changes to the default investment option will lead to better long-term outcomes for members, whilst investing sustainably and at a lower fee. In addition to this, within the new alternative lifestyles and self-select range, the Trustee is offering more choice to better meet the needs of members who wish to make their own active investment decisions. These changes will be implemented in September 2024.

The current default arrangement has an AMC of 0.33 – 0.42% p.a. which was reviewed against the Charge Cap regulation and was confirmed to be compliant with the regulations.

3. Requirements for processing financial transactions

The Trustee regularly monitors core financial transactions of the Fund via the Fund administrator's administration report, which is provided on a quarterly basis. These include the investment of contributions, fund switches, transfers in and out of the Fund and payments out of the Fund. As part of this monitoring, all financial transactions are measured for accuracy and timeliness against a service level agreement (SLA) put in place between the Fund and the administrator. This monitoring was carried out through the Operations Committee (a sub-committee of the Trustee) but the Board has now delegated this to Group Pensions who meet with the administrators and carry out this monitoring on a quarterly basis. This is then reported back to the Trustee Board at quarterly meetings. Based upon the above, the Trustee is satisfied that the Fund's core financial transactions have been processed during the Scheme Year (covering from 1 April 2023 to 31 March 2024) promptly and accurately, within the agreed SLA and demonstrated to the Trustee on a quarterly basis.

The Trustee's Annual Report and Financial Statements are independently audited annually by the Fund's auditor, Crowe U.K. LLP.

4. Assessment of member-borne charges and transaction costs

4.1 Level of member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs. This is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

| Fund | TER (%) | Average transaction costs (%) | Total costs (%) |
|---------------------------------------|---------|-------------------------------|-----------------|
| LR Adventurous | 0.33 | 0.15 | 0.48 |
| LR Diversified Growth | 0.51 | 0.33 | 0.84 |
| LR Emerging Markets Equity | 0.41 | 0.20 | 0.61 |
| LR Fixed Income | 0.21 | 0.09 | 0.30 |
| LR Global Equity - Passive | 0.24 | 0.10 | 0.34 |
| LR Moderate | 0.31 | 0.13 | 0.44 |
| LR Property | 0.31 | 0.26 | 0.57 |
| LR SL BlackRock Cash | 0.21 | 0.02 | 0.23 |
| LR SL iShares Index Linked Gilt Index | 0.20 | 0.06 | 0.26 |
| LR SL iShares Over 15 Year Gilt Index | 0.20 | 0.01 | 0.21 |
| LR SL iShares UK Equity Index | 0.22 | 0.16 | 0.38 |
| LR Standard Life Long Corporate Bond | 0.22 | 0.22 | 0.44 |
| LR Sustainable Investments | 0.30 | 0.03 | 0.33 |

The Trustee is also required to disclose the level of any transaction costs. These are incurred when the Fund's investment managers buy and sell assets within funds but are exclusive of any costs incurred when members invest in and switch between funds. The charges and transaction costs have been supplied by Isio, based on information provided by Standard Life as the appointed investment platform provider. When preparing this section of the statement the Trustee has taken account of statutory guidance. Average transaction costs cover the 5-year period from 2019 to 2024. Where the transaction costs for a fund is a negative number for any one-year period, this is assumed to be 0 in the calculation of the average transaction costs for that fund. In practice, a negative number means the returns on the fund have been positively affected by the transaction costs.

Illustrations about the cumulative effect of costs and charges on member savings within the Fund are set out in the Appendix.

4.2 Value assessment

In accordance with regulation 25(1) (b) of the Administration Regulations, the Trustee has assessed the extent to which the charges and transaction costs set out in 4.1 above represent good value for members.

The Trustee is committed to ensuring that members receive value for money from the Fund. The Trustee, with the support of its advisers, Isio, undertook a value for members' assessment. In addition, the Trustee's objective in respect of targeting "best member outcomes" applies when providing value for members.

In line with previous years, there were seven areas of DC governance categories that the Trustee reviewed, and a weighted score was applied to each. Using this balanced scorecard demonstrated that LRSFA should be placed in the top grouping of DC Funds based on Isio's assessment of the Fund compared to their knowledge of the wider market, with particular strengths in Fund design, contributions and associated benefits, administration and education and engagement.

The assessment which took place looked at whether the total costs of the Fund membership represent value for money. In accordance with the Pensions Regulator's DC Code of Practice, with relevant legislation available at the time of this statement, the Trustee concluded that the Fund's overall benefits and options represent value for money in comparison to the costs payable by members for the following reasons:

- Charges for the Fund's default investment strategy are below the charge cap of 0.75% per year, currently 0.33 - 0.42%;
- Members have access to low investment fund management charges, which the Trustee believes balances low charges with a sophisticated investment strategy;
- Members do not pay professional adviser costs or any costs associated with governing the Fund;
- There is a wide range of funds for members to invest in, including main and alternative asset classes.
- The quality of administration provided by Standard Life was of a high standard relative to other providers over the year and the Trustee have access to an online analytics tool so they have real time access to governance information on the Fund;
- The Fund has a flexible and very competitive contribution structure;
- Members have access to Salary Exchange and the full employer National Insurance saving is passed back to the member through additional salary; and
- The Fund's communications are clear and informative, and are supplemented by the Trustee through a specialist communications consultant. It is noted that an annual member survey is carried out and the Fund has previously won two external awards for its communications.

The assessment noted that the Fund does not provide access to the full range of retirement options from within the scheme, with members having to transfer out if they wish to draw an income directly from their fund (known as Flexi Access Drawdown). The Trustee keeps this under review and is aware of the proposed Pension Schemes Bill which will require the Trustees to offer retirement solutions to members.

5. Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustee are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustee calculated the return on investments, having regard to the statutory guidance, as far as they were able to do so.

Below are the annualised net investment returns to 31 March 2024 for all funds where no lifestyling takes place.

| Fund | 1 Year (%) | 5 Year (% p.a.) |
|---------------------------------|------------|-----------------|
| LR Adventurous Fund | 16.0 | 7.5 |
| LR Diversified Growth | 6.3 | 0.7 |
| LR Emerging Markets Equity Fund | 4.6 | 0.9 |
| LR Fixed Income Fund | -0.9 | -4.4 |
| LR Global Equity | 17.2 | 12.0 |
| LR Moderate Fund | 6.5 | 2.0 |

| | | |
|--|------|------|
| LR Property Fund | 2.7 | 1.3 |
| LR SL BlackRock Cash Pension Fund | 5.1 | 1.7 |
| LR SL iShares Index Linked Gilt Index Pension Fund | -7.8 | -6.9 |
| LR SL iShares Over 15 Year Gilt Index Pension Fund | -4.9 | -8.4 |
| LR SL iShares UK Equity Index Pension Fund | 8.1 | 5.2 |
| LR Standard Life Long Corporate Bond Pension Fund | 6.3 | -2.3 |
| LR Sustainable Investments | 24.7 | 12.0 |

Below are the annualised net investment returns to 31 March 2024 for all arrangements where lifestyling takes place.

Default lifestyle

| Age of member at beginning of period (years) | 1 Year (%) | 5 Years (% p.a.) |
|--|------------------------------|------------------------------|
| | 1 April 2023 – 31 March 2024 | 1 April 2019 – 31 March 2024 |
| 25 | 16.0 | 7.5 |
| 45 | 16.0 | 7.1 |
| 55 | 13.2 | 3.6 |

Legacy lifestyles

5-year legacy

| Age of member at beginning of period (years) | 1 Year (%) | 5 Years (% p.a.) |
|--|------------------------------|------------------------------|
| | 1 April 2023 – 31 March 2024 | 1 April 2019 – 31 March 2024 |
| 25 | 16.0 | 7.5 |
| 45 | 16.0 | 7.5 |
| 55 | 16.0 | 7.5 |

10-year legacy

| Age of member at beginning of period (years) | 1 Year (%) | 5 Years (% p.a.) |
|--|------------------------------|------------------------------|
| | 1 April 2023 – 31 March 2024 | 1 April 2019 – 31 March 2024 |
| 25 | 16.0 | 7.5 |
| 45 | 16.0 | 7.5 |
| 55 | 16.0 | 3.1 |

15-year legacy

| Age of member at beginning of period (years) | 1 Year (%) 1 April 2023 – 31 March 2024 | 5 Years (% p.a.) 1 April 2019 – 31 March 2024 |
|--|--|--|
| 25 | 16.0 | 5.5 |
| 45 | 16.0 | 5.5 |
| 55 | 11.8 | 1.4 |

Notes:

- Returns are calculated as the annual geometric mean
- Age-related returns for members in lifestyle strategies assume annual switching in the glidepath and a retirement age of 65

6. Asset Allocation Disclosure

Trustees are required to disclose a breakdown of the asset allocation of the default investment strategy for the scheme. The below table sets out the asset allocation of the default across the core asset classes noted as:

- Cash
- Bonds
- Listed Equities
- Private Equities
- Infrastructure
- Property
- Private debt
- Other (any assets which do not fall into the above)

Within the below table, the Trustees have provided a further breakdown within some of these broader categories.

| Asset Class | Strategic Asset Allocation (%) | | | |
|--|--------------------------------|-------------|-------------|----------------------------------|
| | 25 year old | 45 year old | 55 year old | 1 day prior to State pension age |
| Cash | 0.5 | 0.5 | 0.9 | 1.2 |
| Bonds | 17.5 | 17.5 | 29.4 | 70.9 |
| <i>Fixed Interest Government bonds</i> | 5.0 | 5.0 | 8.5 | 11.8 |
| <i>Index-linked government bonds</i> | 6.0 | 6.0 | 10.0 | 43.9 |
| <i>Investment grade bonds</i> | 2.0 | 2.0 | 3.3 | 4.6 |
| <i>Non-investment grade bonds</i> | 4.5 | 4.5 | 7.6 | 10.6 |
| <i>Securitised credit</i> | | | | |
| Listed equities | 78.4 | 78.4 | 63.8 | 19.6 |
| <i>UK equities</i> | 1.9 | 1.9 | 1.3 | 0.0 |
| <i>Developed Market equities</i> | 67.7 | 67.7 | 54.5 | 15.5 |
| <i>Emerging markets</i> | 8.8 | 8.8 | 7.9 | 4.1 |

| | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|
| Private equities | | | | |
| <i>Venture capital</i> | | | | |
| <i>Growth equity</i> | | | | |
| <i>Buyout / Leveraged funds</i> | | | | |
| Infrastructure | | | | |
| Property | 1.5 | 1.5 | 2.5 | 3.4 |
| Private debt | | | | |
| Other* | 2.1 | 2.1 | 3.6 | 5.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Asset allocations based on fund holdings of the default strategy as at 31 March 2024.

*Other captures the commodities exposure in the BlackRock Market Advantage Fund.

7. Trustee knowledge and understanding

The Trustee's own knowledge and understanding (TKU), together with the advice which is available to it through its adviser, enables it to properly exercise its functions as Trustee of the Fund. Where gaps are identified in TKU relevant training is organised and provided (please see below for relevant examples for this scheme year).

The Trustee has quarterly meetings in order to discuss legislative changes relating to pensions and trust law and requirements in order to meet its objectives.

During each scheme year the Trustee, in addition to the sessions described below, meets for a training session covering a specific topic, the topics change from year to year with a continued focus on the funding principles with past years covering investment and legal scenarios.

All the key documents and policies relating to the Fund including its Trust Deed and Rules and Statement of Investment Principles, are kept electronically, are kept up to date and are available to the Board for reference at all times, and consulted as necessary, including during meetings. The Trustee reviews all documents setting out the Trustee's current policies as appropriate to ensure they have a good working knowledge of these documents.

The Trustee board have also kept their TKU up to date from attendance at a number of training sessions/seminars, both during board meetings as well as externally run sessions by advisers of the Fund. In particular, specific DC training topics discussed during the Fund year included:

- Market update including the merits of Master Trust options
- Decumulation options in trust based schemes
- Combined Code of Practice
- Investing in illiquid assets
- Value for member consultation
- DWP request for evidence on small pots
- Equality, diversity, inclusion – regulator guidance
- Pensions dashboards
- Abolished Lifetime allowance

The Trustee is advised by a number of specialist advisers and regularly seeks input from them where specialist knowledge is required. The Trustee carries out a regular review of its advisers to ensure that its advisers remain appropriate to the needs of the Fund.

During the Scheme Year, the Trustee has met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding) and will be putting in place further training

requirements for the next Scheme Year by formally adopting an enhanced training schedule. The Trustee considers that the combined knowledge and understanding of its trustee directors, along with the advice it receives from its advisers, allows it to properly exercise its functions.



Nicholas Godden
Chairman to the Board of the Trustee
Lloyd's Register Superannuation Trustees Limited

APPENDIX

Illustrations of the effect of costs and charges

Background

The next few pages contain the required illustrations about the cumulative effect of costs and charges on member savings within the Fund over a period of time. The illustrations have been prepared having regard to statutory guidance.

As each member has a different amount of savings within the Fund 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.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Fund.

Key points to note

The tables below illustrate the potential impact that costs and charges might have on different investment options provided by the Fund. Not all investment options are shown - the Trustee has chosen illustrations which it believes will provide an appropriate representative sample of the different investment choices that members can make.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and because buying and selling the stocks and shares which drive the funds' performance also has a cost. The "After all costs and charges deducted" column reflects the performance of the funds after these costs have been deducted.

In the illustrations, we have shown the projections for the following:

1. The default lifestyle strategy
2. The fund with the highest charges (LR Diversified Growth)
3. The fund with the lowest charges (LR SL iShares Over 15 Year Gilt Index Fund)
4. The fund with the lowest expected return (LR SL BlackRock Cash)
5. The fund with the highest expected return (LR SL iShares Over 15 Year Gilt Index Fund)

Member projections – the default lifestyle arrangement

The table sets out how the pension pot of members currently aged 20 and 45 will increase over time, with and without charges. Please see the Notes below for more details.

| Active member – ongoing contributions assumed invested in the default lifestyle strategy | | | | |
|--|--------------------|--|--------------------|--|
| | 20-year-old member | | 45-year-old member | |
| Years from 31/3/24 | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 3,762 | 3,752 | 92,531 | 92,129 |
| 3 | 10,633 | 10,555 | 125,025 | 123,519 |
| 5 | 17,993 | 17,775 | 159,406 | 156,341 |
| 10 | 38,769 | 37,826 | 253,303 | 243,913 |
| 15 | 63,445 | 61,097 | 358,089 | 338,171 |
| 20 | 92,752 | 88,107 | 472,735 | 437,193 |
| 25 | 127,559 | 119,456 | | |
| 30 | 167,643 | 154,469 | | |
| 35 | 211,903 | 191,544 | | |
| 40 | 259,993 | 230,010 | | |
| 45 | 311,348 | 269,028 | | |

NOTES

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £500 for the 20-year-old member and £77,000 for the 45-year-old member.
4. Inflation is assumed to be 2.5% each year.
5. Gross contributions for the 20-year-old member are assumed to be £3,189 each year, this is based on a salary of £24,533 and total contributions of 13%. The 45-year-old member is assumed to contribute £12,650 each year, this is based on an average salary of £55,000 and total contributions of 23%. Contributions are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates (gross of fees, reduced for inflation) for the default strategy at various periods to retirement are:
 - 3.5% for periods up to 20 years to retirement
 - 3.2% when a member is 15 years from retirement
 - 2.9% when a member is 10 years from retirement
 - 2.7% when a member is 5 years from retirement
 - 2.4% when a member is at their retirement age

The projected growth rate is not shown for every period to retirement above. The projected growth rate which would apply at a point in time is the weighted average of the underlying funds held by the member.

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Individual fund projections – the funds with the highest and lowest charges

| 20-year-old member | | | | |
|-----------------------|-----------------------|--|---------------------------------------|--|
| Years from 31/3/24 | LR Diversified Growth | | LR SL iShares Over 15 Year Gilt Index | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 3,721 | 3,703 | 3,783 | 3,778 |
| 3 | 10,308 | 10,173 | 10,798 | 10,763 |
| 5 | 17,093 | 16,729 | 18,459 | 18,359 |
| 10 | 34,969 | 33,501 | 40,839 | 40,388 |
| 15 | 54,227 | 50,836 | 68,729 | 67,561 |
| 20 | 74,973 | 68,751 | 103,485 | 101,079 |
| 25 | 97,322 | 87,267 | 146,797 | 142,425 |
| 30 | 121,398 | 106,402 | 200,772 | 193,425 |
| 35 | 147,335 | 126,179 | 268,034 | 256,335 |
| 40 | 175,276 | 146,619 | 351,855 | 333,935 |
| 45 | 205,377 | 167,743 | 456,311 | 429,656 |

| 45-year-old member | | | | |
|--------------------|-----------------------|--|---------------------------------------|--|
| Years from 31/3/24 | LR Diversified Growth | | LR SL iShares Over 15 Year Gilt Index | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 90,900 | 90,201 | 93,396 | 93,219 |
| 3 | 119,327 | 116,865 | 128,436 | 127,773 |
| 5 | 148,614 | 143,883 | 166,700 | 165,352 |
| 10 | 225,763 | 213,007 | 278,484 | 274,336 |
| 15 | 308,874 | 284,448 | 417,786 | 408,770 |
| 20 | 398,408 | 358,281 | 591,381 | 574,595 |

The tables above show the projected pots for a member aged 20 and a member aged 45 invested in the above funds. The LR Diversified Growth Fund has the highest charges of all funds available, while the LR SL iShares Over 15 Year Gilt Index has the lowest charges of all funds available. Please read the Notes below for more details around the assumptions used.

Individual fund projections – the funds with the highest and lowest expected returns

| 20-year-old member | | | | |
|--------------------|---------------------------------------|--|----------------------|--|
| Years from 31/3/24 | LR SL iShares Over 15 Year Gilt Index | | LR SL BlackRock Cash | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 3,783 | 3,778 | 3,679 | 3,674 |
| 3 | 10,798 | 10,763 | 9,989 | 9,953 |
| 5 | 18,459 | 18,359 | 16,236 | 16,141 |
| 10 | 40,839 | 40,388 | 31,582 | 31,222 |
| 15 | 68,729 | 67,561 | 46,549 | 45,762 |
| 20 | 103,485 | 101,079 | 61,145 | 59,782 |
| 25 | 146,797 | 142,425 | 75,380 | 73,299 |
| 30 | 200,772 | 193,425 | 89,262 | 86,333 |
| 35 | 268,034 | 256,335 | 102,801 | 98,899 |
| 40 | 351,855 | 333,935 | 116,005 | 111,015 |
| 45 | 456,311 | 429,656 | 128,882 | 122,697 |

| 45-year-old member | | | | |
|--------------------|---------------------------------------|--|----------------------|--|
| Years from 31/3/24 | LR SL iShares Over 15 Year Gilt Index | | LR SL BlackRock Cash | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 93,396 | 93,219 | 89,233 | 89,044 |
| 3 | 128,436 | 127,773 | 113,517 | 112,870 |

| | | | | |
|----|---------|---------|---------|---------|
| 5 | 166,700 | 165,352 | 137,558 | 136,352 |
| 10 | 278,484 | 274,336 | 196,617 | 193,577 |
| 15 | 417,786 | 408,770 | 254,215 | 248,752 |
| 20 | 591,381 | 574,595 | 310,386 | 301,951 |

The tables above show the projected pots for a member aged 20 and a member aged 45 invested in the above funds. The LR SL iShares Over 15 Year Gilt Index has the highest expected return of all funds available, while the LR SL BlackRock Cash has the lowest expected return of all funds available. Please read the Notes below for more details around the assumptions used.

Notes on member illustrations

1. The illustrations show the how the pots grow for a 20-year-old member (the youngest member) and a 45-year-old member (which is the average age of Scheme members). The projections are to age 65 (i.e. in 45 and 20 years' time respectively).
2. The starting pot size for the 20-year-old member is assumed to be £500, which is the expected starting pot for a member who has just been auto-enrolled into the Scheme. For the member aged 45, we have used the median sized pot which is currently £77,000.
3. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
4. Inflation is assumed to be 2.5% each year.
5. For the 20-year-old member, the illustrations assume ongoing contributions of £3,189 each year; this is based on a salary of £24,533 and total contributions of 13%. For the 45-year-old member, the illustrations assume ongoing contributions of £12,650 each year; this is based on an average salary of £55,000 and total contributions of 23%.
6. Salary is assumed to increase each year at the same rate as inflation.
7. Values shown are estimates and are not guaranteed.
8. Transaction costs are based on data provided by Standard Life.
9. The projected growth rates (gross of fees, reduced for inflation) for each fund are shown in the table below. These are consistent with the rates used in the Statutory Money Purchase Illustration (SMPI) Assumptions when preparing the annual benefit statements.

| Fund | Return assumption above inflation (p.a.) |
|--|--|
| LR Diversified Growth | 4.0% |
| LR SL iShares Over 15 Year Gilt Index Fund | 7.0% |
| LR SL BlackRock Cash | 2.0% |