

# ING UK Pension Fund ('the Fund')

## Governance Statement 2023

The Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations') set out the minimum governance standards expected of defined contribution (DC) pension schemes. The Pensions Regulator (TPR) has also published its expectations of DC pension schemes in a Code of Practice.

This statement has been prepared by the Trustees of the ING UK Pension Fund ('the Trustees') to comply with the Regulations for the period covering 1 April 2022 to 31 March 2023 ('the Scheme Year') and reports on the Defined Contribution (DC) Section of the Fund as well as the legacy money purchase additional voluntary contribution (AVC) arrangements that are in place under the Defined Benefit (DB) Section of the Fund.

A copy of the full governance statement can be found within the Trustee Report and Accounts and you are able to request a copy from the Fund's administrators by emailing: [ingukpf@capita.co.uk](mailto:ingukpf@capita.co.uk) or calling: 0800 389 6709.

### 1. The Fund's investment strategy – including the default investment option

The Fund's Statement of Investment Principles (SIP) set out the aims and objectives of the Fund's investment strategy and provides further information about the default investment option ('the default'). In particular, the SIP covers:

- The Trustees' investment policy, including policies on risk, risk measurement and risk management;
- The Trustees' policies on how they take account of "financially material considerations" (including, but not limited to, environmental, social and governance (ESG) factors as well as climate change) as well as the Trustees' policy on stewardship (in respect of voting rights and monitoring and engagement with investments).
- The design of the default, which is a lifestyle investment strategy.

A copy of the latest SIP, dated December 2022, is attached as an appendix to this statement.

#### **DC Section**

The performance of all the DC Section funds, including those underlying the Fund's lifestyle investment strategies (including the default), are reviewed by the Trustees each quarter and the Trustees' professional investment adviser provides an investment performance monitoring report called "FundWatch". The analysis and advice provided supports the Trustees in determining whether they should consider making any investment changes as a result of the performance of funds.

As well as regularly monitoring the performance of the default arrangement, the Trustees also formally review both this as well as the broader DC investment strategy at least every three years. The Trustees completed a statutory review of the Fund's DC investment strategy (including the default and additional defaults), under paragraph 2 of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, during February 2022. This statutory review included the following:

1. A membership analysis exercise to understand the likely risk tolerance and anticipated retirement benefit outcomes of members of the DC Section – this analysis was used to help inform the Trustees' considerations regarding the continued appropriateness of the default;
2. An evaluation of the DC Section fund options to assess the historic performance relative to their respective benchmarks and the aims/objectives set out in the default SIP – this evaluation was also used to support the Trustees in considering whether the fund range (including the additional defaults) remains suitable for members of the DC Section.

As a result of the statutory review, the Trustees decided to implement the following changes which took effect during the Scheme Year (June 2022):

- The default investment strategy (currently the Medium Risk Drawdown Lifecycle) was updated to replace the Legal & General Investment Management (LGIM) 30:70 Global Equity (75% Currency Hedged) Fund

with the LGIM MSCI ACWI Adaptive Capped ESG (50% Currency Hedged) Fund.

- The Flexicycle options were also updated to replace the LGIM 30:70 Global Equity (75% Hedged) Fund with the LGIM MSCI ACWI Adaptive Capped ESG (50% Currency Hedged) Fund. The Low Risk Drawdown, Low Risk Annuity and Low Risk Cash Lump Sum Flexicycle strategies were unaffected by this change.

The rationale for the changes include:

- **Global equity exposure** – the LGIM 30:70 Global Equity (75% Currency Hedged) Fund has a fixed geographical equity exposure and, as a result, it is not truly reflective of the global investment market. The LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund reduces the concentration risk associated with investing in the world’s largest listed companies.
- **UK equity allocation** – the LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund (6% UK equity) has a much lower allocation to the UK equity market compared to the LGIM 30:70 Global Equity (75% Currency Hedged) Fund (30% UK equity).
- **ESG considerations** – LGIM has integrated environmental, social and governance (ESG) considerations into the LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund. Introducing ESG into the default investment strategy is in keeping with regulatory expectations of pension scheme trustees and is a change that a number of other DC pension schemes have already made.
- **Performance** – the Trustees have considered the historic investment performance of the LGIM 30:70 Global Equity (75% Hedged) Fund against the LGIM MSCI ACWI Adaptive Capped ESG (50% Currency Hedged) Fund and are comfortable that this investment change should be in the best interests of members.

Members who join the DC Section and who do not choose an investment option are placed into the default. The default, as at 31 March 2023, was the Medium Risk Drawdown Lifestyle. The aims and objectives of the default, as stated in the SIP, are as follows:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk;
- To provide a strategy that reduces investment risk for members as they approach retirement, and to provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to take their benefits via income drawdown at retirement.

The default assumes that a retiring member will draw a tax-free cash lump sum of 25% of their account value and use the remaining 75% to enter a drawdown arrangement. The default is comprised of the following elements:

**From July 2022**

	<b>Asset Allocation</b>	<b>Timing</b>
<b>Growth Phase</b>	50% LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund 50% LGIM Diversified Fund	Members remain invested in this allocation until 10 years before their selected retirement date.
<b>Consolidation phase</b>	45% LGIM Diversified Fund 30% LGIM Pre-Retirement Inflation-Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund) 25% LGIM Cash Fund	For the final 10 years before a member’s selected retirement date their portfolio switches gradually towards this final allocation.

## April 2022 – June 2022 (prior to the investment changes explained above)

	Asset Allocation	Timing
<b>Growth Phase</b>	50% LGIM (30:70) Global Equity Index Fund (75% Currency Hedged) 50% LGIM Diversified Fund	Members remain invested in this allocation until 10 years before their selected retirement date.
<b>Consolidation phase</b>	45% LGIM Diversified Fund 30% LGIM Pre-Retirement Inflation-Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund) 25% LGIM Cash Fund	For the final 10 years before a member's selected retirement date their portfolio switches gradually towards this final allocation.

The Fund also has two additional default funds ('the additional defaults'). The first additional default is the LGIM Cash Fund, which became a default as a result of member contributions being directed into this fund following the suspension of dealing in the LGIM Hybrid Property (70:30) Fund in March 2020.

The second additional default is the LGIM Diversified Fund which became a default in November 2020 as a result of the assets formerly held in the Schroders Diversified Growth Fund being transferred to the LGIM Diversified Fund on a non-consent basis.

The Trustees also provide alternative lifestyle strategies for members in order to cater for members' differing needs, both in terms of their appetite to take investment risk as well as their likely benefits choice at retirement. Members are able to select the level of risk they would like to take in the growth phase (i.e. low, medium or high) and are also able to target a particular at-retirement outcome (i.e. annuity purchase, lump sum withdrawal or drawdown).

### **Legacy AVC arrangements**

The Trustees hold a number of legacy AVC policies and members of the DB Section had historically been able to build up additional pension savings, on a money purchase basis, within these policies. The legacy AVC policies are held with Aegon, Aviva, ReAssure (formerly Legal & General), Standard Life and Utmost Life and Pensions. The individual investments within the legacy AVC arrangements have specifically been selected by members without the Trustees' recommendation. The Trustees last reviewed the Fund's legacy AVC arrangements in June 2023.

## **2. Charges and transaction costs**

For the purposes of this section "charges" are defined as the ongoing annual charges. These charges consist of the Annual Management Charges plus additional fund expenses (e.g. for custody, audit, UK stamp duty but excluding transaction costs – see below) that make up the Total Expense Ratio (TER). The TER is paid by members and is reflected in the unit price of the funds they invest in. No other charges (excluding transaction costs) are borne by members.

In preparing this section, the Trustees have taken account of statutory guidance prepared by the Department for Work and Pensions.

### **DC Section**

The TERs and member-borne transaction costs for the funds which members are able to select within the DC Section of the Fund during the Scheme Year are set out in the tables below.

## Cost and charges

Fund Name	Total Expense Ratio (TER) (p.a. of account value)	Aggregate transaction costs (% of fund p.a.) <sup>1</sup>
LGIM MSCI ACWI Adaptive Capped ESG Index (50% Currency Hedged) (only available within the lifecycle strategies, not as a self-select fund)	0.1482%	0.0809%
LGIM Diversified Fund	0.2005%	-0.0016%
LGIM Pre-Retirement Inflation-Sensitive (now called the Future World Inflation Sensitive Annuity Aware Fund)	0.1505%	0.0464%
LGIM Cash Fund	0.1005%	0.0418%
LGIM World (ex-UK) Equity Index	0.1818%	0.0649%
LGIM UK Equity Index	0.1575%	0.0272%
LGIM North America Equity Index	0.1611%	0.0698%
LGIM Europe (ex-UK) Equity Index	0.2112%	0.0180%
LGIM Asia Pacific (ex-Japan) Developed Equity Index	0.2262%	0.0230%
LGIM Japan Equity Index	0.1841%	0.0169%
LGIM World Emerging Markets Equity Index	0.3790%	0.0350%
LGIM AAA-AA-A Corporate Bond - All Stocks - Index	0.1209%	-0.0283%
LGIM Composite Bond <sup>2</sup>	0.1334%	0.2555%
LGIM Over 15 Year Gilts Index	0.0806%	0.1904%
LGIM Over 5 Year Index-Linked Gilts Index	0.0810%	0.2095%
LGIM Hybrid Property 70:30 Fund	0.4662%	-0.2349%
LGIM MSCI ACWI Adaptive Capped ESG Index	0.1265%	0.0429%
LGIM (30:70) Global Equity Index (75% Currency Hedged)	0.1944%	0.0769%

<sup>1</sup> Source for data in tables: LGIM and the transaction cost data covers the period covering 1 April 2022 to 31 March 2023

<sup>2</sup> This fund consists of 3 component funds (40% Active Corporate Bond, 30% Over 15 Year Gilts Index and 30% Over 5 Year Index-Linked Gilts Index)

Please refer to the 'ING UK Pension Fund (Defined Contribution Section) Investment Guide' for more details of the investment options available within the DC Section. The Investment Guide can be located under the "Scheme Information" section of the Fund's website: [www.myingpension.com](http://www.myingpension.com).

### **The default and the additional defaults**

The default is constructed using a number of the above funds and, as such, the charges members pay depends on the period of time until their selected retirement date. Members invested in the default pay the maximum total charge during the growth phase, when 50% of their pension account is invested in the LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund and 50% is invested in the L&G Diversified Fund. The charges incurred at some of the different stages of the default are set out below:

From July 2022

	Asset Allocation	Total Expense Ratio		Aggregate transaction costs	
		% p.a.	£ per £1,000	% p.a.	£ per £1,000
<b>Until 10 years before selected retirement date</b>	50% LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund 50% LGIM Diversified Fund	0.1744%	£1.74	0.0397%	£0.40
<b>5 years before selected retirement date</b>	25% LGIM MSCI ACWI Adaptive Capped (50% Currency Hedged) Fund 47.5% LGIM Diversified Fund 27.5% LGIM Pre-Retirement Inflation-Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund)	0.1737%	£1.74	0.0322%	£0.32
<b>At a member's selected retirement date</b>	45% LGIM Diversified Fund 30% LGIM Pre-Retirement Inflation-Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund) 25% LGIM Cash Fund	0.1605%	£1.61	0.0237%	£0.24

April 2022 – June 2022 (prior to the investment changes explained above)

	Asset Allocation	Total Expense Ratio		Aggregate transaction costs	
		% p.a.	£ per £1,000	% p.a.	£ per £1,000
<b>Until 10 years before selected retirement date</b>	50% LGIM (30:70) Global Equity Index (75% Currency Hedged) 50% LGIM Diversified Fund	0.1975%	£1.98	0.0377%	£0.38
<b>5 years before selected retirement date</b>	25% LGIM (30:70) Global Equity Index (75% Currency Hedged) 47.5% LGIM Diversified Fund 27.5% LGIM Pre-Retirement Inflation-Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund)	0.1852%	£1.85	0.0312%	£0.31
<b>At a member's selected retirement date</b>	45% LGIM Diversified Fund 30% LGIM Pre-Retirement Inflation-Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund) 25% LGIM Cash Fund	0.1605%	£1.61	0.0237%	£0.24

The additional defaults, the LGIM Cash Fund and the LGIM Diversified Fund, have TERs of 0.1005% p.a. and 0.2005% p.a. respectively. The Trustees can therefore confirm that the total charge for the default and the additional defaults fall well below the charge cap of 0.75% p.a. set out in the Regulations.

**Legacy AVC arrangements**

The TERs and, so far as the Trustees have been able to obtain them, the member-borne transaction costs for the funds invested within the legacy AVC arrangements at the end of the Scheme Year are as follows:

Legacy AVC provider	Fund Name	TER (p.a. of account value)	Aggregate transaction costs (% of fund p.a.)
Aegon	Aegon BlackRock 70/30 Global Growth	0.750%	0.1447%
	Aegon BlackRock UK Growth	0.750%	0.1546%
	Aegon BlackRock Cash	0.330%	0.0132%
Aviva <sup>1</sup>	Aviva My Future Focus Consolidation	0.600%	0.0334%
	Aviva Global Equity Pension Standard	0.600%	0.0241%
	Aviva Mixed Investment (40-85% Shares) Pension Standard	0.600%	0.0453%
	Aviva UK Equity Pension Standard	0.600%	0.0517%
	Aviva With-Profit 1 (CGNU) Pension Standard <sup>2</sup>	N/A	0.0620%
	Aviva With-Profit (NU) Pension Standard <sup>2</sup>	N/A	0.0380%

	Aviva With-Profit Guaranteed (NU) Pension Standard <sup>2</sup>	N/A	0.0380%
ReAssure	L&G Index Linked Gilt Fund	0.300% – 0.900% <sup>3</sup>	0.0200%
	L&G Consensus Fund		0.0100%
Standard Life	Standard Life Managed Pension	0.623%	0.1994%
	Standard Life International Equity Pension	0.622%	0.1745%
	Standard Life Money Market Pension	0.609%	0.0004%
	Standard Life Ethical Pension	0.608%	0.0853%
Utmost	Utmost Life and Pensions US Equity	0.750%	0.0647%
	Utmost Life and Pensions Asia Pacific	0.750%	0.3566%
	Utmost Life and Pensions European Equity	0.750%	0.0669%
	Utmost Life and Pensions UK Government Bond	0.500%	0.2557%
	Utmost Life and Pensions Global Equity	0.750%	0.1040%
	Utmost Life and Pensions Fund of Investment Trusts	0.750%	0.4200%
	Utmost Life and Pensions Managed	0.750%	0.0946%
	Utmost Life and Pensions UK Equity	0.750%	0.2588%
	Utmost Life and Pensions Property	1.000%	0.0000%
	Utmost Life and Pensions UK FTSE All-Share	0.500%	0.0756%
	Utmost Life and Pensions Multi-Asset Moderate	0.750%	0.3180%
	Utmost Life and Pensions Utmost Multi-Asset Cautious	0.750%	0.3622%
	Utmost Life and Pensions Money Market	0.500%	0.0099%

<sup>1</sup> Transaction costs for the one-year period to 31 December 2022

<sup>2</sup> The charges and transaction costs for the above with profits funds are deducted from the assets backing the overall fund before the annual bonus rates are set. As a result, it is not possible to determine the exact charges and costs borne by members. The implicit charges incurred within the with profits funds cover the cost of any guarantees and reserving as well as investment management and administration.

<sup>3</sup> The charges for the ReAssure AVC funds vary based on asset values – 0.900% p.a. (£0 to £25,000), 0.700% p.a. (£25,000 to £50,000) and 0.300% p.a. (above £50,000).

### **Transaction costs and gains**

Transaction costs and gains are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are allowed for within the unit price for each of the Fund's DC Section and unit-linked legacy AVC funds. In 2017, the Financial Conduct Authority (FCA) published its policy on how asset managers must disclose transaction costs and administration charges and, as a result, providers are now reporting on this basis.

Details of the aggregated transaction costs for each of the DC Section, and unit-linked legacy AVC, funds over the course of the Scheme Year are set out, alongside the TERs, in the tables above.

At the date this statement was produced, transaction cost information as at 31 March 2023 has not been made available by all the legacy AVC providers. Where that is the case, as noted above we have considered transaction cost information as at 31 December 2022 to indicate the most recent level of transaction cost information that is available.

### **3. An assessment of the value the Fund provides to members**

The Trustees are committed to ensuring that the Fund provides value for its members (i.e. that the costs and charges members pay provide good value in relation to the benefits and services received) and consider this issue on an on-going basis.

The Trustees have received an independent value for members assessment (taking into account TPR's Code of Practice), dated July 2023, from WTW and this assessment concluded that the DC Section of the Fund provides good value for members overall. Three core areas were reviewed as part of the assessment:

1. The level of the charges and transaction costs members pay,
2. The net investment returns of the DC Section fund range and how they performed against their chosen benchmarks,
3. Comparing the services and features offered by the DC Section of the Fund against those observed across market leading DC arrangements.

The results of the assessment are set out below:

1. **Cost and Charges:** these were assessed and deemed to provide good value for members. Members do not pay for the cost of administration, communication and governance. The Total Expense Ratios for the DC Section as a whole represent good value and a benchmarking exercise concluded that the transaction costs for most of the DC Section funds are either below the market average or between the market average and 75th percentile.
2. **Net Investment returns:** these were assessed and deemed to provide good value for members. Both the net returns for the Fund's default investment strategy as well as the broader self-select fund range were assessed with the default investment strategy returns and the net returns for the self-select fund range assessed as delivering good value for members.
3. **Governance, administration and communication:** the Fund was assessed against seven areas which contain key features typically available within leading DC Schemes. This section of the assessment deemed the Fund to provide fair value for members, an improvement from poor value from the last assessment. Following the last assessment, the Trustees put in place an action plan to address the shortcomings identified. The improvements made during the Scheme Year are noted below. The Trustees are undertaking further improvements and working with the Company to bolster the level of education and support made available to members and will provide an update on these activities as part of the Governance Statement for the next Scheme Year.

The results of the assessment this year reflect the outcomes of steps that the Trustees have taken during the year and continue to take to improve value for members, including:

- Actions to improve the performance against service levels in conjunction with the Fund's administrator;
- Working on an updated online member platform to improve the member experience, which is expected to be launched in Q4 2023;
- Member webinars that were held during the year to educate members on saving for, and preparing for, retirement which included gathering of feedback from members with online surveys; and
- Asking the Company to consider other opportunities to improve the at-retirement support available to members. The Company held a workshop with its advisers on 18 July 2023, the outcome of which will be discussed with the Trustees in due course.

The Trustees have also received a value for members assessment, dated July 2019, of the legacy AVC arrangements from WTW and this assessment concluded that these arrangements provide below average to sufficient value to members. The assessment of the legacy AVC arrangements has included or noted the following:

- Four core areas were reviewed as part of the assessment and these areas were: 1) investment; 2) administration; 3) communications and 4) charges. The assessment showed that two out of the four core areas were providing sufficient value and the remaining two areas provided below average value to members.
- The Trustees' assessment was underpinned by WTW's research assessment of each provider's AVC proposition/capabilities. The WTW research assessment covered 22 separate features across five distinct areas (business, administration, investment, communication as well as charges) and rated each feature on a five-point scale, from 'significant strength' to 'significant weakness'. Overall, the research assessment of the legacy AVC providers was mixed, with very few areas of "strength" or "significant strength" being identified.
- Some of the AVC investment options have underperformed their benchmarks over the short- and longer-term periods and members may be invested in a manner which is not aligned to their retirement

objectives.

- The ongoing charges incurred by members invested in the legacy AVC policies were viewed as being high compared against the services/features members could access elsewhere (e.g. the DC Section). There was also a comparison of the charges incurred within the AVC investment options against broadly comparable options within the DC Section to help support this.

The Trustees carried out a review of the legacy AVC arrangements during Q1 2023 and received a report from WTW in June 2023 along with an assessment of the Security of Assets within each of the legacy policy structures and the extent to which they would be covered by the Financial Services Compensation Scheme. As a consequence of the assessments the Trustees decided to contact members with investments in the legacy AVC arrangements to explain the option available to them to utilise the funds available in the DC Section of the Fund, as an alternative to the legacy AVC arrangements.

Taking account of all of the factors above, the Trustees have concluded that the Fund as whole provides good value to members.

#### 4. An illustration of the effect of charges and costs over time

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustees to produce a “£ and pence” illustration showing the compounded effect of costs and charges. As a result, the Trustees have set out an illustration below which shows the projected value, over different time horizons, of seven of the most commonly used funds within the DC Section of the Fund as at 31 March 2023 (including the four individual investment funds that are used as components with the default investment option and the funds with the highest and lowest annual management charges).

In preparing this illustration, the Trustees have taken account of statutory guidance prepared by the Department for Work and Pensions

Years	LGIM MSCI Adaptive Cap ESG Fund (50% Hedged)		LGIM Diversified Fund		LGIM Pre-Retirement Inflation- Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund)		LGIM Cash Fund		LGIM (30:70) Global Equity Index Fund		LGIM Over 15 Year Gilts Fund		LGIM Hybrid Property 70:30 Fund	
	Before charges	After charges + costs deducted	Before charges	After charges + costs deducted	Before charges	After charges + costs deducted	Before charges	After charges + costs deducted	Before charges	After charges + costs deducted	Before charges	After charges + costs deducted	Before charges	After charges + costs deducted
1	£136,500	£136,200	£135,100	£134,800	£133,200	£133,000	£130,500	£130,300	£136,400	£136,100	£132,600	£132,400	£135,100	£134,500
3	£160,500	£159,500	£155,800	£155,000	£149,600	£148,900	£141,100	£140,700	£160,300	£159,300	£147,700	£147,200	£155,800	£153,900
5	£186,000	£184,100	£177,400	£175,900	£166,300	£165,000	£151,400	£150,700	£185,700	£183,800	£162,900	£161,900	£177,400	£173,800
10	£256,900	£252,200	£235,300	£231,500	£208,600	£205,800	£175,800	£174,200	£256,200	£251,200	£201,000	£198,700	£235,300	£226,600
15	£353,900	£344,800	£313,200	£306,300	£265,600	£260,700	£211,300	£208,700	£352,500	£343,000	£252,500	£248,700	£313,200	£297,300
20	£468,500	£453,200	£401,000	£389,700	£325,800	£318,200	£245,500	£241,900	£466,200	£450,200	£305,900	£300,100	£401,000	£375,300
25	£602,000	£578,000	£497,900	£481,000	£387,600	£376,800	£277,100	£272,300	£598,300	£573,300	£359,400	£351,200	£497,900	£459,600
30	£757,300	£721,600	£604,900	£580,800	£450,900	£436,400	£306,200	£300,200	£751,800	£714,600	£413,000	£402,200	£604,900	£550,500

#### 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 are assumed to be paid between the ages of 35 and 65 at a rate of 12.5% p.a. (until the age of 45) and 17.5% p.a. (from age 45 onwards).
3. The member’s current salary is £60,000 (increasing by 2.5% per year).
4. Investment returns, charges and costs, as a percentage reduction per annum, are assumed to be added or deducted at the end of the year.
5. The starting account size is assumed to be £125,000.
6. Inflation is assumed to be 2.5% each year and the real projected growth rates, below, are set out net of this inflation assumption.
7. The projected growth rates (after costs and charges) already take into account the impact of any transaction costs that may be incurred over the longer term. As a result, gross growth rates (i.e. before all costs/charges including transaction costs) have been used for the purposes of the “Before charges” figures set out in the table above.
8. The real (i.e. after inflation) projected growth rates (before and after costs and charges) for each fund are as follows:

<b>Fund name</b>	<b>Gross of all charges</b>	<b>Net of all charges</b>
LGIM MSCI Adaptive Cap ESG Fund (50% Hedged)	3.0809%	2.9327%
LGIM Diversified Fund	2.0000%	1.7995%
LGIM Pre-Retirement Inflation- Sensitive Fund (now called the Future World Inflation Sensitive Annuity Aware Fund)	0.5203%	0.3698%
LGIM Cash Fund	-1.5866%	-1.6871%
LGIM (30:70) Global Equity Index Fund	3.0463%	2.8159%
LGIM Over 15 Year Gilts Fund	0.0603%	-0.0203%
LGIM Hybrid Property 70:30 Fund	2.0000%	1.5338%

9. The transaction costs used in the illustrations have been provided by L&G, cover the period from 1 April 2018 to 31 March 2023 and have been annualised for the purposes of this illustration. Transaction costs for the LGIM MSCI Adaptive Cap ESG Fund (50% Hedged) only cover the period from 1 April 2022 to 31 March 2023 and the L&G Diversified Fund only cover the period from 1 April 2020 to 31 March 2023. In some cases, L&G has provided details of negative transaction costs and, where this is the case, it has been assumed that zero transaction costs (i.e. 0.0%) have actually been incurred for the purposes of the “Before charges” figures set out in the table above.
10. The values shown are for illustrative purposes only and are not guaranteed.

## 5. A summary of the net investment returns for the DC Section and AVC funds

The Trustees are required to report on the net investment returns for the default arrangements and for all self-select funds during the Scheme Year. The net investment return is after taking into account all transaction costs and charges (see above). When preparing this section of the statement, the Trustees have taken account of the DWP's statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

### DC Section

The net investment returns in the tables below is for the default lifestyle, the Medium Risk Drawdown strategy, as well as the additional defaults the L&G Cash and Diversified Growth Funds.

#### From July 2022

The default investment strategy was amended in July 2022 and, as a result, 1-year, 5-year and 10-year annualised net investment returns are not available for the current default investment strategy. The performance of the individual fund in the default investment strategy can be found below.

#### April 2022 – June 2022 (prior to the investment changes explained above)

Default investment strategy – Medium Risk Drawdown	Age of member as at start of the stated period	1 year net investment return to 31 March 2023 (p.a.)	5-year annualised net investment return to 31 March 2023 (p.a.)	10-year annualised net investment return to 31 March 2023 (p.a.)
	25	-3.90	N/A	N/A
	45	-3.90	N/A	N/A
	55+	-4.84	N/A	N/A

Notes: Returns have been based on a static asset allocation for a 56-year-old and do not take into account quarterly lifestyle switching.

Additional defaults	1 year net investment return to 31 March 2023 (p.a.)	5-year annualised net investment return to 31 March 2023 (p.a.)	10-year annualised net investment return to 31 March 2023 (p.a.)
L&G Cash	2.1	0.7	N/A
L&G Diversified Fund	-5.0	N/A	N/A

Notes: The L&G Diversified Fund was introduced in November 2020 and, as a result, 5-year and 10-year annualised net investment returns are not available for this fund.

The net investment return figures in the tables below are for the self-select funds available to members within DC Section:

Fund name	1 year net investment return to 31 March 2023 (p.a.)	5-year annualised net investment return to 31 March 2023 (p.a.)	10-year annualised net investment return to 31 March 2023 (p.a.)
LGIM MSCI ACWI Adaptive Capped ESG Index	0.3%	N/A	N/A
LGIM Diversified Fund	-5.0%	N/A	N/A
LGIM Pre-Retirement Inflation-Sensitive (now called the Future World Inflation Sensitive Annuity Aware Fund)	-20.1%	-2.5%	N/A
LGIM Cash Fund	2.1%	0.7%	N/A

LGIM World (ex-UK) Equity Index	-1.2%	10.9%	N/A
LGIM UK Equity Index	2.9%	5.1%	N/A
LGIM North America Equity Index	-2.7%	13.6%	N/A
LGIM Europe (ex-UK) Equity Index	8.0%	7.7%	N/A
LGIM Asia Pacific (ex-Japan) Developed Equity Index	-4.1%	4.8%	N/A
LGIM Japan Equity Index	1.8%	4.0%	N/A
LGIM World Emerging Markets Equity Index	-4.6%	2.4%	N/A
LGIM AAA-AA-A Corporate Bond - All Stocks - Index	-10.0%	-1.2%	N/A
LGIM Composite Bond <sup>2</sup>	-25.9%	-3.8%	N/A
LGIM Over 15 Year Gilts Index	-29.8%	-6.5%	N/A
LGIM Over 5 Year Index-Linked Gilts Index	-30.5%	-4.2%	N/A
LGIM Hybrid Property 70:30 Fund	-14.2%	2.9%	N/A
LGIM (30:70) Global Equity Index (75% Currency Hedged)	-2.8%	7.3%	N/A

Notes: The LGIM Diversified Fund and MSCI ACWI Adaptive Capped ESG Index Fund were introduced in November 2020 and, as a result, 5-year and 10-year annualised net investment returns are not available for these funds. The LGIM (30:70) Currency Hedged Global Equity Fund was introduced in April 2013 and, as a result, the 10-year annualised net investment return is not available for this fund.

At the date this statement was produced, the Trustees were unable to obtain the 10-year net investment return disclosures from L&G for the self-select funds.

### Legacy AVCs

During the Scheme Year, the Scheme also held DC assets through AVC policies issued by Aegon, Aviva, Standard Life, ReAssure and Utmost Life & Pensions. The Trustees have requested net investment returns for these arrangements and have been provided with the following:

Legacy AVC provider	Fund Name	1 year net investment return to 31 March 2023 (p.a.)	5-year annualised net investment return to 31 March 2023 (p.a.)	10-year annualised net investment return to 31 March 2023 (p.a.)
Aegon	Aegon BlackRock 70/30 Global Growth	2.49%	7.10%	8.07%
	Aegon BlackRock UK Growth	3.21%	5.63%	6.74%
	Aegon BlackRock Cash	1.88%	0.49%	0.33%
Aviva <sup>1</sup>	Aviva My Future Focus Consolidation	-8.10%	0.30%	N/A
	Aviva Global Equity Pension Standard	-6.10%	5.30%	9.0%
	Aviva Mixed Investment (40-85% Shares) Pension Standard	-7.00%	2.00%	5.50%
	Aviva UK Equity Pension Standard	0.30%	2.50%	5.70%
	Aviva With-Profit 1 (CGNU) Pension Standard <sup>2</sup>	6.00%	4.60%	6.30%
	Aviva With-Profit (NU) Pension Standard <sup>2</sup>	6.90%	4.80%	7.9%
	Aviva With-Profit Guaranteed (NU) Pension Standard <sup>2</sup>	5.70%	4.70%	7.10%

ReAssure	L&G Index Linked Gilt Fund	-4.08%	3.49%	2.43%
	L&G Consensus Fund	3.85%	2.87%	2.00%
Standard Life	Standard Life Managed Pension	-3.36%	4.15%	5.46%
	Standard Life International Equity Pension	-2.98%	7.92%	9.14%
	Standard Life Money Market Pension	1.50%	0.28%	0.19%
	Standard Life Ethical Pension	-6.52%	1.78%	5.00%
Utmost	Utmost Life and Pensions US Equity	-5.94%	12.54%	N/A
	Utmost Life and Pensions Asia Pacific	-3.99%	3.52%	N/A
	Utmost Life and Pensions European	6.26%	6.69%	N/A
	Utmost Life and Pensions UK Government Bond	-16.53%	-3.35%	N/A
	Utmost Life and Pensions Global Equity	-1.97%	9.71%	N/A
	Utmost Life and Pensions Fund of Investment Trusts	-6.66%	4.87%	N/A
	Utmost Life and Pensions Managed	-1.88%	3.98%	N/A
	Utmost Life and Pensions UK Equity	1.48%	3.85%	N/A
	Utmost Life and Pensions Property	-11.67%	-1.14%	N/A
	Utmost Life and Pensions UK FTSE All-Share	1.90%	4.54%	N/A
	Utmost Life and Pensions Multi-Asset Moderate	-5.88%	N/A	N/A
	Utmost Life and Pensions Utmost Multi-Asset Cautious	-7.77%	N/A	N/A
	Utmost Life and Pensions Money Market	1.82%	0.32%	N/A

Notes: Utmost has not provided 10-year returns for its funds. Utmost Life and Pensions Multi-Asset Moderate and Utmost Life and Pensions Utmost Multi-Asset Cautious funds were introduced in 2019 and as a result, 5-year returns are not available.

<sup>1</sup> Investment returns for the periods to 31 December 2022

<sup>2</sup> With-profits funds can provide annual as well as terminal bonuses and, as a result, underlying fund performance is not always reflective of the ultimate returns members receive on their policies.

**Johnnie Russell Date:**

**7 September 2023**

**Chair of the Trustees - ING UK Pension Fund**