



## MENCAP PENSION PLAN ("the Plan") - CHAIR'S ANNUAL STATEMENT SEPTEMBER 2022

### 1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. Mencap Pension Trustee Limited, as Trustee of the Mencap Pension Plan (the "Plan") is required to produce a yearly statement (which is signed by the Chair of the Board) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 1 April 2021 to 31 March 2022 and represents the seventh Chair's Statement since the new rules to be appended to the Annual Report and Accounts.

The Plan was set up on 1 January 1978 and is governed by the replacement Second Definitive Trust Deed that came into force on 30 July 2014, and subsequent Deeds of Amendments.

For the record, this Annual Statement regarding governance has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations.
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### 2. Default investment arrangements

The DC section of the Plan commenced in April 2002.

From 1 April 2019, the Plan has been used as a qualifying scheme for auto enrolment purposes.

Members who join the Plan and who do not choose an investment option are placed into the Standard Income Drawdown Lifestyle, the "default arrangement".

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default arrangement. Details of the objectives and the Trustee's policies regarding the default arrangement can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the default arrangement is attached to this annual statement regarding governance.

The main objective of the Default Arrangement is to provide a suitable investment strategy to help deliver good member outcomes at retirement.



The Trustee believes that it is in the best interests of the majority of members to offer a Default Arrangement which:

- Manages the main investment risks members face during their membership of the Plan;
- Gives good member outcomes at retirement by maximising investment returns relative to inflation while taking an appropriate level of risk for the majority of members who do not make investment choices; and
- Reflects members' likely benefit choices at retirement.

Due to the pension freedoms that came into force from 6 April 2015, the Trustee reviewed the Plan and replaced the Lifestyle option with four new Lifestyle choices, from 1 June 2015, which are designed to align with the different ways members are able to take their DC account at retirement. As part of this review, the Trustee agreed that the Standard Income Drawdown Lifestyle Fund would be the default fund. This fund is made up of four funds, which include Mencap Cash Fund, Mencap Corporate Bond Fund, Mencap Diversified Growth Fund (DGF) and the Mencap Global Equity Fund.

In doing so, the Trustee considered the membership profile of the Plan, the risk profile and number of investment funds offered, the changing long-term investment market conditions, the investment products and techniques available in the marketplace. In addition, the Trustee considered the extent to which the return on investments relating to the default arrangement (after deduction of any charges relating to those investments) is consistent with their investment aims and objectives for it and agreed that the fund is broadly suitable for a majority of the Plan's members.

The Trustee reviewed the DC investment options again in June 2017, to ensure they continue to be fit for purpose and are providing good value. They felt that all but the DGF was performing satisfactorily. As the DGF makes up at least one-third of the default strategy as well as the majority of the assets are held within it, the Trustee decided to look at alternatives for this fund. Based on this review, the Trustee agreed to change the makeup of the DGF to consist of two funds - 50% BlackRock DC Diversified Growth Fund (BlackRock), so retaining some of the existing fund, and 50% Schroder Dynamic Multi-Asset Fund (DMAF) (which changed name to Schroder Sustainable Future Multi-Asset Fund (SFMAF) on 1 April 2022). Over the longer term, the Trustee believe that this combination will provide similar returns to the previous DGF, but over shorter periods, returns should be smoother. Whilst the two funds have similar performance targets, their different management styles mean that they should perform differently to each other in different market conditions. This will be important, as members get close to their Target Retirement Age (TRA). This change came into effect from 30 March 2018.

As part of this review, the Trustee also agreed to delay the start of the de-risking period from Global Equities by 5 years so that it starts 15 years prior to members' TRA (rather than 20 years). The Trustee believes that retaining Global Equities in member accounts for longer should help them build a bigger pot before retirement. This change also came into effect from 30 March 2018 across all four lifestyle funds including the default fund.

In late 2019, the Trustee reviewed the funds again and agreed to change the make-up of the 30/70 Global Equity Fund in order to improve performance of the growth phase of the

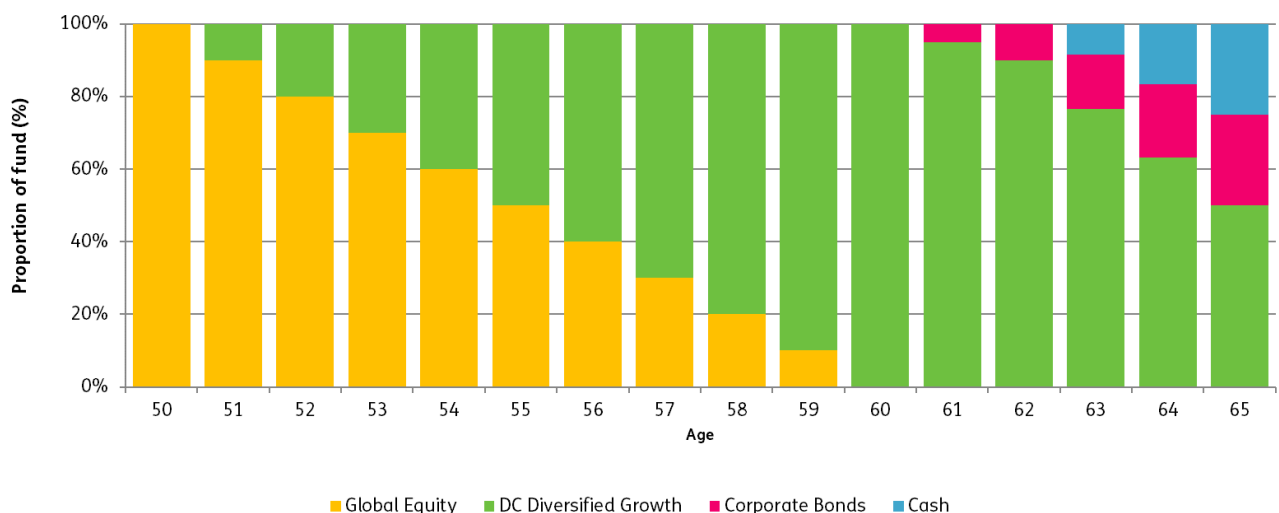
lifestyle strategy. This involved replacing the Mencap 30/70 Global Equity Fund with a blend of 50% BlackRock MSCI World Index Currency Hedged Fund plus 50% Schroders Sustainable Global Multi Factor Equity Fund. The new fund is called Mencap Global Equity Fund and due to the Covid-19 pandemic and the volatility of the market, the change was delayed and implemented on 28 September 2020.

The Trustee regularly monitors the performance of the default arrangement and will formally review both this and the strategy at least every three years. The next review is intended to take place by end of 2022.

The Trustee is satisfied that the default remains appropriate due to the makeup of the membership.

In addition to the strategy, the Trustee also reviews the performance of the default arrangement against their aims, objectives and policies on a quarterly basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations.

The current make-up of the default fund, **Standard Income Drawdown Lifestyle Fund**, is set out below:



## 2. Investment performance

The presentation of the investment performance considers the statutory guidance issued by the Department for Work and Pensions. The Trustee has followed the statutory guidance in all areas.

### Investment conditions

When looking at these figures it should be borne in mind that global equity markets rose by c.13% over the 1 year period to 31 March 2022.

## 2.1 Default arrangement

Over the year to 31 March 2022 the funds used in the Plan's default arrangement saw investment returns as follows:

Ticker	Share-class	Inception	1 Year	5 Year	10 Year	20 Year
DCCFGP-M1	Mencap Cash Class M1	2/28/2013	-0.23	0.07	N/A	N/A
DC15CBI-M1	Mencap Corporate Bond Class M1	4/30/2015	-9.02	1.91	N/A	N/A
SHR_ZSGME N	Mencap Diversified Growth Class M1	2/28/2013	1.34	3.68	N/A	N/A
DCLGEGI-M1	Mencap Ethical Global Equity Index Class M1	2/28/2013	16.41	11.60	N/A	N/A
DCMCGEM1	Mencap Global Equity Class M1	8/31/2020	12.91	N/A	N/A	N/A
DCLGP-M1	Mencap Pre-retirement Class M1	2/28/2013	-6.91	1.13	N/A	N/A

Note: 10 and 20 year figures not available as funds have not been in place to cover those periods.

As the default arrangement uses a lifestyle strategy, the investment return varies depending on your age and how far you are from your selected retirement age as set out below:

Age of member in 2022 (years)	1 year	5 years (p.a.)	10 years (p.a.)	20 years (p.a.)
25	12.91	N/A	N/A	N/A
45	12.91	N/A	N/A	N/A
55	7.13	N/A	N/A	N/A

Note: Only 1 year returns can be provided as this is the only past performance available for the default fund which includes Global Equity and Diversified Growth funds.

The Trustee is satisfied that most funds used by the default arrangement have performed in line with their objectives.

## 2.3. Other investment options

The Trustee is satisfied that most funds used by the other investment options have performed in line with their objectives.

Investment returns for all funds over several periods of time to 31 March 2022 are shown in the Appendix.

## 3. Requirements for processing core financial transactions

The Administrators of the DC Section of the Plan are Aegon Workplace Investing (Aegon). The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include (but not limited to):

- Investment of contributions
- Transfer of members' assets to and from the Plan
- Switching between investments within the Plan
- Payment out of the Plan to members/beneficiaries.

### 3.1 Core financial transactions

During the year, the Trustee ensured that core financial transactions of the Plan were processed promptly and accurately by:

- Having an agreement with Aegon committing them to a defined service level agreement (SLA) which covers timeliness and accuracy. For example, all activities involving core financial transactions have a SLA of 5 working days.
- Having an agreement in place to ensure contributions are paid by the Employer within 5 working days from pay date and invested by Aegon within 5 working days from receipt.
- Ensuring the processes adopted by Aegon include daily monitoring of bank accounts, a well-resourced team to process all transactions on time, segregation of duties and robust checking of investment and banking transactions.
- Receiving a report at the end of each quarter on Aegon's performance against the SLAs. The report also includes details of all financial transactions.
- The SLAs together with all aspects of the service are monitored each quarter at the DC sub-committee meetings, which were held on 26 May 2021, 1 September 2021, 24 November 2021 and 28 February 2022.
- Following up any issues via an actively managed action list. There were no known issues with core financial transactions during the period.
- Having sight of Aegon's annual assurance report on its internal controls
- Ensuring robust processes and quality assurance are in place to ensure that the transfer of assets relating to members into and out of the Plan, transfer of assets relating to members between different investments within the Plan and payments from the Plan to, or in respect of, members are completed accurately and in a timely manner.
- Ensuring the members with AVC policies receive an annual governance statement from Standard Life.

In addition, intermittent calls are held with the administrators, to ensure smooth running of the administration.

### 3.2 Data quality

Each year the Trustee receive reports from Aegon to confirm that they have undertaken an audit of the Plan's common data (which is the key data needed by the Plan to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was undertaken in June 2021. This showed that common data was present for 96.05% of membership data as at 31 March 2022 – compared to 95.98% last year so [has broadly improved].

Over the next year the Trustee will aim to improve the quality of the Plan's common data.

### 3.3 Cyber security

The Trustee is conscious of the growing threat of cyber-attacks on pension scheme information.

Each year the Trustee ask Aegon to confirm that their cyber security arrangements are effective and up to date. The Trustee expects that Aegon will report any security breach immediately and ensure that members are notified as soon as possible.

### 3.4 Own Risk Assessment (ORA)

Each year the Trustee carries out an assessment of the effectiveness of the controls which are in place to manage the risks faced by the Plan. The Trustee is currently preparing their first ORA.

### 3.2 Bulk transfer of assets

There were no bulk transfers implemented during the year to 31 March 2022.

## 4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund 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.

The stated charges also include any costs, e.g., administration and investment costs, since members incur these costs via the price of the funds. The presentation of the charges and costs, together with the projections of the impact of charges and costs, considers the statutory guidance issued by the Department for Work and Pensions.

The Trustee is also required to disclose transaction cost figures that are borne by members separately. In the context of this statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds.

Aegon, who are the Plan's platform provider, has supplied the charges and transaction costs. There are no missing transaction cost data for the Aegon funds.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

### 4.1 Default Arrangements

The current default fund is Standard Income Drawdown Lifestyle Fund and was introduced from 1 June 2015. The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date.

For the period covered by this statement, default arrangement charges and transaction costs are as follows:

Years to target retirement date	TER (%) p.a.	Total transaction costs (%) p.a.
15 or more years to retirement	0.51	0.217

<i>(consisting of 100% Global Equity Fund)</i>		
14 to 6 years to retirement <i>(Gradually phasing out of Global Equity Fund to the Diversified Growth Fund at 10% each year)</i>	0.51- 0.71	0.217 – 0.374
5 Years to retirement <i>(100% in the Diversified Growth Fund)</i>	0.71	0.374
4 years to at retirement <i>(Gradually phasing in Corporate Bonds and Cash)</i>	0.37 - 0.38	0.0144 – 0.0691

Source: Aegon

The member borne charges for the Plan's default arrangement complied with the charge cap during the year.

#### 4.2 Self-select options

In addition to the default arrangement, members also have the option to invest in three other lifestyles, targeting annuity purchase, cash withdrawal, adventurous drawdown and several other self-select funds.

The charges applicable to all other funds available through the Plan are attached as Appendix 2. The Corporate Bond Fund was added to the portfolio on 1 June 2015. The 30/70 Global Equity Fund was replaced by the Global Equity Fund in September 2020.

Assets in respect of members' AVCs under the DB Section are invested in a range of 'with profits' and 'not with profits' investment options with Standard Life. These AVC arrangements are reviewed periodically to ensure that the investment profile of the options available remains consistent with the objectives of the Trustee and the needs of the members. The Trustee has requested that Standard Life confirm the total value of transaction costs over the Plan year. Standard Life has not been able to confirm these on time to be included in this year's statement. The Trustee will continue to work with Standard Life to ensure these are available in future statements.

#### 4.3 Transaction costs

The funds' transaction costs are in addition to the fund's TERs and arise when:

- the fund manager buys or sells part of a fund's portfolio of assets; or
- the platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day, depending on where each fund is invested, and the stock market conditions at the time. Transaction costs can include custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are considered when the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The FCA requires fund managers and providers to calculate transaction costs using the 'slippage method', which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).



The transaction costs for all the funds as at 31 March 2022 are shown at the bottom of Appendix 2.

The charges and transaction costs borne by members in respect of each individual fund throughout the scheme year, shown on Appendix 2, have been prepared having taken account of statutory guidance.

#### **4.4. Impact of Cost of Charges**

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has asked Aegon, the Plan's administrator to illustrate the impact over time of the costs and charges borne by members.

The illustration and the assumptions are set out in Appendix 3.

These illustrations show projected fund values in today's money before and after costs and charges, based on the average age of a member within the Plan, which is age 47 to the retirement date of age 65.

The illustration shows these figures for the default arrangement, the Standard Income Drawdown Lifestyle investment option as the majority of members are invested in it. It also shows the Mencap Cash and Mencap Ethical Equity Index funds to show the asset classes with the lowest and highest assumed growth.

As an example, for the same member, the level of charges and costs seen in the last year would reduce their projected pot value at age 65, in today's money, from £81,917.83 to £74,944.99. In the case of the Mencap Cash fund and the Mencap Ethical Equity Index fund, the projected pot value in today's money would reduce from £64,093.25 to £61,778.71 and from 98,016.56 to £91,775.59 respectively.

Please note that these illustrated values have been prepared based on statutory guidance. These values are not guaranteed and therefore may not be a good indication of how a member's savings might grow. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

#### **5. Value for money**

The Trustee's assessment of the extent to which the charges and transaction costs represent good value for members is based on the analysis of the biggest impact on member benefit outcome. Therefore, the greatest focus is on the following areas:

- fund charges
- investment defaults; ranges and added value
- communications and on-line functionality
- at retirement options and processes
- administration
- special projects costs and risks

The Trustee believes that the charges and transaction costs borne by members combined with the other features of the Plan represent good value for members. As part of the 2017 review, the Trustee negotiated reduced fee levels with BlackRock, which included Annual Management Charge on the BlackRock DGF being reduced by 0.1% from 1 January 2018. In



addition, the platform fee on all funds (excluding the BlackRock DGF as it has no platform loading) including the Schroder SFMAF was reduced by 0.05% from 30 March 2018. At the time, the total saving from these changes was around £17,000 p.a.

There are robust SLAs in place with the administrator and adherence monitored quarterly, to ensure member transactions and queries are dealt with in time and accurately.

Members receive regular communication from the administrator as well as fliers to think about upcoming retirement from 16 years to Normal Retirement Date. The administrator also hosts an online portal where members have real time information of their account, a pension calculator/modeller, Q&A videos, web chat functionality and online forms. Members have access to Personalised Video Summaries, which gives a three-minute clip of fully personalised, real time information to bring their retirement savings to life, as well as an App that enables them to track their accounts and conduct transactions.

The Trustee issue a newsletter each year and the last one issued in September 2021 which covered information about fund performance, actively managing pension pots and responsible investing. The next newsletter is due in September 2022.

The Trustee now has access to regular governance report via Insights to help understand and analyse the member data so that improvements can be made in some areas and target communication.

Based on the above assessment, the Trustee has concluded that the Plan offers good value for members.

## **6. Trustee' knowledge and understanding**

The Trustee are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. Each Trustee Director must:

- Be conversant with the trust deed and rules of the Plan, the Plan's statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Plan generally,
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as a Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee has put measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustee, with the help of their advisors, regularly consider training requirements to identify any knowledge gaps. The investment advisors of the Trustee proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The advisors would typically deliver training on such matters at Board meetings if they were material. During the period covered by this statement, the Trustee received training on the following topics: setting up the Implementation Statement, conducting ESG reviews and rating managers' on their Responsible Investment policies/voting practices, drawing up Investment Beliefs, assessing 'value for members' and Regulators pledge on pension scams.

In addition, the Trustee understands it is important to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters, which may not be specific to the Mencap Pension Plan. They do this by reading the updates and bulletins issued by the Advisors as well as the pension's press, which are sent to them regularly.

All the Trustee Directors are familiar with and have access to copies of the Plan's current governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures via SharePoint. In particular, the Trustee refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases. The SIP is formally reviewed annually and as part of making any change to the Plan's investments and was last updated on 1 September 2022.

Further, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All the Trustee Directors are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit. The most recently appointed Member Nominated Director completed the toolkit within 6 months of being appointed.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

A questionnaire is used to carry out an annual evaluation of the Trustee knowledge and to help to identify training needs. A training log is maintained in line with best practice and the training programme is reviewed in December each year to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new Trustee Director. The Board has a good range of skills across the board including pension governance, financial, investment, communication as well as a professional Trustee Director.

The Trustee Board also carry out a regular evaluation via a questionnaire of the performance and effectiveness of the Board as a whole as measured against the objectives of the business plan. The results are collated and discussed with an action plan to improve if any gaps are identified.

The Plan's legal advisor is present at all trustee meetings. The Actuary and DB Investment Consultant are present when discussing actuarial, DB investment and employer update/covenant issues. The DC investment consultant is present when DC related matters are addressed.

Considering the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g., investment consultants, legal advisors), the Board believe they are well placed to exercise their functions as Trustee of the Plan properly and effectively.

During the period covered by this Statement, the Trustee received training on the following topics:

Date	Topic	Aim/benefit	Trainer
14 September 2021	[Consolidated Code of Practice	To enhance the Trustees' knowledge of the current and forthcoming legislative requirements and Code of Practice requirements. Benefiting members by ensuring that Trustees understand best practice and effectively monitor the Scheme.	Legal Advisor
9 December 2021	Illiquid assets	To improve the Trustees understanding of the benefits of and issues with investing in "illiquid" assets such as private equity and infrastructure	DB Investment Manager
2021/2022	Pension scams	Most Trustee Directors have completed the new module on pension scams in TPR's Trustee Toolkit. In addition, they have had sessions from the Administrators and the Legal Advisor	Administrators / Legal Advisor
11 April 2021	Cyber security	To understand steps to take to avoid a breach	Indemnity insurance provider
27 October 2021	Studying the [Deed /Rules /SIP]	To improve understanding of the Plan's rules and governing documents	Legal Advisor

The Trustee reviews the effectiveness of its advisers annually and periodically reviews the appointment of its advisers.

The Trustee undertook the following reviews during the last year:

Date	Type of Review
Dec 2021	The practices to maintain and develop Trustee knowledge and understanding
Dec 2021	The effectiveness of the training programme and training for the coming year
April 2021	Assessed the overall effectiveness of the Trustee Board
Dec 2021	Effectiveness of advisers (next review due December 2022)
	Appointment of advisers – none during this period

### 7. Missing information

The Trustee is satisfied that they have obtained full information on charges and transaction costs.

### 8. What do you need to do next?

This report is for noting. You do not need to take any action.

If you have any questions or require any further information you should contact the Mencap Pensions team on 0207 696 5587 or email [pensions@mencap.org.uk](mailto:pensions@mencap.org.uk)

This report can be found on [https://www.ptluk.com/sites/default/files/s3fs-public/chairs\\_statement\\_mencap\\_pension\\_plan-min.pdf](https://www.ptluk.com/sites/default/files/s3fs-public/chairs_statement_mencap_pension_plan-min.pdf) as well as <https://www.mencap.org.uk/about-us/mencap-pension-plan>. Members will be notified of how to access this document via the site with the newsletter being issued in September 2021 and their next benefit statements due in July 2022.

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Sally Pococke

Chair of the Board of Trustees  
Mencap Pension Trustee Limited

1 September 2022



## 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 transaction costs and charges total (%)			
	Standard Income Drawdown Lifestyle* (Default Investment Option)	Mencap Cash	Mencap Ethical Global Equity Index
Growth	-1.30% to 2.90%	-1.30%	3.00%
AMC	0.35% to 0.60%	0.35%	0.60%
AAE	0.02% to 0.03%	0.03%	0.01%
TC	0.01% to 0.36%**	0.01%	0.00%

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

\*\* The Mencap Global Equity fund included in the Lifestyle investment option is a new fund therefore transaction costs have not been included for this fund as data on previous transaction costs is not available at this time.

**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 the average of the actual annual transaction costs for the period 01/04/18 to 31/03/22.

### The impact of transaction 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	13398.58	13314.99	12920.30	12875.44	13410.23	13337.29
3	20623.42	20292.22	18782.15	18616.04	20669.92	20380.20
5	28345.72	27637.43	24676.14	24347.73	28548.48	27937.59
10	48832.80	46444.44	39582.12	38675.38	51235.30	49277.95
15	69654.13	64455.67	54791.15	53071.54	78793.86	74522.10
18	81917.83	74944.99	64093.25	61778.71	98016.96	91775.59

## About this illustration

Your current age is 47 and retirement age is 65.

Your current salary is £31,000 and will increase each year by 3.5%.

Future contributions paid will be 10% of your salary (£258.33 each month increasing by 3.5% each year in line with assumed salary increases).

The existing fund value is £10,000 which is 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 Mencap Cash and Mencap 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.



Fund name	Active/Passive	Investment objectives	Investment charges		Total Expense Ratio (TER)
			Annual Management Charge (AMC % p.a.)	Additional expenses (% p.a.)	
Lifestyle fund – Default Fund					
Standard income drawdown lifestyle	Combination	Standard Income Drawdown Lifestyle moves towards a mix of the Mencap Diversified Growth Fund, the Mencap Corporate Bond Fund and the Mencap Cash Fund by Target Retirement Age.	Range from 0.35 - 0.63	Range from 0.02 - 0.08	Range from 0.37 - 0.71
Lifestyle funds that can be self-selected					
Annuity purchase lifestyle	Combination	Annuity Purchase Lifestyle aims to track immediate annuity rates and is 75% invested in the Mencap Pre-Retirement Fund at your Target Retirement Age. The Mencap Pre-Retirement Fund invests mainly in UK government bonds (gilts), UK corporate bonds and other fixed income securities and aims to produce a return broadly in line with long-term changes in immediate annuity prices.	Range from 0.35 - 0.63	Range from 0.02 - 0.08	Range from 0.37 - 0.71
Cash lifestyle	Active	Fund aims to produce a return in excess of its benchmark principally from a portfolio of sterling denominated cash, deposits and money-market instruments.	Range from 0.35 - 0.63	Range from 0.03 - 0.08	Range from 0.38 - 0.71
Adventurous income drawdown lifestyle	Active	The Adventurous Income Drawdown Lifestyle has a similar objective to the Standard version but maintains a higher allocation to the Mencap Diversified Growth Fund (with no allocation to the Mencap Corporate Bond Fund)	Range from 0.35 - 0.63	Range from 0.03 - 0.08	Range from 0.38 - 0.71
Other self- select fund choices					
Multi Asset Funds					
Mencap Diversified Growth	Active	This Fund aims to actively achieve a return by investing in a range of underlying funds, which gain exposure to asset classes including, but not limited to, equities, fixed income, property and commodities.	0.63	0.08	0.71
Global Equity Funds					
Mencap Global Equity	Active (introduced from September 2020)	This Fund aims to achieve a return in excess of its benchmark over rolling three-year periods by investing in one or more funds that provide exposure to global equities.	0.49	0.02	0.51
Mencap 30/70 Global Equity Index	Passive (removed from September 2020)	Invests primarily in equities, both in the UK and overseas markets. Approximately 30% is invested in the shares of UK companies, 60% of the assets are invested at market capitalisation weights into developed equities with the currency exposure hedged back to sterling and the remaining 10% is invested into Emerging Market Equities.	0.37	0.02	0.39

Ethical Fund					
Mencap Ethical Global Equity	Passive	Invests mainly in UK equities within the FTSE4Good Global Index and aims to track the return of its benchmark.	0.60	0.00	0.60
Fixed Income Funds					
Mencap Pre Retirement	Passive	Invests in UK government and corporate bonds. The mix of assets is adjusted over time to reflect the investments underlying a typical non-inflation linked annuity. The Fund aims to track the return of its benchmark.	0.40	0.00	0.40
Mencap Corporate Bond	Passive	This Fund invests in investment grade corporate bonds denominated in sterling with a maturity period of 15 years or longer and aims to produce a return in line with its benchmark.	0.35	0.02	0.37
Cash					
Mencap Cash	Active	Aims to produce a return in excess of its benchmark principally from a portfolio of sterling denominated cash, deposits and money-market instruments.	0.35	0.03	0.38

**TRANSACTION COSTS AS AT 31 MARCH 2022 (The charges and transaction costs borne by members in respect of each individual fund throughout the scheme year, shown below, have been prepared having taken account of statutory guidance).**

Fund	Total Transaction Costs	Transaction Costs For Lending And Borrowing Transactions	Explicit Costs – Taxes	Explicit Costs - Fees and Charges	Implicit Costs	Indirect Costs	Anti-Dilution Offset
	Basis Points						
Mencap Diversified Growth	26.313	0.258	0.529	1.484	16.671	8.233	0.863
Mencap Corporate Bond	8.426	0.660	0.000	0.000	7.954	0.006	0.193
Mencap Ethical Global Equity	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Mencap Pre-Retirement	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Mencap Global Equity (introduced from September 2020)	15.616	0.346	2.093	1.696	14.372	-1.614	2.943
Mencap Cash	1.569	0.000	0.000	0.000	1.569	0.000	0.000

**Note:** In terms of DB AVCs, the Trustees also requested that Standard Life confirm the total value of transaction costs over the Plan year in line with statutory guidance. Standard Life has not been able to provide the information on time for this statement. The Trustee will continue to work with Standard Life to ensure that the information is available in future reports.