Morgan Stanley

Dean Witter Reynolds Retirement Benefits Scheme (the 'Scheme')

Annual statement regarding governance

The Trustees of the Dean Witter Reynolds Retirement Benefits Scheme (the 'Trustees') are pleased to present this Statement on governance for inclusion in the Trustees' annual report. This Statement will also be published on a publicly available website https://www.morganstanley.com/disclosures/the-dean-witter-reynolds-retirement-benefits-scheme/ and will be signposted in the annual benefit statements.

This document sets out the Statement covering the year to 31 December 2020 and details:

- the current default investment arrangement;
- how the Trustees have ensured that core financial transactions have been processed promptly and accurately;
- the report on the charges and transaction costs for the investments used in the default and self-select arrangements and the extent to which the charges and costs represent good value for members; and
- how the combined knowledge and understanding of the Trustees and its advisers enables the Trustees to properly run the Scheme.

The default investment arrangement

A default arrangement is an investment fund(s) or strategy into which pension contributions are paid where members have not made an active choice as to where they want to invest their -pension savings.

The current 'default arrangement' for the Scheme is the Active Diversified Growth Fund. As the most popular fund within the Scheme (by both number of members and assets invested), the strategy is considered a default arrangement by the Trustees. However, this is not a formal default arrangement as per the legislation as the Scheme is a closed Scheme and is not being used as a qualifying Scheme for automatic enrolment purposes.

The default arrangement is not a lifestyle strategy, and therefore members' retirement savings are 100% invested in this fund until retirement. The Trustees recognise that this will not be appropriate for all members and therefore also makes a range of self-select funds available for those members that wish to change their investment choices in the approach to retirement, and encourages members to regularly review their investment decisions.

The most recent review of the investment arrangements

A formal review of the Scheme's investment arrangements, including the default arrangement, was undertaken between 8 March 2017 and 18 July 2018, in conjunction with the Scheme's investment advisor, Mercer Limited. The review was wide ranging and took into account the profile of the Scheme membership, range of investment types, fund performance and fund management fees. It also considered the suitability and performance of the default investment arrangement and the investment platform provider through which the Scheme's investment options are made available. This included both an analysis of past performance, as well as prospects for future outperformance as assessed by Mercer's manager research ratings. Following the review, the Trustees decided that better value is available to members by moving their holdings to the Scottish Widows investment platform, but it was agreed that no significant changes were to be made to the investment strategy (two funds were unavailable on the Scottish Widows platform and replacements were selected). The platform move took place in June 2019 and offers members lower ongoing fees and enhanced fund options. The detail of all the agreed changes were included in a series of pre and post transition communications to members. In addition, detailed pre and post implementation reports were reviewed by the Trustees.

The Trustees keep the default investment arrangement and the self-select funds under regular review and adjust them as appropriate, based on analysis of the likely requirements of the typical member. Whilst the Trustees are not required to undertake triennial reviews of the default investment arrangement by regulation, as a matter of best practice, the Trustees aim to review the default and wider range every three to five years. The next full review of the Scheme's default investment arrangement is planned to begin during 2021.

The Scheme has fewer than 100 members and is a closed Scheme that is not used for auto-enrolment. As such, no default fund requirements apply to the Scheme. However, the Trustees maintain a Statement of Investment Principles ('SIP') which includes details relating to the default arrangement as a matter of best practice. The SIP was last updated in September 2019 to reflect the new arrangements on the Scottish Widows investment platform. The SIP is shown in the Appendix.

Following an extensive review of the Scheme's investment options, the Trustees decided to introduce the Active Sustainable Equity Fund as part of the 'Self-Select' range of investment options in February 2020, with Wellington Global Impact Fund as the underlying fund.

In addition to the strategy review, the Trustees also review the performance of the default arrangement against their aims, objectives and policies on a semi-annual basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The Trustees' reviews that took place during the Scheme year concluded that the default arrangement was performing broadly as expected, and is consistent with the aims and objectives of the default as stated in the SIP.

Core financial transactions

The Scheme is closed to new contributions by members.

As required by regulation 24 of the Administration Regulations, the Trustees must ensure that

core financial transactions are processed promptly and accurately; this includes:

- Transfers of members' assets out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

This section considers the transactions relating to DC and AVC funds.

The requirements of regulations have been met and core financial transactions have been processed promptly and accurately by:

- Maintaining a Risk Register which outlines risks in relation to processing core financial transactions. The Scheme's Risk Register outlines all of the risks to Scheme members and these are monitored and reviewed on an annual basis.
- Appointing Mercer Limited ("Mercer") as the Scheme's professional third party administrator. The Trustees have delegated the administration of Scheme member records to Mercer. The Trustees have agreed minimum timescales with Mercer for processing requests, including core financial functions. The Service Level Agreements (SLAs) in place cover both the accuracy and timeliness of the financial transactions. Mercer's administration reports are reviewed and discussed every six months by the Trustees. Performance against SLAs for the Scheme year was 97%, as shown in the below table:

EVENT	WITHIN SERVICE LEVEL	OUTSIDE SERVICE LEVEL	PERCENT IN TARGET
Contact Centre	4	2	67%
Data Change	19	0	100%
DWP	23	0	100%
Enquiry/Query	38	1	97%
Pensioner Data Change	3	0	100%
Retirement Quote	5	0	100%
Retirement Settle	1	0	100%
Individual Switch	2	0	100%
Transfer-out Quotation	9	0	100%
Totals	**104**	**3**	**97%**

- The administrator provides an AAF internal controls audit report each year, which the Trustees consider in their ongoing monitoring of the administrator.
- Ensuring that detailed disaster recovery plans are in place with the administrator and other relevant third parties.
- The Trustees also appoint an independent auditor (Deloitte LLP) to carry out an annual audit of the Scheme, including the core financial transactions that have taken place during the Scheme year.

The Trustees are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Plan year.

Charges and transactions costs

As required by regulation 25 of the Administration Regulations, the Trustees are required to report on the charges and transaction costs for the investments used in the default and non-default arrangements and their assessment of the extent to which the charges and costs represent good value for members.

We note that while transaction costs and charges are an important consideration, they are not the only criteria the Trustees assess. A number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Scheme.

FUND CHARGES

Charges relating to investment management are deducted from the funds in which Scheme members are invested. All other costs associated with running the Scheme, including administration, advisory and member communication costs are paid by the Company (other than legacy Additional Voluntary Contribution (AVC) holdings where members may also incur administration expenses).

The Scheme provides details of the costs borne by members in two forms – the annual management charge ("AMC") and the total expense ratio ("TER"). The AMC is the core charge that covers the cost of accessing and managing a fund. The TER includes the AMC plus variable costs associated with managing a fund such as administrative, audit and legal fees.

Clerical Medical (the legacy AVC holding provider) has confirmed that the AMC on the Scheme is 0.50% and that they do not have any additional expenses.

The Scheme complies with the regulations on charge controls introduced from April 2015. Specifically, the TER payable under the default investment arrangement is 0.380% p.a. as at 31 December 2020, which is well below the charge cap of 0.75% p.a. It should be noted that additional fund expenses are a function of the size of the fund and will change over time. The charges on the default fund comply with the charge cap legislation requirements.

The following provides information on the charges for all the investment options available to members.

MANAGER / FUND	ANNUAL MANAGEMENT CHARGE (% P.A.)	ADDITIONAL FUND EXPENSES (% P.A.)	TOTAL EXPENSE RATIO (% P.A.)
Active Sustainable Equity Fund	0.717	0.018	0.735
Active Diversified Growth Fund	0.358	0.022	0.380
Active Diversified Retirement Fund*	0.305	0.036	0.341
Passive Global Equity Fund	0.127	0.010	0.137
Passive UK Equity Fund	0.072	0.003	0.075
Passive US Equity Fund	0.072	0.007	0.079
Passive Europe (ex UK) Equity Fund	0.072	0.015	0.087
Passive Japan Equity Fund	0.072	0.011	0.083
Passive Pacific Rim (ex Japan) Equity Fund	0.072	0.015	0.087
Passive Emerging Markets Equity Fund	0.172	0.060	0.232
Pre-Retirement Fund	0.111	0.000	0.111
Cash Fund	0.142	0.000	0.142

Source: Scottish Widows. Total Expense Ratios as at 31 December 2020.

*This fund was available to members through-out the scheme year, however, no assets were invested.

In February 2020 Scottish Widows added the Active Sustainable Equity Fund to the Scheme.

Fees across the Scheme's fund range vary from 0.075% p.a. to 0.735% p.a. These charges do not include transaction costs, which are discussed in more detail in the next section.

TRANSACTION COSTS

In addition to investment management charges and the additional fund expenses included in the TER, investment funds are subject to other implicit costs, such as the investment manager's expenses associated with trading a fund's underlying securities, including commissions and stamp duty. These expenses are not explicitly deducted from the fund but are captured by a reduction in investment returns.

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with the updated Administration Regulations. The Trustees have requested this information from the underlying

fund managers, through the Scheme's investment platform provider where applicable. A table of transaction costs is shown below and the Trustee will make this information accessible to members on a website.

TOTAL TRANSACTION COSTS

The next table shows the aggregate transaction costs based upon the information supplied by Scottish Widows. Aggregate transaction costs represent annualised transaction costs incurred by the fund manager within the underlying fund.

The total transaction costs, shown below, account for the impact of market movements between the placement of a request to buy or sell an investment and the execution of that request. As such, the aggregated transaction cost can be positive or negative. Negative 'costs' have been shown as 0.00%.

MANAGER / FUND	AGGREGATE TRANSACTION COST (% P.A.)
Active Sustainable Equity Fund	0.36
Active Diversified Growth Fund	0.16
Active Diversified Retirement Fund	0.00
Passive Global Equity Fund	0.06
Passive UK Equity Fund	0.00
Passive US Equity Fund	0.00
Passive Europe (ex UK) Equity Fund	0.00
Passive Japan Equity Fund	0.00
Passive Pacific Rim (ex Japan) Equity Fund	0.00
Passive Emerging Markets Equity Fund	0.00
Pre-Retirement Fund	0.00
Passive Cash Fund	0.01

Source: Scottish Widows as at 31 December 2020.

The Active Diversified Retirement Fund was available to members through-out the scheme year, however, no assets were invested. In February 2020 Scottish Widows added the Active Sustainable Equity Fund to the Scheme.

ADDITIONAL VOLUNTARY CONTRIBUTIONS ('AVCS')

The Scheme has holdings in a unit-linked AVC policy with Clerical Medical, the Clerical Medical Halifax Pension Fund. The holdings are small in scale relative to the size of the Scheme's main arrangements held with Scottish Widows.

The Trustees reviewed the Clerical Medical arrangements in October 2019 and it was agreed to communicate with members to remind them of their AVCs and make them aware of the options available to them.

The Trustees have sought to quantify the charges and transaction costs associated with the holdings in these policies by requesting the information from the provider in line with the prescribed transaction cost disclosure methodology.

The TER for the legacy AVC fund was confirmed to be 0.50% p.a. as at 31 December 2019. Clerical Medical confirmed that this fund invests in bank deposits only so incurs no transaction costs. Clerical Medical was unable to provide more recent information to date.

CHARGE AND COST ILLUSTRATIONS

Using the charges and transaction cost data provided by Scottish Widows and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of funds. The funds we are required to illustrate to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The fund or strategy with the most members invested (Active Diversified Growth Fund)
- The most expensive fund (Active Sustainable Equity Fund)
- The least expensive fund (Passive UK Equity Fund)
- The fund with the highest expected return (Passive UK Equity Fund)
- The fund with the lowest expected return (Passive Cash Fund)

To illustrate the impact of charges on a typical member's pension pot, we have provided examples below and in the Appendices. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation. In addition, the illustrations that follow take into account the following elements to represent the Scheme's membership:

- Initial savings pot size;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

Contributions are not taken into account as the Scheme is closed to new contributions. As the members with AVC assets invested in the Clerical Medical Pension Fund have a significantly different demographic from the main membership, we have illustrated the effects of this fund on a member's pot separately, in the Appendix.

ILLUSTRATION 1: A TYPICAL MEMBER'S POT AS IT CHANGES OVER TIME

	MOST POPULAR FUND: Active Diversified Growth Fund		MOST EXPENSIVE FUND: Active Sustainable Equity		LEAST EXPENSIVE FUND AND HIGHEST EXPECTED INVESTMENT RETURN: Passive UK Equity		LEAST EXPECTED INVESTMENT RETURN: Cash	
AGE	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
51	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000
52	£30,782	£30,663	£30,955	£30,673	£30,900	£30,877	£29,554	£29,508
53	£31,585	£31,341	£31,940	£31,361	£31,827	£31,779	£29,115	£29,024
55	£33,254	£32,741	£34,005	£32,783	£33,765	£33,664	£28,256	£28,080
58	£35,925	£34,961	£37,355	£35,039	£36,896	£36,703	£27,014	£26,721
59	£36,862	£35,733	£38,544	£35,825	£38,003	£37,776	£26,613	£26,283
60	£37,823	£36,523	£39,770	£36,629	£39,143	£38,880	£26,217	£25,852
63	£40,860	£38,999	£43,689	£39,149	£42,773	£42,389	£25,065	£24,601
64	£41,926	£39,860	£45,079	£40,027	£44,056	£43,628	£24,693	£24,197
65	£43,019	£40,741	£46,513	£40,925	£45,378	£44,904	£24,326	£23,801

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting pot size is assumed to be £30,000 and this person is 51 years old. This member is assumed to retire at 65. These figures represent the average age of the membership and the average pot size. As there are no active members of the Scheme, the member is assumed to make no further contributions to the Scheme.
4. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2020, shown earlier in this Statement.
5. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. However, Scottish Widows have only been able to provide them for 2020, and the funds have only been provided for the Scheme since 2020. Consequently, the transaction costs used in these illustrations are for the year to 31 December 2020, as shown earlier in this document. Where funds have negative transaction costs over the period of this Statement, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.
6. Inflation is assumed to be 2.5% per annum.
7. The projected gross growth rates for each fund are based on assumptions provided by the Scheme's adviser Mercer, as follows:

MOST POPULAR FUND: Active Diversified Growth Fund	2.6% p.a. after inflation
MOST EXPENSIVE FUND: Active Sustainable Equity Fund	3.0% p.a. after inflation
CHEAPEST FUND AND GREATEST EXPECTED RETURN FUND: Passive UK Equity Fund	3.0% p.a. after inflation
LOWEST EXPECTED INVESTMENT RETURN: Passive Cash Fund	-1.5% p.a. after inflation

Further Illustrative examples of the cumulative effects over time of the relevant costs and charges on the value of members' benefits can be found in the Appendix.

The Trustees fully support transparency of costs for members. We also reiterate that while costs and charges are an important consideration, they are not the only criteria the Trustees assess. A variety of factors are typically considered in a holistic manner when making strategic decisions in the best interests of the Scheme's members.

Value for members

Over the second quarter of 2021, the Trustees with the help of their financial advisers at Mercer carried out a review of the extent to which member-borne investment charges represent good value for members for the year ending 31 December 2020. The assessment covered a wide range of financial and non-financial factors including:

- An assessment of member-borne charges for each of the funds available in the Scheme (this included benchmarking against comparable funds in each asset class based on peer group data provided by the Scheme's investment advisors, Mercer Limited).
- A review of transaction costs and charges where available.
- An assessment of the historic returns of the available fund options relative to their respective objectives.
- An assessment of each fund's manager research and Environmental, Social, and Governance (ESG) rating (as provided by the Scheme's investment advisors, Mercer Limited).
- A review of the other features that are paid for by the employer and deliver good value for members. Other features and services that strengthen the Scheme's value proposition include but are not limited to efficient administration services and trustee oversight.

The review concluded that overall, the Scheme provides good value relative to the costs borne by members, with the move to the Scottish Widows platform providing additional benefits to members in terms of lower costs and enhanced fund options. Members further benefit from the access to funds from the Morgan Stanley DC fund range, allowing access to lower fees than the Scheme's assets could achieve otherwise. The AVC arrangements were reviewed in October 2019; the only recommendation as a result of this review was communicate with members to remind them of their AVCs and make them aware of the options available to them.

The Trustees undertake annual assessments and the next formal Value for Money assessment will be for the year ending 31 December 2021.

Trustees' knowledge and understanding

In accordance with sections 247 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

Trustee training is of high importance to the good running of the Scheme. The Trustees acknowledge how vital it is that they maintain their knowledge of pension law, trust law, investment principles and are conversant with the Scheme documentation including the Trust Deed and Rules, SIP and Scheme policies.

ONGOING TRAINING

In order to maintain this high level of knowledge, the Trustees have procedures and policies in place:

- Trustees have individually or collectively undertaken several of the training modules from the Pensions Regulator's site that are relevant to DC schemes;
- Trustees undertake additional ongoing training to ensure that they keep up to date with changes in legislation, current issues and the latest developments relating to DC schemes;
- The Trustees maintain an annual training schedule;
- All training activities are recorded in a training log;
- Trustee training is considered at each Trustee meeting to determine any specific training and development needs. The training schedule is then updated accordingly.

Over the course of the last year the Trustees have demonstrated their continuous commitment to learning by many undertaking the following training:

- Pension Matters for January 2020 (27/01/2020)
- Current issues in pensions (17/03/2020)
- The Future of Trusteeship and Governance (17/03/2020)
- Strategic Asset Allocation: ESG's new frontier (17/04/2020)
- Current Issues in Pensions: April to June 2020 (15/07/2020)
- COVID-19, FCA, New Investment Requirements (24/07/2020)
- TRP Corporate Plan, GMP Equalisation (26/08/2020)
- Insight Partner roundup (02/09/2020)
- PMI Trustee Group update (25/09/2020)
- TPR annual report and accounts, protecting pension savers from scams (30/09/2020)
- The hard-hitting financial reality (09/10/2020)
- Current issues in pensions – October (16/10/2020)
- Balance of Powers – Legal Training (27/10/2020)
- Longevity Risk and COVID-19 and Improving Outcomes for DC scheme members (12/11/2020)
- De-risk the investment journey (13/11/2020)
- Insight Partner roundup December 2020 (02/12/2020)
- Current issues in pensions – December (18/12/2020)

TRUSTEE INDUCTION

There is no formal induction process in place for new Trustees; however, if a new Trustee were to join the board it is expected that actuarial, investment and legal induction training would be provided by our advisors.

EXAMPLES DEMONSTRATING TRUSTEES' KNOWLEDGE AND UNDERSTANDING

The Trustees undertook a number of activities that involved giving detailed consideration to the trust deed and rules, the law relating to pensions and trusts, the Scheme's current SIP and all governing documents setting out the Trustee's current policies. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- Changes to the default investment option and self-select funds necessitated consideration of the investment powers in the Scheme's Trust Deed and Rules as well being conversant with the Statement of Investment Principles.
- The Risk Register is reviewed and updated annually at the Trustees' first meeting of the scheme year. This demonstrates that the Trustees have the required knowledge of the Pensions Regulator's DC Code and hold relevant knowledge on DC specific internal controls and the regulatory requirements. This also helped demonstrate a sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.

UTILISING ADVISORS

The Trustees believe that the best run Schemes utilise the combined skill and knowledge of both the Trustees and their professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have applied during the period:

- The Trustees' professional advisors attend their formal meetings;
- The Trustee Board contains Trustees with wide ranging skills and experience, including pension experience; and
- The Trustees receive briefings from their advisors on all legislative and regulatory developments at each meeting.

ASSESSING EFFECTIVENESS

The Trustees understand that having knowledge on the Board and the professional advice available needs to be used effectively in order for the Trustees to act properly. The examples below demonstrate the actions which have been taken to ensure this is the case:

- At the beginning of each year, the Trustees draft a business plan. Throughout the year the Trustees regularly monitor their progress against their Business Plan to ensure the Trustees are performing effectively and are meeting the objectives set out in the Business Plan.
- The Trustees are encouraged, at meetings and in response to the training plan, to highlight any knowledge gaps they might be aware of.

By following the processes noted above, throughout the scheme year the Trustees have demonstrated that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

Chair's declaration

I confirm that the above statement has been produced by the Trustees to the best of their knowledge

Signature: ______________________________

Name: **Andrew Trapnell**

Position: **Chair of the Dean Witter Reynolds Retirement Benefits Scheme**

Date: **23-Jul-2021**

Appendices

APPENDIX A – ADDITIONAL CHARGE AND COST ILLUSTRATIONS

Additional example illustrations of the impact of costs and charges on a typical member's pension pot are provided below. These include all member costs, including the Total Expense Ratio, transaction costs and inflation.

ILLUSTRATION 2: YOUNGEST MEMBER

	MOST POPULAR FUND: Active Diversified Growth Fund		MOST EXPENSIVE FUND: Active Sustainable Equity		LEAST EXPENSIVE FUND AND HIGHEST EXPECTED INVESTMENT RETURN: Passive UK Equity		LEAST EXPECTED INVESTMENT RETURN: Cash	
AGE	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
46	£14,000	£14,000	£14,000	£14,000	£14,000	£14,000	£14,000	£14,000
48	£14,740	£14,626	£14,905	£14,635	£14,853	£14,830	£13,587	£13,545
50	£15,519	£15,279	£15,869	£15,299	£15,757	£15,710	£13,186	£13,104
52	£16,339	£15,962	£16,895	£15,993	£16,717	£16,642	£12,797	£12,678
55	£17,651	£17,044	£18,559	£17,093	£18,267	£18,144	£12,235	£12,064
58	£19,068	£18,199	£20,388	£18,270	£19,961	£19,782	£11,697	£11,480
60	£20,076	£19,013	£21,706	£19,098	£21,176	£20,955	£11,352	£11,107
63	£21,688	£20,301	£23,845	£20,412	£23,140	£22,847	£10,853	£10,569
65	£22,834	£21,209	£25,387	£21,338	£24,549	£24,202	£10,533	£10,226

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £14,000 and this person is 46 years old. This member is assumed to retire at 65. These figures broadly represent the youngest member of the membership and its corresponding pot size. As there are no active members of the Scheme, the member is assumed to make no further contributions to the Scheme.
4. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2020, shown earlier in this Statement. Where funds have negative transaction costs over the period of this Statement, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.
5. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. However, Scottish Widows have only been able to provide them for 2020, and the funds have only been provided for the Scheme since 2020. Consequently, the transaction costs used in these illustrations are for the year to 31 December 2020, as shown earlier in this document
6. Inflation is assumed to be 2.5% per annum.
7. The projected gross growth rates for each fund are based on assumptions provided by the Scheme's adviser Mercer, as follows:

MOST POPULAR FUND: Active Diversified Growth Fund	2.6% p.a. after inflation
MOST EXPENSIVE FUND: Active Sustainable Equity Fund	3.0% p.a. after inflation
CHEAPEST FUND AND GREATEST EXPECTED RETURN FUND: Passive UK Equity Fund	3.0% p.a. after inflation
LOWEST EXPECTED INVESTMENT RETURN: Passive Cash Fund	-1.5% p.a. after inflation

ILLUSTRATION 3

AGE	CLERICAL MEDICAL PENSION FUND	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
61	£4,000	£4,000
62	£3,920	£3,900
63	£3,842	£3,803
64	£3,765	£3,709
65	£3,689	£3,616

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £4,000 and this person is 61 years old. This member is assumed to retire at 65. As there are no active members of this fund, the member is assumed to make no further contributions to the Scheme.
4. Charges assumed for each individual fund are as provided by Clerical Medical as at 31 December 2019, shown earlier in this Statement.
5. Clerical Medical have confirmed that, as this fund invests in bank deposits only, it incurs no transaction costs.
6. Inflation is assumed to be 2.5% per annum.
7. The projected gross growth rate for the fund is based on assumptions provided by Clerical Medical. This rate is assumed to be 0.5% p.a. before inflation.