



DB (UK) Pension Scheme – AVC Section

Trustee assessment of your pension scheme

For the period 1 January 2018 – 31
December 2018

31 July 2019

Welcome

The Trustee believes that good governance is key to ensuring that the Scheme delivers good value and good outcomes for members. The Trustee therefore regularly reviews and updates its governance processes and procedures to make sure that these meet industry best practice.

The following are some of the key areas we look at as part of our assessment:

- The overall quality of the scheme governance and management,
- The level and quality of the administration service provided to our members
- The range of investment options we make available and the charges and transaction costs paid by our members
- Our assessment of how the charges and transaction costs paid by members represent good value, and
- How well we communicate with you and support you on your retirement journey

In accordance with Regulations, the Trustee prepares an annual governance statement, called the "Chairman's Statement", which reports on these and other aspects of the Scheme over the course of each year. The full Chairman's statement is audited and included in the annual Trustee's Report and Accounts, this is also available on the member website.

We have prepared a summary of the key findings of our assessment in this report.

Assessing your Scheme for Value for Money

The Trustee has established an assessment framework in order to assess the benefits of the membership of the Scheme. The table below summarises our view of how well the Scheme is doing under each of these areas.

Scheme governance and management	The Trustee ensures the Scheme is run in compliance with the law and regulation, including taking account of the interests of our members.
Scheme Administration	The Trustee has appointed Aon to provide administration services to the Scheme and is satisfied that Aon has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that when administrative errors do occur, members are not disadvantaged as a result.
Investment choices and returns	The Scheme offers a variety of funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from our specialist investment adviser, with the specific needs of our members in mind.
Costs and Charges	We review the product charges on a regular basis, with advice from our specialist investment adviser. The last detailed review of the investment strategy and options was undertaken in Q4 2018. The next review is scheduled for Q4 2019. We believe that the range of charges and their levels are comparable to terms offered in the market for similar schemes.
Member communication and engagement	The Scheme provides biennial communications that are accurate, clear, informative and timely.

The Trustee is required to consider the extent to which those charges and costs represent good value for money for members.

A cost benefit analysis framework has been established that considers in detail the areas above. The Trustee has compared the Scheme to similar type arrangements in the market and **concluded that the Scheme provides good value.**

Governing the Scheme's default investment strategy



Default strategy: *a default strategy is provided for members for whom the Trustee is holding unallocated funds and for whom there is no current investment instruction. Members can also choose to invest in the default investment arrangement which is set up by the Trustee.*

Strategic review

The Standard Life Money Market Pension Fund is the default arrangement for the Scheme. The objective of the Default Investment Vehicle is defined in the Scheme's Trust Deed and Rules as "an Investment Vehicle with an investment objective which aims to preserve capital whilst aiming to provide a return on investments similar to that which might be achieved on cash deposits in a bank or building society or money market funds".

The Fund is reviewed on a regular basis to ensure it remains a suitable default for the Scheme. The last review was in 2016, and the next review is due to take place in 2019. Any changes made as a result of this review will be communicated to members.

Performance review

Every year the Trustee reviews the performance of the default fund and other funds available in the Scheme.

Costs and charges applied to your pension pot



Charges: include the Annual Management Charge (AMC) which is the annual fee charged by the investment manager for investing in a fund. Additional expenses such as trading fees or legal fees are summarised as the Total Expense Ratio (TER), which is the total cost of investing in a fund.



Transaction costs: are costs which are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within a fund.

We gathered information on the total costs and charges of the funds you invest in, including new information on fund-level transaction costs, to gain a fuller insight on whether these offer good value, compared to the Default Fund, these are available in the Appendix to this document.

Illustrative example of costs and charges

We have produced the following illustrations to help demonstrate the effect of costs and charges for some of the investment funds available through the Scheme on a few different combinations of terms to retirement, accumulated fund value, and types of member.

Details of costs and charges relating to all funds available through the Scheme can be found in the Chairman's Statement that can be found on the same webpage as this document:

<https://pensioninformation.aon.com/deutschebank>

A large proportion of members are invested in the Default Fund which invests members' funds in cash. We therefore chose this option for these illustrations. Members are also offered a series of self-select funds which carry a variety of TERs and transaction costs.

The tables and charts below illustrate the effect of the costs and charges at different ages on members' projected retirement pots for two representative members:

- A typical member in the AVC Section currently making active contributions 16 years from retirement with a retirement age of 65 and a current fund value of £50,000. Contributions are assumed to be 3.5% p.a. based on a current salary of £85,000.
- A typical member in the AVC Section not currently making active contributions 12 years from retirement with a retirement age of 65 and a current fund value of £64,000.

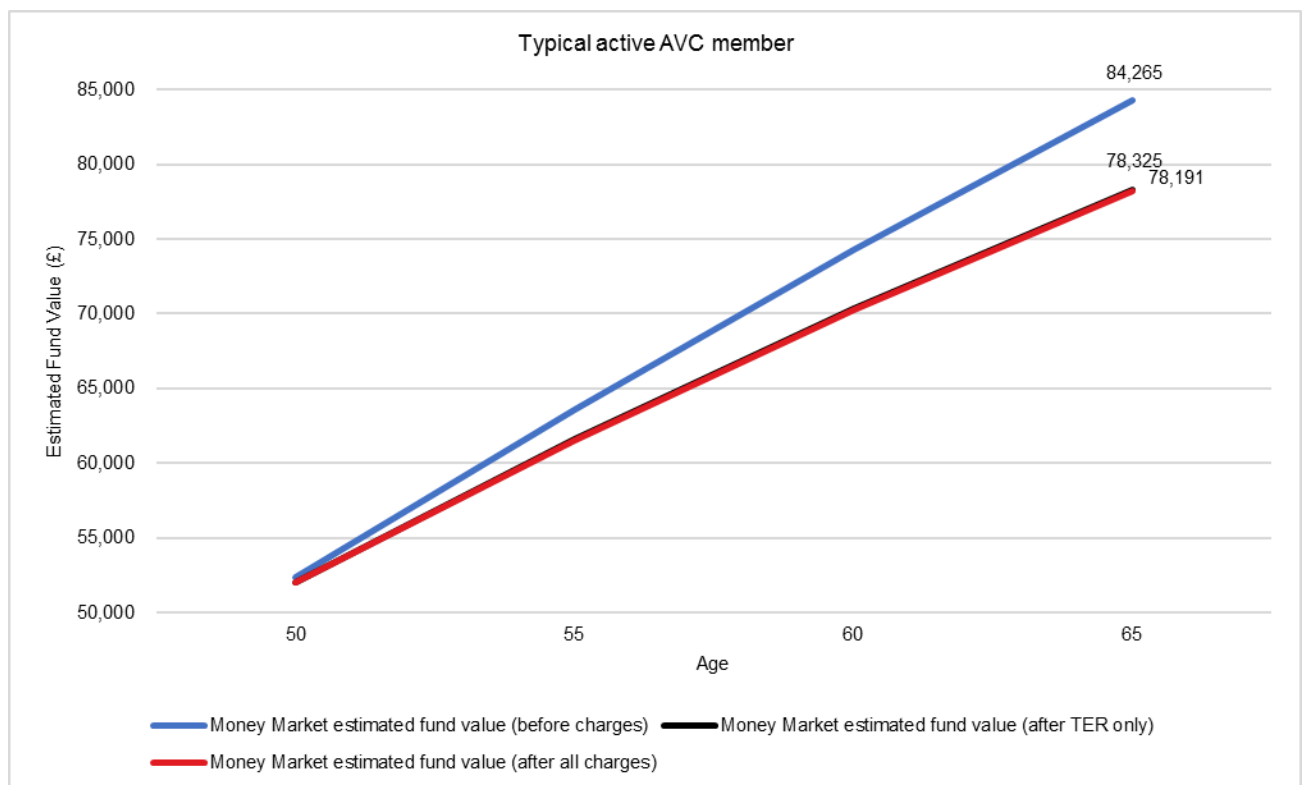
Example member 1

A typical member in the AVC Section currently making active contributions 16 years from retirement with a retirement age of 65 and a current fund value of £50,000. Contributions are assumed to be 3.5% p.a. based on a current salary of £85,000.

The graph below shows the difference between returns of the Default Fund (the Money Market Fund) without charges and the estimated return of the Money Market Fund after the impact of charges, on accumulated fund values.

The Trustee has elected to show a comparison of the impact of costs and charges on the higher risk and potentially higher returning Aberdeen Asset Management UK and Global 70/30 Equity Fund (the highest potential returning fund) and the Aberdeen Asset Management Global (ex. UK) Equity Fund (the most popular fund, regarding assets under management). The Trustee notes that charges on both the Aberdeen funds are somewhat higher than the funds shown under the Bankers Trust arrangement. This is largely due to the active management style of the Aberdeen funds.

Age	Money Market Estimated fund value (before charges) £	Money Market Estimated fund value (after charges) £	Effect of charges £	AAM UK and Global (70/30) Equity Fund Estimated fund value (before charges) £	AAM UK and Global (70/30) Equity Fund Estimated fund value (after charges) £	Effect of charges £	AAM Global (ex UK) Equity Fund Estimated fund value (before charges) £	AAM Global (ex UK) Equity Fund Estimated fund value (after charges) £	Effect of charges £
50	52,336	52,012	324	55,197	54,765	433	55,197	55,047	151
55	63,611	61,542	2,070	84,814	81,248	3,566	84,814	83,558	1,256
60	74,242	70,244	3,998	121,529	112,777	8,752	121,529	118,409	3,120
65	84,265	78,191	6,074	167,042	150,312	16,731	167,042	161,010	6,032



Example member 2

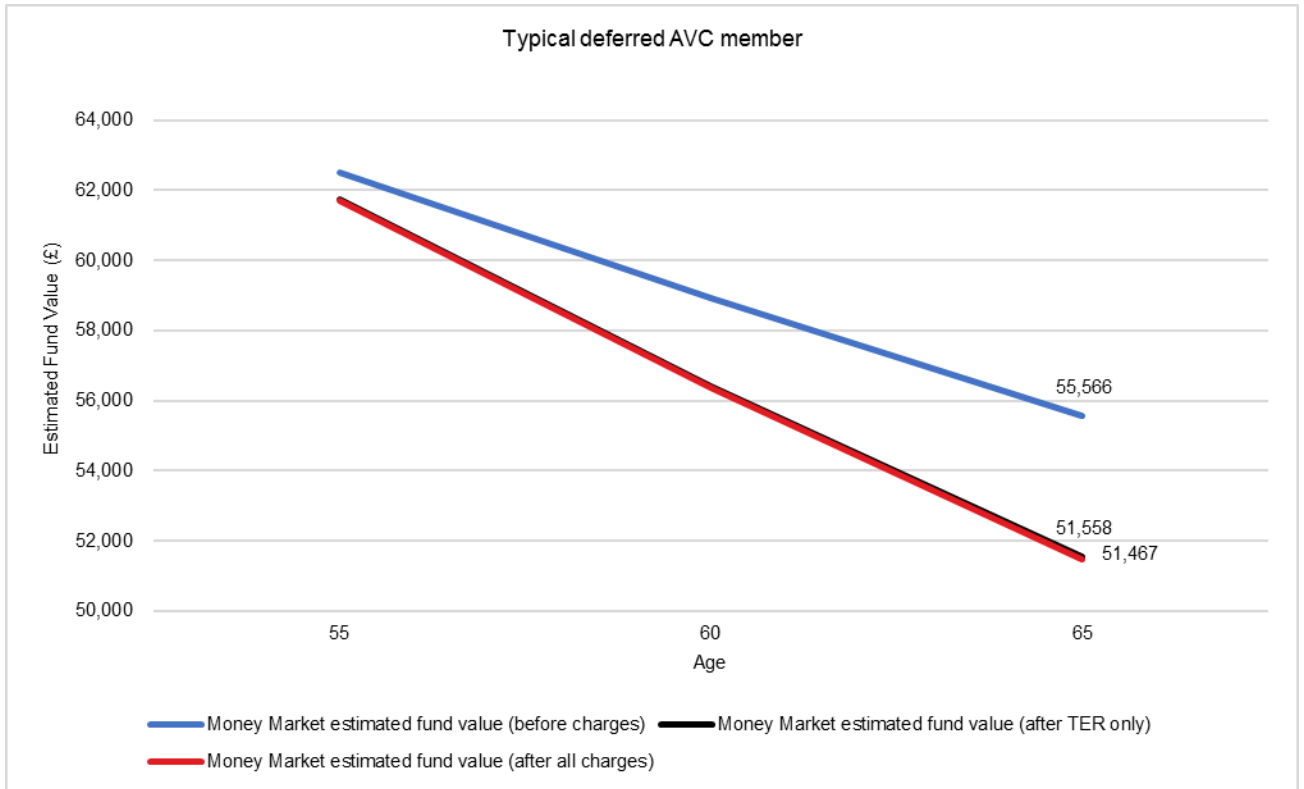
A typical member in the AVC Section not currently making active contributions 12 years from retirement with a retirement age of 65 and a current fund value of £64,000.

The graph below shows the difference between returns of the Default Fund (the Money Market Fund) without charges and the estimated return of the Money Market Fund after the impact of charges, on accumulated fund values.

The effect of the reduction of charges is more pronounced as fund values are shown against their relevant spending power in today's terms. Returns for cash instruments have historically been very low, and after the reduction for charges, some members may incur capital erosion. The projections illustrate that members invested in the Money Market Fund will see their fund values fall due to inflation being higher than our assumed cash returns (2.5% p.a. vs 1.3% p.a.). Members may want to consider reviewing their fund options if they are invested in the default arrangement to ensure it is appropriate for their personal circumstances.

In addition, the Trustee has elected to show a comparison of the impact of costs and charges on the higher potential returning Aberdeen Asset Management UK and Global 70/30 Equity Fund (the highest potential returning fund) and the Aberdeen Asset Management Global (ex. UK) Equity Fund (the most popular fund, regarding assets under management). The Trustee notes that charges on both the Aberdeen funds are somewhat higher than the funds shown under the Bankers Trust arrangement. This is largely due to the active management style of the Aberdeen funds.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	AAM UK and Global (70/30) Equity Fund Estimated fund value (before charges) £	AAM UK and Global (70/30) Equity Fund Estimated fund value (after charges) £	Effect of charges £	AAM Global (ex UK) Equity Fund Estimated fund value (before charges) £	AAM Global (ex UK) Equity Fund Estimated fund value (after charges) £	Effect of charges £
55	62,510	61,717	793	69,743	68,623	1,120	69,743	69,352	391
60	58,936	56,359	2,576	86,457	81,697	4,760	86,457	84,774	1,683
65	55,566	51,467	4,099	107,176	97,260	9,916	107,176	103,625	3,551



The projected fund values shown are estimates for illustrative purposes only and are not guaranteed.

Members are advised to consider both the level of costs and charges and the expected return on assets (i.e. the risk profile of the strategy) in making investment decisions and not look at either in isolation.

Appendix

a) Assumptions for the illustrative examples of the cumulative effects of costs and charges

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5% each year.
3. No assumption made for real salary growth
4. Values shown are estimates and are not guaranteed
5. The assumed growth rates reflect 10-year annualised returns (gross of costs and charges) are as follows:
6. Cash: 1.3% p.a.
7. Equity: 7.0% p.a.
8. Contributions are assumed to be fixed at 3.5% each year (for active members only) up to selected retirement age

b) Costs and charges information for all Scheme funds

Standard Life Assurance (Aberdeen Standard Investments)

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)
Active		
Annuity Purchase (formerly Annuity Targeting)	0.0534	0.61
Deposit and Treasury Pension Fund	0.1034	0.61
Ethical Pension Fund	0.1376	0.63
European Equity Pension Fund	0.0219	0.63
Far East Equity Pension Fund	Undisclosed	0.63
Index Linked Bond Pension Fund	0.0894	0.63
International Equity Pension Fund	0.1988	1.00
Japanese Equity Pension Fund	0.2941	0.63
Managed Pension Fund	0.1005	0.63
Mixed Bond Pension Fund	0.0396	0.63
Money Market Pension Fund	0.0148	0.63
North American Equity Pension Fund	0.1476	0.63
Pacific Basin Equity	0.0016	0.74
Property Pension Fund	0.0844	0.63
Stock Exchange Pension Fund	0.0431	0.63
UK Equity Pension Fund	0.1615	0.63
Multi Asset Mgd (20-60% Shares) Pn	0.0085	1.00
Global Absolute Return Strategies ¹ (sales only)	0.3337	1.20
Passive		
FTSE Tracker Pension Fund (sales only)	Undisclosed	0.63
Overseas Tracker Pension Fund (sales only)	0.0071	1.00
HSBC Islamic Global Equity Index Pension Fund	0.0083	1.30

European Equity Tracker Pension Fund (sales only)	Undisclosed	1.00
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Aberdeen Asset Management (Aberdeen Standard Investments)

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)
Active		
Sterling Bond Fund	-0.0464	0.55
Money Market (formerly Cash) Fund	0.0032	0.23
UK Small Company Fund	0.1418	0.60
Sterling Credit Bond Fund	0.0932	0.43
UK and Global (70/30) Equity Fund	0.0322	0.74
UK Equity Fund	0.1900	0.56
Global (ex UK) Equity Fund	0.1335	0.59
North American Equity Fund	0.1662	0.30
Sterling Index Linked Bond Fund	0.1270	0.48
Sterling Long Dated Government Bond Fund	0.0825	0.50
Multi-Asset (inc Property) Fund	0.1609	0.65
Multi-Asset (ex Property) Fund	0.0108	0.65

c)

Aberdeen Unit Trust Managers Limited

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)
Active		
European Equity	Undisclosed	0.87
Multi-Asset	Undisclosed	0.93
Corporate Bond	Undisclosed	0.61
UK Equity	Undisclosed	0.56

d)

Henderson

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)
Active		
Asia Pacific Capital Growth Fund	0.1761	0.62
Cautious Managed Fund	0.1204	0.56
Emerging Markets Opportunities Fund	0.1196	0.63
Diversified Growth Fund	0.2924	0.85
European Selected Opportunities Fund	0.1915	0.57
Institutional Long Dated Gilt Fund	0.0701	0.55
UK Alpha Fund	0.2082	0.56
UK & Irish Smaller Companies Fund	0.1323	0.57
US Growth	-0.0172	0.56

e)

Equitable Life

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)
Active		
European	0.1565	0.75
Far Eastern	0.5920	0.75
Fund of Investment Trusts (sales only)	0.1000	0.75
Gilt and Fixed Interest	0.0824	0.50
International	0.0020	0.75
Managed	0.0469	0.75
Money	0.0051	0.50
North American	0.0338	0.75
Pelican	0.1760	0.75
Property (sales only)	0.0100	1.00
Passive		
UK FTSE 100 Index-Tracking	0.0217	0.50