

## APPENDIX 3

### Example illustration

#### Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

#### Fund transactional charges and costs total (%)

	Standard Income Drawdown Lifestyle* (Default Investment Option)	Mencap Cash	Mencap Ethical Global Equity Index
Growth	-0.76% to 2.97%	-0.76%	3.00%
AMC	0.35% to 0.58%	0.35%	0.60%
AAE	0.02% to 0.05%	0.03%	0.00%
TC	-0.02% to 0.45%	0.02%	0.01%

\* As the Lifestyle investment option consists of multiple investment funds we have shown the range of growth and fund costs & charges.

**Growth** is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

**AMC** is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

**AAE** are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

**TC** are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on actual transaction costs for the period 01/04/18 to 31/03/19.

### The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	Standard Income Drawdown Lifestyle* (Default Investment Option)		Mencap Cash		Mencap Ethical Global Equity Index	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	15065.62	15014.54	14568.00	14514.71	15065.62	14981.51
3	21567.20	21367.58	19760.34	19571.63	21587.80	21270.45
5	28416.73	27947.95	25030.65	24668.38	28660.72	28014.61
10	46301.34	44346.21	38570.84	37609.42	49003.47	47039.53
15	64334.75	59612.16	52677.96	50883.89	73678.98	69516.66
17	71605.12	65792.07	58493.07	56301.07	84928.02	79584.15

#### About this illustration

Your current age is 48 and retirement age is 65.

Your current salary is £27,000 and will increase each year by 3.5%.

Future contributions paid will be 10% of your salary (£225.00 each month increasing by 3.5% each year in line with assumed salary increases).

The existing fund value is £12,000 which based on the median value of the total holdings within the scheme. We calculate this by listing the total holdings of each member in the scheme, from the lowest to the highest value and selecting the value in the middle.

We've shown the default Standard Income Drawdown Lifestyle investment option that the majority of members invest in.

We've also shown the Mencia Cash and Mencia Ethical Global Equity Index funds to show the asset classes with the lowest and highest assumed growth.

### **Investment growth**

The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

**Please note that these illustrated values have been prepared based on statutory guidance.**