

The First UK Bus Pension Scheme

Chair's statement regarding the governance of defined contribution arrangements

Scheme year – 6 April 2019 to 5 April 2020

1. Introduction

- 1.1. This statement has been prepared by The First UK Bus Pension Scheme Trustee Limited ("the Trustee"), the Trustee of The First UK Bus Pension Scheme ("the Scheme"), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. The reporting period covered by this statement is 6 April 2019 to 5 April 2020 ("the scheme year").
- 1.4. Towards the end of the scheme year, the UK began to experience the Covid-19 health pandemic. The Trustee took action to identify key potential risks posed to the Scheme. The Trustee is and remains in regular contact with its service providers and advisers to ensure their business continuity plans are in place and working. The Trustee continues to have meetings, albeit in a virtual setting.

2. The Scheme's DC arrangements

- 2.1. Over the reporting period, the Scheme's DC arrangements comprised the following:
 - 2.1.1. A DC Section ("the Bronze Section") which is operated by Aegon, is open to future contributions and is used as a qualifying workplace pension scheme for auto-enrolment purposes.
 - 2.1.2. A DC Section ("the Lifetime Savings Plan") which is also operated by Aegon, open to future contributions and used as an auto-enrolment scheme.
 - 2.1.3. A number of AVC arrangements provided by Prudential, Phoenix Life, Standard Life and Utmost Life & Pensions. These AVC arrangements are closed to future contributions.

3. The DC Sections' default investment arrangement

- 3.1. For members who are automatically enrolled into the Scheme's DC Sections and do not make an alternative selection, contributions are invested in the Aegon BlackRock LifePath Capital Funds ("the default").
- 3.2. The key features of the default are:
 - 3.2.1. It is structured as target date funds across three year maturity date windows, with the fund most closely aligned to a member's target retirement date being used. For example, a member with target retirement date in 2021 would be invested in the Aegon BlackRock LifePath Capital Fund 2019 – 2021.
 - 3.2.2. Each target date fund invests in a broad mix of assets which are automatically rebalanced at different stages depending on the fund's maturity date window. When this is further away, emphasis is placed on growth assets in search of long-term returns that exceed inflation.
 - 3.2.3. As a fund's maturity date window approaches, broadly over the final 10 years, the investments are progressively switched to lower risk investments to give more protection to the value built up. This de-risking assumes that members will access their pension savings as a cash lump sum, so the investment allocation changes towards a portfolio of mainly fixed income and cash-like assets.
 - 3.2.4. BlackRock will adjust the investment profile, strategy and asset allocations on an ongoing basis in order to take account of changes in market conditions.

Review of the default investment arrangement

- 3.3. The strategy and performance of the default were formally reviewed during the scheme year, as at 10 April 2019.
- 3.4. The review was undertaken with advice from the Trustee's investment advisers, Barnett Waddingham, and included consideration of projected pot values and the likely way in which the typical member would access benefits at retirement.
- 3.5. The outcome of the review was that the Trustee agreed to implement a new default arrangement for all new members and also for existing members of the current default who are more than 10 years from target retirement date. The agreed new default arrangement is the BlackRock LifePath Flexi Funds that, like the current default, is structured as target date funds but assumes members will keep their pension savings invested and draw an income. Due to Covid-19, implementation of the new default has been delayed.
- 3.6. The Trustee was satisfied that the current default has performed in line with its stated aims and objectives and remains suitable for members within 10 years of target retirement age, for whom investments have begun to de-risk. Once the new default is implemented, these members can choose to switch to the new default should they wish.
- 3.7. The Trustee monitors the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Scheme and do not constitute part of the formal review of the default, which ordinarily follows a three year cycle.

Further information on investments

- 3.8. Details of the current default and delayed new default are set out in the Statement of Investment Principles attached to this statement. The Statement of Investment Principles covering DC default arrangements was reviewed and updated on 24 September 2019.

4. Core financial transactions

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
 - 4.2.1. investment of DC contributions.
 - 4.2.2. transfers into and out of the Scheme's DC arrangements.
 - 4.2.3. investment switches within the Scheme's DC arrangements.
 - 4.2.4. payments out of the Scheme's DC arrangements in respect of members.

Controls and monitoring arrangements – DC Section

- 4.3. Over the scheme year, the processing of the DC Sections' core financial transactions were largely undertaken by Aegon. Mercer, the administrators to the Scheme's Defined Benefit (DB) Section undertook some core financial transactions in relation to members with both DB and DC benefits.
- 4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are as follows:
 - 4.4.1. The scope of Aegon's administration functions are recorded in detail in a process manual.
 - 4.4.2. The Trustee has established robust processes for Aegon's reporting to, and monitoring by, the Administration and Communications Committee (A&CC). This quarterly reporting includes information on the timeliness of contribution payments and their investment, service provision, data protection breaches and complaints.

4.4.3. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Aegon. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Aegon in respect of the DC Sections. Aegon undertakes to ensure that at a minimum, 90% of all tasks are completed within the defined SLAs. The agreed SLAs for the core financial transactions identified in 4.1 above are as follows:

Core financial transaction	SLA criteria
Investment of contributions	100% of the contribution schedules processed within 1 day of receipt. 100% of BACS payment then processed within 2 days.
Transfer into the DC Section	95% within 5 days
Transfer out of the DC Section	95% within 5 days
Investment switches	100% within 1 day
Payments out of the Scheme	Retirements have an SLA of 90% in 5 days whilst auto-enrolment contribution refunds have an SLA of 95% in 5 days.

4.4.4. The Trustee considers these reports in detail as a regular item at its quarterly A&CC meetings.

4.4.5. Administration is also a substantive item at Trustee meetings.

4.4.6. Administration is captured as part of the Scheme's risk register and risks specific to the DC Sections are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions. This is reviewed regularly and updated annually.

4.4.7. Both Aegon and Mercer have robust internal controls procedures in place, e.g. Aegon has procedures in place to check validity of benefit payments.

4.4.8. The Scheme's annual report and accounts is externally audited.

4.4.9. Aegon reconciles after each transaction. Aegon has a daily checklist that is run by their dealing team to verify that all dealing activities are completed accurately and on a timely basis.

4.4.10. The Scheme's membership data is subject to an annual audit and data improvement processes, where required. Membership data is also reviewed after special data projects and prior to submitting the Scheme Return, the last of which was in October 2019.

Performance during the scheme year

4.5. Aegon's performance against the agreed SLAs for the core financial transactions are set out below:

Core financial transaction	Quarter 2 2019	Quarter 3 2019	Quarter 4 2019	Quarter 1 2020
Investment of contributions (contribution schedule)	100%	100%	100%	100%
Investment of contributions (BACS payment)	100%	100%	100%	100%
Transfers in	86%	78%	100%	95%
Transfers out	95%	84%	95%	99%
Investment switches	100%	100%	100%	100%
Payments out (retirements)	90%	90%	97%	93%
Payments out (contribution refunds)	100%	95%	95%	95%

- 4.6. Aegon’s overall service performance was below its 95% target level for the first and second quarters of the scheme year but exceeded target level for the final two quarters. Aegon put in place measures to address performance, e.g. increased the size of the administration team, increased automation of processes and allocated an additional temporary workforce. Aegon’s service performance in the last month of the scheme year had begun to be impacted by Covid-19.
- 4.7. Within its quarterly reporting, Aegon provided a summary of complaints upheld and how these have been resolved. The number of complaints upheld was low, with issues mainly around timeliness of service and incorrect information provided. There were no unresolved complaints reported.

AVC arrangements

- 4.8. The Trustee has delegated the administrative oversight of the separate AVC arrangements held with Prudential, Phoenix Life, Standard Life and Utmost Life & Pensions to Mercer.
- 4.9. Mercer reports back to the Trustee as part of the quarterly A&CC meetings with any specific issues relating to the administration of the separate AVC arrangements. Monitoring of core financial transactions relating to the AVC arrangements is challenging, as there is very limited reporting available from the providers.
- 4.10. No material issues were reported during the scheme year.

Trustee assessment of core financial transactions

- 4.11. In view of the controls and monitoring arrangements, and the low level of issues experienced during the scheme year, the Trustee believes that overall core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

- 5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
- 5.1.1. Charges: these are expressed as a percentage of the value of a member’s holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
- 5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges and transaction costs - DC Sections

- 5.2. The following table provides details of the charges and transaction costs applied to each of the investment options provided through the DC Sections. This data has been sourced from Aegon and covers the year to 31 March 2020.

Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Flexi 2019-2021 Class Y	0.41%	0.0202%
Aegon BlackRock LifePath Flexi 2022-2024 Class Y	0.41%	0.0328%
Aegon BlackRock LifePath Flexi 2025-2027 Class Y	0.41%	0.0349%
Aegon BlackRock LifePath Flexi 2028-2030 Class Y	0.41%	0.0430%
Aegon BlackRock LifePath Flexi 2031-2033 Class Y	0.41%	0.0475%

Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Flexi 2037-2039 Class Y	0.41%	0.0677%
Aegon BlackRock LifePath Flexi 2040-2042 Class Y	0.41%	0.0851%
Aegon BlackRock LifePath Flexi 2043-2045 Class Y	0.41%	0.0914%
Aegon BlackRock LifePath Flexi 2046-2048 Class Y	0.41%	0.1096%
Aegon BlackRock LifePath Flexi 2049-2051 Class Y	0.41%	0.1037%
Aegon BlackRock LifePath Flexi 2052-2054 Class Y	0.41%	0.1144%
Aegon BlackRock LifePath Flexi Class Y	0.41%	0.0375%
Aegon BlackRock LifePath Capital 2019-2021 Class Y	0.41%	0.0109%
Aegon BlackRock LifePath Capital 2022-2024 Class Y	0.41%	0.0218%
Aegon BlackRock LifePath Capital 2025-2027 Class Y	0.41%	0.0275%
Aegon BlackRock LifePath Capital 2028-2030 Class Y	0.41%	0.0380%
Aegon BlackRock LifePath Capital 2031-2033 Class Y	0.41%	0.0475%
Aegon BlackRock LifePath Capital 2034-2036 Class Y	0.41%	0.0596%
Aegon BlackRock LifePath Capital 2037-2039 Class Y	0.41%	0.0677%
Aegon BlackRock LifePath Capital 2040-2042 Class Y	0.41%	0.0851%
Aegon BlackRock LifePath Capital 2043-2045 Class Y	0.41%	0.0914%
Aegon BlackRock LifePath Capital 2046-2048 Class Y	0.41%	0.1096%
Aegon BlackRock LifePath Capital 2049-2051 Class Y	0.41%	0.1037%
Aegon BlackRock LifePath Capital 2052-2054 Class Y	0.41%	0.1144%
Aegon BlackRock LifePath Capital 2055-2057 Class Y	0.41%	0.0924%
Aegon BlackRock LifePath Capital 2058-2060 Class Y	0.41%	0.0913%
Aegon BlackRock LifePath Capital 2061-2063 Class Y	0.41%	0.0887%
Aegon BlackRock LifePath Capital 2064-2066 Class Y	0.41%	0.0887%
Aegon BlackRock LifePath Capital 2067-2069 Class Y	0.41%	0.0875%
Aegon BlackRock LifePath Capital 2070-2072 Class Y	0.41%	0.0838%
Aegon BlackRock LifePath Retirement 2019-2021 Class Y	0.41%	0.0186%
Aegon BlackRock LifePath Retirement 2028-2030 Class Y	0.41%	0.0384%
Aegon BlackRock LifePath Retirement 2037-2039 Class Y	0.41%	0.0677%
Aegon BlackRock LifePath Retirement 2043-2045 Class Y	0.41%	0.0914%
Aegon BlackRock LifePath Retirement 2046-2048 Class Y	0.41%	0.1096%
Aegon BlackRock LifePath Retirement 2049-2051 Class Y	0.41%	0.1037%
UK Bus Defensive Class P	0.53%	0.1325%
UK Bus Moderate Growth Class P	0.58%	0.1912%
UK Bus High Growth Class P	0.55%	0.1592%
UK Bus Diversified Growth Class UB	0.60%	0.3369%
UK Bus Over 15 Year Gilts Class UB	0.36%	0.0132%
UK Bus Property Class UB	1.00%	-0.0636%

Fund	Total Expense Ratio (TER)	Transaction Costs
UK Bus Corporate Bonds Class UB	0.62%	0.0309%
UK Bus EM Equity Class UB	1.02%	0.1548%
UK Bus Global Equity Class UB	0.36%	0.0361%
UK Bus Index Linked Gilts Class UB	0.36%	0.0217%
UK Bus Shariah Global Equity Class UB	0.65%	0.0409%
UK Bus Cash Class UB	0.33%	0.0114%

- 5.3. The Aegon BlackRock LifePath Capital Fund, with differing three year maturity windows, is the default investment arrangement.
- 5.4. In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

Charges and transaction costs - AVC arrangements

- 5.5. Information on charges and transaction costs for the scheme year was not available. We believe that the AVC providers have prioritised certain aspects of servicing, e.g. payments, during the Covid-19 health pandemic over the provision of reporting information. The Trustee shall liaise with its administrators, Mercer, to ensure this information is provided for governance reporting going forwards.

Impact of costs and charges

- 5.6. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the appendix.

6. Value for members

- 6.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value. In the Trustee's view, charges and transaction costs are likely to represent good value for members where the combination of member-borne costs and what is provided for the costs is appropriate for the scheme membership as a whole, and when compared to other options available in the market.
- 6.2. The annual value for members analysis relating to the scheme year was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings were set out in a draft report dated August 2020. The Trustee considered the draft report and confirmed its value for members assessment at a meeting on 9 September 2020.
- 6.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.
- 6.4. Various investment-related services for which members do not directly the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.

6.5. Other services paid for by First Bus UK Plc (“the Company”) were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the trustee board, with a duty to act in the best interest of members.

DC Sections

6.6. In relation to the DC Section, the member-borne charges and transaction costs relate to:

6.6.1. investment services

6.6.2. administration services

6.6.3. communication services

6.7. The assessment considered:

6.7.1. in relation to investment services:

6.7.1.1. the investment strategy, i.e. the range of investment options available and the design and suitability of the default investment arrangement

6.7.1.2. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy

6.7.1.3. the investment governance arrangements in place

6.7.2. in relation to administration services:

6.7.2.1. the general administration arrangements

6.7.2.2. arrangements in relation to financial transactions

6.7.2.3. data and record keeping practices

6.7.3. in relation to communication services:

6.7.3.1. the design of the communications strategy

6.7.3.2. the quality of communications issued to members

6.7.3.3. the degree of support provided to members

6.8. The Trustee concluded that over the scheme year, the DC Sections provided **excellent value** for members in relation to the charges and transactions costs borne by members. There were no areas in which the DC Sections detracted value and in most areas the offering enhanced value.

6.9. Of particular note during the scheme year:

6.9.1. The Trustee completed its strategic review of the default investment arrangements and wider investment options, taking advice from Barnett Waddingham and considering the likely needs of members. As a result, changes to the default investment arrangements and a slight reduction to the range of wider investment options were agreed. The Scheme’s Statement of Investment Principles for the default investment arrangements was updated.

6.9.2. The Trustee reviewed its Risk Register for implications of Covid-19 and transitioned its meetings and those of its sub-committees to a virtual basis.

6.10. The assessment highlighted some areas in which value for members may be improved:

6.10.1. Security of assets: the Trustee could ask Aegon to report on the security of the investments and the protections available.

6.10.2. Communications: there are a number of areas in which the communication service may be improved, e.g. consideration of targeted member communications, and updates to the annual benefit statements and the member booklet.

6.11. In addition, the Trustee concluded that the DC Sections provide good value relative to other options in the market, e.g. compared with other schemes of this size and nature and other types of pension scheme available to the Company.

AVC arrangements

6.12. In relation to the AVC arrangements, the member-borne charges and transaction costs relate to:

6.12.1. investment services

6.12.2. administration services

6.12.3. communication services

6.13. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.

6.14. The Trustee concluded that the AVC arrangements offer reasonable value in relation to the charges and transaction costs borne by members. The Trustee will continue to work to consolidate these AVC arrangements wherever possible to improve value, whilst recognising that some of the AVC policies which are invested in 'with profits' will carry higher charges but they have other benefits for the members.

6.15. In reaching this conclusion, the Trustee recognised:

6.15.1. the range of investment options is limited

6.15.2. the AVC providers offer basic administration services and limited performance reporting

6.15.3. communication services are basic

6.15.4. the costs are broadly in line with AVC arrangements of a similar size and closed nature

6.15.5. members benefit from the administration services provided by Mercer, whose costs are not borne by members.

7. Trustee knowledge and understanding

The Trustee Board

7.1. The First UK Bus Pension Scheme Trustee Limited, the Trustee, is a trustee company which comprised six Trustee Directors at the end of the scheme year. Three Trustee Directors are member nominated and three are appointed by the Company. Martin Carroll and Richard Soper acted as Joint Chairs of the Trustee over the scheme year.

Trustee knowledge and understanding requirements

7.2. Trustees are required to be conversant with a scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

Approach

7.3. All Trustee Directors are required to sign an individual Trustee Declaration of Fitness to act on an annual basis.

- 7.4. The Trustee Directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles, the Risk Register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the scheme year and access to professional advice.
- 7.5. The Trustee maintains a training log and consults with its professional advisers to identify any Trustee or individual Trustee Director training needs with a view to upcoming agenda items. The training needs are reviewed regularly by the Trustee to ensure they are relevant and DC focussed. Training is reviewed and logged at each quarterly Trustee meeting.
- 7.6. The Trustee carried out a Trustee Knowledge & Understanding assessment and gap analysis.
- 7.7. At the August Trustee meeting each year, the Trustee Directors take part in a Trustee Effectiveness Review which is run by one of the Co-Chairs.
- 7.8. Each Trustee Director in place during the scheme year has completed all modules of the Pensions Regulator's Trustee Toolkit programme. Newly appointed Trustee Directors are expected to complete the Trustee Toolkit within six months of appointment.
- 7.9. Trustee Directors supplement the Scheme specific training provided at Trustee meetings with activities such as attending seminars and conferences, and reading pensions-related articles.
- 7.10. Additionally, the Scheme has in place a structured induction process for new Trustee Directors. Training is carried out by the Company Pension Team and there is a Trustee Induction Policy which sets out what is required of the Trustee Director.

Activities over the scheme year

- 7.11. The Trustee has undertaken training in relation to the following specific topics during the year; cyber and financial crime in pensions, investment strategies, Responsible Investment. Investing for Climate Change, Environmental, Social and Governance (ESG) factors, Member options and an update on the Master Trust landscape.
- 7.12. The Trustee Directors reviewed the following documents:
 - 7.12.1. Statement of Investment Principles, both for the DC default arrangements and scheme-wide arrangements
 - 7.12.2. Terms of Reference documents for its Co-Chairs and Investment committees
 - 7.12.3. Risk Register both generally and specifically for the implications of Covid-19
 - 7.12.4. Annual report and accounts
- 7.13. One Trustee Director, Warren Bell, resigned and was replaced with effect from 8 October 2019 by Christopher Tyson. The induction process was followed and trustee training was provided.
- 7.14. Several Trustee Directors attended seminars and conferences run throughout the year.
- 7.15. The Trustee took professional advice in relation to:
 - 7.15.1. Strategic investment review, including formal review of DC default arrangements
 - 7.15.2. Investment-related ESG factors
 - 7.15.3. Value for members assessment
 - 7.15.4. Disclosure of costs, charges and other information

7.16. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the DC Sections and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding in of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.

Assessment

7.17. The Trustee considers that the combined knowledge of the Trustee Directors, together with access to professional advice, enables it to properly exercise its Trustee functions in the following ways:

7.17.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively

7.17.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties

7.17.3. The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

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Martin Carroll
Co-Chair

Richard Soper
Co-Chair

For and on behalf of The First UK Bus Pension Scheme Trustee Limited

Date

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, Aegon has produced illustrations on behalf of the Trustee in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

- A1.2. The membership of the DC Sections and the investment options offered were analysed in determining the parameters to be used.
- A1.3. Pot size: pot sizes of £0, £3,000 and £7,500 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £500) of DC Section members as at 5 April 2020.
- A1.4. Active members and deferred members: illustrations have been provided for active members assuming total regular contributions of 10%, and for deferred members assuming no future contributions.
- A1.5. Pensionable salary: a starting pensionable salary of £22,000 has been used as this represents the median (rounded to the nearest £1,000) of active DC Section members. Pensionable salary is assumed to grow at 3.5% per year.
- A1.6. Timeframe: the illustrations are shown over a 51 year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.
- A1.7. Investment options: the investment options selected for the illustrations include the most popular by number of members (the Default), the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Aegon BlackRock LifePath Capital Funds	Default strategy and most popular choice	-0.76% to 3.00%***	0.41%	0.04%
UK Bus Cash	Lowest assumed investment growth	-0.76%	0.33%	0.01%
UK Bus Shariah Global Equity	Highest assumed investment return and lowest charge	3.00%	0.65%	0.05%
UK Bus EM Equity	Highest charge	2.97%	1.02%	0.12%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2019 Statutory Money Purchase Illustrations (SMPIs).

** The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last year only, the figures are based on the period 1 April 2019 to 31 March 2020.

*** The growth rate used for the LifePath fund varies through time based on the underlying asset mix

Guidance to the illustrations

A1.8. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.0% per year.

A1.10. Values shown are estimates and not guaranteed.

A1.11. The starting date for the illustrations is 5 April 2020.

A1.12. The illustrations are presented in two different ways:

A1.12.1. For the default, a target date strategy, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

A1.12.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Illustrations for a starting fund value of £0

Years	Lifepath Capital (Default Investment Option)		UK Bus Cash		UK Bus Shariah Global Equity		UK Bus EM Equity	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	2200.24	2194.86	2170.67	2166.67	2214.36	2205.92	2214.36	2200.64
3	6811.67	6764.49	6556.03	6522.10	6936.70	6861.73	6936.70	6815.14
5	11715.61	11582.23	11002.47	10909.57	12072.97	11858.02	12072.97	11725.45
10	25348.65	24779.70	22404.97	22039.13	26915.25	25965.52	26915.25	25390.95
15	41134.90	39761.76	34254.85	33439.03	45021.61	42646.90	45021.61	41237.80
20	59335.99	56713.61	46602.38	45161.54	66968.06	62268.65	66968.06	59534.08
25	80242.00	75837.62	59500.95	57261.13	93424.76	85244.61	93424.76	80577.38
30	104174.45	97354.93	73007.42	69794.71	125170.93	112041.70	125170.93	104697.89
35	131489.43	121506.99	87182.34	82821.94	163112.03	143186.52	163112.03	132261.77
40	162581.15	148557.40	102090.26	96405.52	208299.69	179272.54	208299.69	163674.84
45	197885.86	178793.80	117800.11	110611.45	261954.66	220968.32	261954.66	199386.68
50	237886.02	212529.94	134385.47	125509.45	325493.40	269026.58	325493.40	239895.11
51	246495.49	219726.72	137814.43	128578.51	339527.41	279474.49	339527.41	248619.88

A1.13. Note on how to read this table: If an active member aged 17 had £0 invested in the LifePath Capital Fund, when they came to retire in 51 years (at age 68), the savings pot could grow to £245,495.49 if no charges are applied but to £219,726.72 with charges applied.

Illustrations for a starting fund value of £3,000

Years	Lifepath Capital (Default Investment Option)		UK Bus Cash		UK Bus Shariah Global Equity		UK Bus EM Equity	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	5266.24	5247.09	5146.67	5132.57	5301.36	5271.39	5301.36	5252.64
3	10014.06	9923.94	9484.60	9420.95	10205.34	10062.45	10205.34	9973.87
5	15060.45	14852.65	13884.37	13742.90	15533.94	15199.95	15533.94	14994.64
10	29077.97	28344.92	25173.43	24715.04	30908.03	29688.36	30908.03	28953.50
15	45292.90	43648.36	36914.33	35966.27	49627.91	46794.06	49627.91	45120.02
20	63971.94	60950.55	49157.17	47548.37	72282.15	66888.49	72282.15	63764.66
25	85410.85	80456.48	61955.17	59515.35	99555.40	90391.01	99555.40	85187.57
30	109937.44	102390.14	75365.03	71923.69	132243.59	117774.67	132243.59	109721.76
35	137914.87	126996.09	89447.14	84832.64	171271.45	149572.92	171271.45	137736.44
40	169745.17	154541.29	104265.91	98304.51	217712.87	186386.85	217712.87	169640.76
45	205873.37	185317.09	119890.11	112404.93	272814.24	228893.50	272814.24	205887.94
50	246791.68	219641.24	136393.20	127203.29	338021.64	277855.05	338021.64	246979.73
51	255597.07	226961.84	139806.10	130253.10	352418.97	288495.62	352418.97	255827.32

A1.14. Note on how to read this table: If an active member aged 17 had £3,000 invested in the LifePath Capital Fund, when they came to retire in 51 years (at age 68), the savings pot could grow to £255,597.07 if no charges are applied but to £226,961.84 with charges applied.

Illustrations for a starting fund value of £3,000

Years	Lifepath Capital (Default Investment Option)		UK Bus Cash		UK Bus Shariah Global Equity		UK Bus EM Equity	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	9865.24	9825.44	9610.67	9581.42	9931.86	9869.59	9931.86	9830.65
3	14817.64	14663.10	13877.47	13769.24	15108.31	14863.52	15108.31	14711.97
5	20077.72	19758.29	18207.23	17992.88	20725.40	20212.85	20725.40	19898.44
10	34671.96	33692.76	29326.12	28728.91	36897.19	35272.61	36897.19	34297.31
15	51529.90	49478.26	40903.54	39757.13	56537.35	53014.79	56537.35	50943.35
20	70925.88	67305.96	52989.35	51128.62	80253.28	73818.25	80253.28	70110.52
25	93164.12	87384.78	65636.49	62896.69	108751.35	98110.60	108751.35	92102.86
30	118581.93	109942.97	78901.44	75117.17	142852.57	126374.13	142852.57	117257.57
35	147553.02	135229.73	92844.34	87848.69	183510.58	159152.52	183510.58	145948.45
40	180491.21	163517.12	107529.37	101152.99	231832.63	197058.31	231832.63	178589.65
45	217854.64	195102.01	123025.11	115095.16	289103.62	240781.27	289103.62	215639.82
50	260150.17	230308.20	139404.79	129744.05	356813.99	291097.76	356813.99	257606.67
51	269249.45	237814.52	142793.60	132764.98	371756.30	302027.31	371756.30	266638.47

A1.15. Note on how to read this table: If an active member aged 17 had £7,500 invested in the LifePath Capital Fund, when they came to retire in 51 years (at age 68), the savings pot could grow to £269,249.45 if no charges are applied but to £237,814.52 with charges applied.