AVC Guide

As a member of the Leonardo Helicopters Pension Scheme (the 'Scheme') you have been promised an income during your retirement. This will be very valuable – but it may not be as much as you would like – especially if you have not been with Leonardo for long or you want to retire early.

If you would like to boost your pension you can pay Additional Voluntary Contributions. These are often referred to as AVCs, for short.

AVCs are one of the most effective ways of building up extra pension for your retirement. You get the benefit of group terms; you enjoy important tax advantages; and you have the convenience of contributions deducted directly from your pay.

If you would like to pay AVCs you will find the Starting AVCs Form on the Scheme website (www.lhpensions.co.uk), or you may request a copy from our administrator, XPS Administration.

Important Notes

This Guide has been produced by the Leonardo Pensions Department. It is intended to provide you with information on the AVC facility, but you should note that it is not a legal document and is not intended as financial advice.

If you do decide to pay AVCs any benefits payable will depend upon the investment performance and pension rates in force when you retire and so could be less than you expect. Ceasing contributions, or retiring early will almost certainly generate a lower return.

If you are uncertain of what action to take it is strongly recommended that you contact an Independent Financial Adviser before deciding to pay AVCs.

LEONARDO

HELICOPTERS Pension Scheme

Contents

Introduction and contributions

How does the AVC facility work?
It is a savings arrangement designed for you to accumulate a pot of money to provide additional benefits for your retirement. Contributions are deducted from your salary before tax (and National Insurance if you participate in Smart) and passed to our AVC provider for investment.

AVCs are part of the Scheme and are subject to its rules.

How much can I pay?
If you are a contributing member of the Scheme, you can pay as much as you like (up to a maximum of your total earnings) to the Scheme.

You can start, increase, reduce or stop your AVCs at any time.

Please note that if your total pension benefits grow in one tax year by more than the HMRC limit, tax penalties may apply (see below).

What is the tax situation?
All contributions get income tax relief at your highest marginal rate and the investment fund grows free of income and capital gains taxes (although dividend income from UK equities will already have been subject to corporation tax).

There are limits imposed by the HMRC regarding how much tax efficient pension saving you can make in each year. You may incur a tax charge if your pension benefits increase by more than the Annual Allowance (which is £40,000 in the 2022/23 tax year) in one tax year. A 'tapered annual allowance' applies to high earners which reduces the Annual Allowance in certain circumstances. The value of any increase in your Leonardo pension over the year is taken into account, together with the amount you save into AVCs. In addition, a Money Purchase Annual Allowance (which is £4,000 in the 2022/23 tax year) on the amount you save into AVCs or other money purchase arrangements in any year may also be triggered in certain circumstances. For more information please read the Annual Allowance Factsheet available from the Scheme website at www.lhpensions.co.uk.

Can I pay through smart?
In 2005 the Company introduced salary sacrifice as a way of paying your pension contributions – an option often known as 'smart' payment (smart stands for 'save money and reduce tax'). By paying your pension contributions through smart, you can reduce your National Insurance (NI) contributions – which means more money in your take home pay. More information can be found in the Scheme booklet.

From 2013 you can pay your AVCs through smart as well – therefore increasing the NI savings you could make.

The Company will automatically pay your contributions through smart if you pay your core contributions through smart. However, if your AVCs reduce your taxable earnings to below the National Living Wage your AVCs will automatically be taken out of smart until your taxable earnings increase above the National Living Wage.

How do I start paying AVCs?
You can start paying contributions at any time.

You need to complete a Starting AVCs Form, which you can download from the Scheme website, www.lhpensions.co.uk. You will need to specify:

- how much you want to pay; and
- which funds you would like your contributions invested in; and
- if you choose the Lifestyle Strategy, you will need to indicate your target retirement age.

What happens if I stop making contributions?

You can stop making contributions to your account at any time. The Scheme will continue to invest the fund you have already built up and charges will continue to be deducted from your account.

Investment of your AVC fund

How is the money invested?
You can choose how your money is invested from a range of funds which are described in this Guide.

All of the choices are "unit linked" which means that your contributions buy units in your chosen fund. The day to day price of the units, and thus the value of your holding, can go down as well as up in line with the value of the fund's investments.

If you do not make a decision about where to invest your funds, the Trustee will put your funds into the Lifestyle Strategy.

Who holds my AVCs?
The investment funds will be held by Mobius Life.

XPS Administration, who administer your main Scheme benefits, will administer the AVCs. Amongst other things they will provide your AVC statement.

The lifestyle strategy and the blend funds give you the opportunity to take advantage of our investment advisers' expertise as Schroders (previously River and Mercantile Solutions) actively manage the funds.

How will I know how my fund is performing?
Once a year we will send you a statement to show how the value of your account is building up. This will be done electronically (on www.MyPension.com/LHPS) unless you have specified that you would like a paper copy.

Factsheets will also be made available on www.MyPension.com/LHPS.

Can I change my investment choices?
You can switch your investment funds at any time. There is no charge for doing so. You can do so by completing the necessary AVC form on the scheme website, www.lhpensions.co.uk or by making a request on www.MyPension.com/LHPS.

Your investment choices
Broadly, you have the following investment options:

- **Lifestyle strategy** – this strategy is intended to be suitable for the needs of the most members. It allows the Trustee to invest your AVCs on your behalf in a manner appropriate for your age. It uses the blend funds (see below);

- **Pick & mix**

    - **Blend funds** – these funds enable you to rely on the skills of Schroders (and the underlying investment managers) with the overall aim of generating an 'inflation plus' return;

    - **Passive funds** – these funds enable you to choose a particular type of investment, e.g. equity, bonds, cash.

The lifestyle strategy and the blend funds are actively managed by Schroders. This means that Schroders will:

- invest in a variety of different assets - rather than just shares - to reduce the variability of the returns for the fund. This is known as "diversification".
- adjust the components of these funds between the different asset classes, based on their views of the opportunities and risks within investment markets and the overall return the fund is seeking. This is known as "rotation".

The investment options available to members who pay AVCs are:

Fund	Long term target	Risk Level scale of 1(low) to 6 (high)
Lifestyle strategy	The Trustee invests your AVCs on your behalf in a manner likely to be most appropriate for your age.	Varies
Blend funds		
LHPS Long Term Growth	Inflation plus 5%	5
LHPS Stable Growth	Inflation plus 4%	4.5
LHPS Cautious Growth	Inflation plus 3%	3.5
Passive funds		
LHPS Global Equity Fund	This funds aims to gain exposure to global equity.	5
LHPS ESG Global Equity Fund	This fund aims to gain exposure to global equity markets while addressing the long term financial risks of climate change.	5
LHPS Islamic Global Equity Fund	This fund aims to invest in a diversified portfolio of securities, which meet Islamic investment principles.	5
LHPS Corporate Bond Fund	This fund aims to gain exposure to corporate bonds.	2.5
LHPS Fixed Annuity Focus Fund	This fund aims to change broadly in line with the prices of fixed annuities.	2
LHPS Inflation-Linked Annuity Focus Fund	This funds aims to change broadly in line with the prices of inflation-linked annuities.	2
LHPS Cash Fund	This fund aims to preserve capital by investing in high-quality cash deposits and other cash instruments.	1

Please note: You must choose between the lifestyle strategy and pick & mix. If you select the lifestyle strategy then 100% of your AVCs must be invested that way. However, you can invest in the blend funds underlying the growth stage of the lifestyle strategy through the pick & mix options, although no lifestyle switching will take place if you choose this approach.

Further information about each of the funds is set out in the Appendix 1. The description of long term target and risk level are only intended to give very broad guidance without any consideration of different member attitudes to risk.

The Trustee reserves the right to make changes at any time to the funds that are made available and any such changes would automatically apply to your AVCs if your chosen fund is affected (unless you decide to switch your investment decision).

What are the charges?

You will see from the tables on pages 13 and 15 that there are investment charges levied on your AVCs each year. These charges relate to the costs of investment advice, administration and management. The charges include any varying operational expenses incurred by the underlying fund managers. The size of the charge is related to the complexity of the fund, so it is hoped that the higher charges will be reflective of a better result in terms of risk and return.

The charges are reviewed regularly and will vary over time.

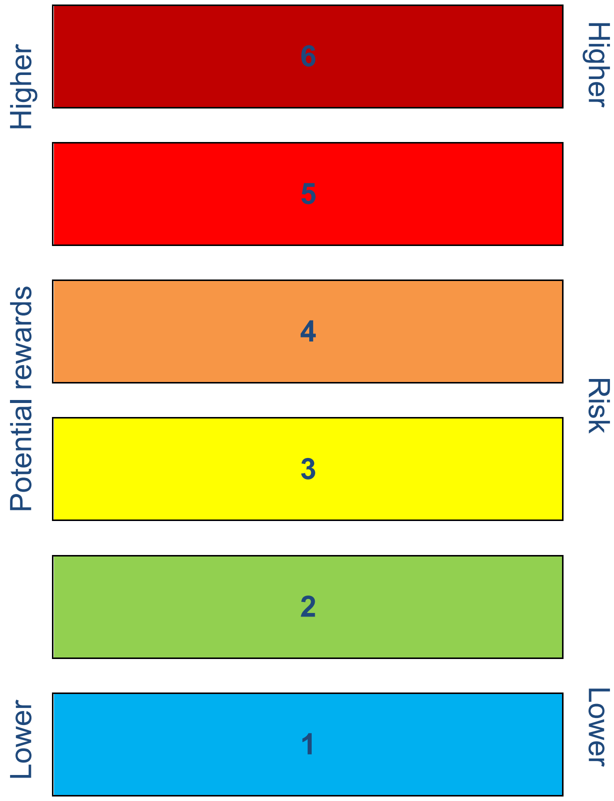
The charges apply as a percentage of the value invested in the fund. For example, if you were invested in the LHPS Long Term Growth Fund and the charge is 0.435% each year – for each £100 invested, you would pay 44p per year.

What are the risks of each fund?
The risk level is an indication of how volatile or variable the fund value is likely to be on a day to day basis as well as the fund's potential for drawdown or loss. It is therefore a measure of how much the fund value could change on a day to day basis with a focus on downside risk.

Pension investment is typically designed for the longer term. A fund like the cash fund can be shown as low risk (reflecting low variability of returns and low potential for loss), but if members remain invested in cash for many years from an early age, it could be seen as high risk given that the increase in fund value may not keep up with inflation.

How do I decide which fund(s) to invest in?
Success with investment usually involves striking the right balance between risk and reward.

The more risk you are prepared to take with your money, the greater the chance that it will bring your substantial rewards but it is also possible you may lose money. The more cautious you are with your money, the lower but more certain your returns are likely to be. Being too cautious can also put your investment at risk, for example it may not grow quickly enough to keep up with inflation.



The right solution is a matter for you to decide depending on your individual circumstances.

This guide provides you with details of the estimated risk ratings of each of the funds available on a scale of 1 (low) to 6 (high). If you are uncertain of what action to take it is advisable to take professional financial advice.

More information about risk is set out in Appendix 2.

You may wish to use our Risk Questionnaire on page 17 to help you to review your attitude to risk regularly. This can help identify any changes required to keep your investments on track and in line with your investment objectives.

How secure is my AVC investment?

The money invested in your AVC fund is held by the Trustee to use to pay the benefits when you come to claim them. This means that the assets of the Scheme are legally separate from the assets of the participating employers.

The assets are held by the Trustee in an investment policy with Mobius Life - which is the contract governing the security of the investments. The Trustee meets with Mobius Life from time to time and reviews their safeguarding of the assets regularly.

In the unlikely event that Mobius Life is unable to meet its financial obligations, compensation may be payable from the Financial Services Compensation Scheme (http://www.fscs.org.uk). AVCs would not be protected by the Pension Protection Fund.

Don't forget that the value of AVCs change in line with the investment option selected and investment performance is not guaranteed. Accordingly the value of your AVC fund could go down as well as up and it is possible to get back less than the amount paid in.

Taking your AVCs

How much will my fund be worth?

This is uncertain. Your AVC fund size depends on how much you pay in, over how long and the investment returns.

What can I do with my fund?

You have three options available to you:

1. you may transfer your AVC fund out of the Scheme
2. you may take your AVC fund at retirement; or
3. you may defer taking your AVC fund when you retire and take it at a later date.

More information about these options is set out below.

MoneyHelper provides information about your pension choices at https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options.

Pension Wise is a free and impartial service provided by the government to help you understand the options in relation to the increased flexibility of defined contribution benefits (like your AVC fund). You should consult Pension Wise. It can be accessed online, by phone or face to face. Visit https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise or call 0800 138 3944 for more information.

In addition, if you wish to consider the suitability of any of these options we would recommend that you contact a suitably qualified Independent Financial Adviser.

Please remember that there may be tax implications associated with accessing your AVC fund. Income (and part of a cash lump sum) from pensions is taxable. The rate at which you are taxed depends on the amount of income that you receive from pensions and other sources.

Option 1 – Transfer your AVC fund out of the Scheme

If you stop paying into your AVC fund, you have a right to request a transfer of your whole AVC fund at any time. (You do not have a right to request a transfer of only part of your AVC fund.) You can continue to earn defined benefit pension within the Scheme even after exercising this option.

You may transfer your AVC fund to one or more external AVC providers. Different AVC providers allow different options in relation to what you can do with your fund and these different options have different features, rates of payments, charges and tax implications. If you wish to enter into an income drawdown product, you will need to transfer your AVC fund to an HMRC approved pension arrangement with an external provider which offers this facility.

If you transfer your AVC fund out of the Scheme, you will not be able to use it towards your Pension Commencement Lump Sum (PCLS) from the Scheme. However, you should be able to take 25% of your AVC fund as a PCLS from your new provider.

If you continue to accrue defined benefit pension, future AVC contributions may be permitted (subject to Trustee consent) but if you have 'flexibly accessed' your AVC fund, you will be subject to the £4,000 money purchase annual allowance. Please see the 'Are there any other limits' section below for details of the money purchase annual allowance.

Option 2 – Take your AVC fund at retirement

You have a number of options with regard to how you take your AVCs at retirement:

a. As part of your Pension Commencement Lump Sum (PCLS) (previously known as tax free cash)

You can take your AVCs as part of your Pension Commencement Lump Sum. You can take the full value of your AVCs up to a maximum of £50,000 (or 25% of the value of your AVC benefits if higher) (provided that this is also within the limits allowed by HMRC). The figures on your 'Retirement quotation' assume you take this option. If you have AVC funds remaining after exercising this option, you can choose from option b and, depending on the amount of pension used up (or "crystallised") in respect of option a, potentially option c as well (see below for further details).

b. To provide an income

You can use your AVCs to purchase an income (known as a lifetime annuity) either through:

- An annuity with your AVC provider (which may include Prudential but you cannot buy a pension through the Scheme); or
- An annuity from any third party provider (sometimes known as the Open Market Option (OMO)).

The amount of income will depend upon the annuity or drawdown product you select. Annuities are affected by factors like interest rate levels, your age and the pension options you want. Also there are a number of options regarding the type of annuity you can purchase – for example it could increase in payment, continue to your spouse on your death or be paid for a guaranteed period. We would recommend that you contact an Independent Financial Adviser who will be able to get quotations from a range of providers so you can get the best deal at the time.

Please note, if you wish to purchase an income through a drawdown product, this would need to be arranged outside the Scheme by an external provider. You would need to transfer your AVC fund to an HMRC approved external pension arrangement which has a drawdown facility. The funds being transferred for drawdown need to be "uncrystallised" and not have been used within the calculation of any PCLS.

c. As an Uncrystallised Funds Pension Lump Sum (UFPLS) (sometimes referred to as taxed cash)

From 6 April 2015, you can take some or all of your AVC fund (over and above any taken as part of your Pension Commencement Lump Sum from the Scheme) as an additional one-off cash payment known as an "Uncrystallised Funds Pension Lump Sum" (UFPLS). This will only be possible where not all of your AVC fund has been "crystallised" for the purpose of your Pension Commencement Lump Sum. 25% of this UFPLS payment would be payable tax-free, with the balance being subject to your highest marginal rate of income tax. This tax payment will be deducted by our administrator before the money is paid to you. You may be charged for the costs associated with calculating and implementing an UFPLS.

If you wish to explore this option, you should read our additional information sheet called "Taking cash from your AVC fund" (available from the Scheme website, www.lhpensions.co.uk) to ensure you fully understand the financial implications.

Option 3 – Defer taking your AVC fund
You can leave your whole AVC fund invested, and draw it at a later date. If you do not draw your AVC fund it will remain invested.

However, if you defer taking your AVC fund you will not be able to use the value towards the calculation of your Pension Commencement Lump Sum (PCLS) from the Scheme on retirement (you would be able to receive 25% of the value of your Scheme pension only). When you later draw your AVCs you would have a number of options:

a) Take 25% of your AVC fund as a PCLS, using the balance to provide an income (option 2b).
b) Transfer your AVC fund to an external provider (for example into an HMRC approved pension arrangement which has a drawdown facility).
c) Draw your AVCs as an Uncrystallised Funds Pension Lump Sum (option 2c).

You will need to draw your AVCs by the age of 75. If you die after you have become a pensioner but before drawing your AVC fund, the value of your AVC fund will be paid to your Beneficiaries, at the discretion of the Trustee.

More detail about the limits on using AVCs for your Pension Commencement Lump Sum (option 2a)

Rule 1: You are allowed to take up to 25% of the total value of your pension benefits coming into payment under the Scheme (defined benefit pension and AVCs) as a Pension Commencement Lump Sum. For example, if your total pension benefits are valued at £100,000, you could take £25,000 in tax free cash. The remainder of your DB benefits need to be taken as pension.

Rule 2: If you have AVCs, you can use your AVC fund for the purpose of taking a Pension Commencement Lump Sum, rather than giving up pension. However, there is a limit - you cannot use more than £50,000 from your AVCs towards your Pension Commencement Lump Sum. Because of the 25% rule, the total value of your pension benefits must exceed £200,000 for you to be entitled to use the £50,000 maximum from your AVCs towards payment of your Pension Commencement Lump Sum. The balance of £150,000 would need to be used to provide income.

Rule 3: The balance of your AVC fund remaining after you have used the permitted maximum towards your Pension Commencement Lump Sum can be taken as income or as a one-off cash payment (an UFPLS) – see options 2b and 2c above. In some circumstances, you may have to take at least some of the balance of the AVC fund as income in order to justify the Pension Commencement Lump Sum.

More information about how we value your defined benefit pension for this purpose is set out in the Member's Booklet.

These examples show how the rules apply…

	Value of defined benefit pension	Value of AVC fund	Total value of benefits	Maximum amount of cash	Comments
Example 1	£75,000	£25,000	£100,000	£25,000 - taken from AVC fund	No need to give up pension.
Example 2	£175,000	£25,000	£200,000	£50,000 – take £25,000 from AVCs and £25,000 from pension	Would need to give up pension if you wanted to take the maximum amount of tax free cash.
Example 3	£50,000	£50,000	£100,000	£25,000 – taken from AVC fund	The remainder of the AVC fund (£25,000) would need to be taken as option 2b or 2c* above.
Example 4	£125,000	£75,000	£200,000	£50,000 – taken from AVC fund	The remainder of the AVC fund (£25,000) would need to be taken as option 2b or 2c* above.
Example 5	£175,000	£75,000	£250,000	£62,500 – take maximum of £50,000 from AVC fund and £12,500 from pension	The remainder of the AVC fund (£25,000) would need to be taken as option 2b or 2c* above.

*If you choose to take an Uncrystallised Funds Pension Lump Sum, these calculations become more complex. Please refer to our additional information sheet called "Taking cash from your AVC fund" (available from the Scheme website, www.lhpensions.co.uk).

Are there any other limits?

The HMRC impose a limit on the maximum amount you can save in pensions in a tax efficient manner. If your total pension benefits from all sources exceed the Lifetime Allowance (£1,073,100 for the 2022/23 tax year) then additional tax charges are likely to apply.

In addition, if you flexibly access some or all of your pension savings (including your AVC fund) (either in this Scheme or another pension arrangement) such as taking an Uncrystallised Funds Pension Lump Sum (UFPLS), this will trigger an additional limit – a Money Purchase Annual Allowance of £4,000 p.a. – so that any money purchase or cash balance savings in a year exceeding £4,000 would be subject to an annual allowance tax charge.

What if I die before I use my AVC fund?

The full value of your AVC fund will be paid to your Beneficiaries at the discretion of the Trustee.

What if I die after I draw my AVC fund?

Any benefits payable will depend on how you chose to use your AVC fund.

What happens if I leave?

If you leave the Scheme, your contributions will stop and your AVC fund will remain invested. Alternatively, you may transfer your AVC fund (alone or with the rest of your Leonardo benefits) to another pension arrangement.

Appendix 1 – Fund Options

The lifestyle strategy – managed for you

The lifestyle strategy is intended to be suitable for the needs of the most members, particularly if you do not want to be actively involved in day-to-day investment decisions. It allows the Trustee to invest your AVCs in growth assets for most of your working life. As your career progresses, more protection from market volatility is introduced and as you get close to retirement, a platform is provided for the different retirement choices you have.

1. The lifestyle strategy uses four 'blend' funds with different targets.

   Three of the blend funds will have 'inflation plus' targets. These funds will invest in equities and other types of growth assets. Schroders will adjust the components of the funds over time between different asset classes, based on their views of the opportunities and risks within investment markets and the overall return the fund is seeking. The intention is that the growth of the fund will be smoother than investing only in equities.

   The fourth blend fund will provide a platform for your investments for the final five years before retirement, recognising that you could take cash, buy an annuity, or enter into income drawdown, and you may not know what you want to do at retirement or your plans may change.

   Details of the four blend funds are shown in the table below.

Fund name	**Long term target**	**Risk Level** scale of 1(low) to 6 (high)	**Charge****
LHPS Long Term Growth	Inflation plus 5%	5	0.345%
LHPS Stable Growth	Inflation plus 4%	4.5	0.370%
LHPS Cautious Growth	Inflation plus 3%	3.5	0.395%
LHPS Retirement Focus*	A mix of cautious growth, annuity focus, stable growth and cash – see table below	3	0.292%

*Within the fourth blend fund (the LHPS Retirement Focus) you can choose a tailored version that may be more relevant to your needs (see table below). This may be appropriate for you if you know how you wish to take your fund at retirement. There is some additional detail on the Retirement Focus options within Appendix 3 for those members who wish to consider tailoring their funds.

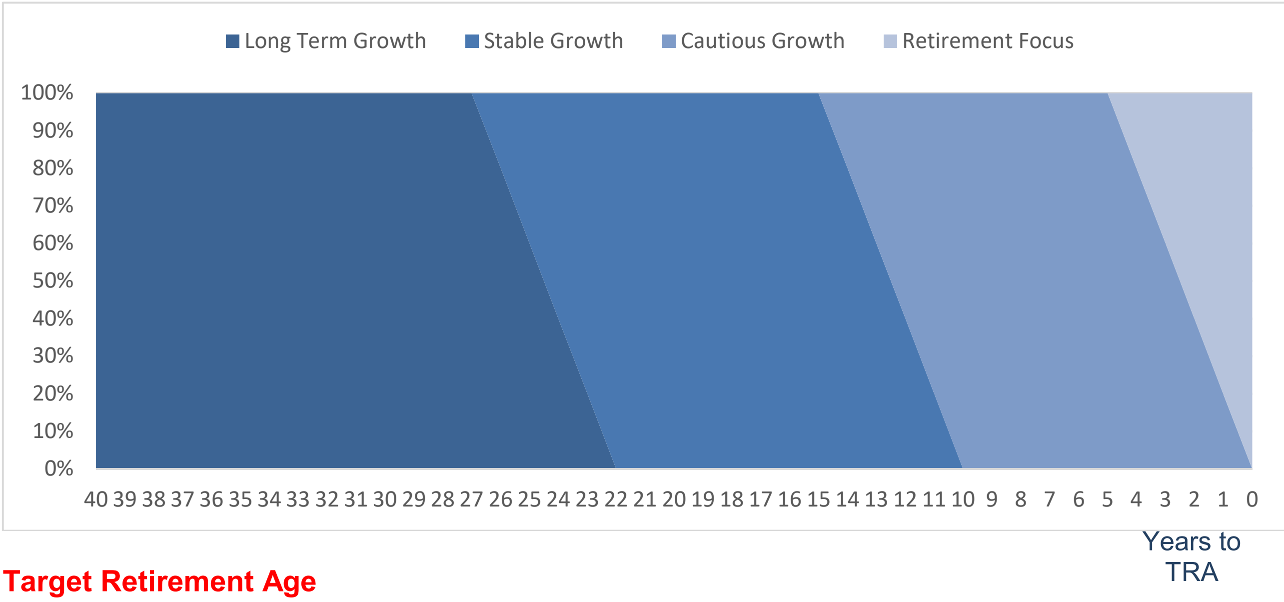
Retirement Focus Option	**Long term target**	**Risk Level**	**Charge****
LHPS Retirement Focus (Default)	A mix of cautious growth (50%), annuity focus (25%), cash (15%) and stable growth (10%)	3	0.292%
LHPS Retirement Focus (Income for Life - targeting an annuity)	A mix of annuity focus (75%) and cash (25%)	2	0.307%
LHPS Retirement Focus (Take the Pot as Cash – targeting cash)	100% Cash	1	0.350%

** The Charge figure will change daily. The figure given in this table provide indicative figures as at March 2022.

Each of the funds are held by Mobius Life, although there may be several different underlying investment managers chosen by Schroders within the funds.

2. The lifestyle strategy switches between the blend funds progressively through your career with the intention of making the growth smoother. The final move away from risky funds will be over the five years before retirement. The table below shows the switching periods and the chart illustrates how the strategy will work for someone with a Target Retirement Age of 65.

	Phasing Period (Years before Target Retirement Age)		
LHPS Long Term Growth	N/A		
LHPS Stable Growth	30	⇨	25
LHPS Cautious Growth	15	⇨	10
LHPS Retirement Focus	5	⇨	Retire



Target Retirement Age

The switching of the lifestyle strategy depends on the date you hope to retire, which is known as your Target Retirement Age. You can choose any age from 55 (the legal minimum retirement age).

For those who do not choose their Target Retirement Age, the Trustee makes an assumption that this would be the Normal Retirement Age of the Scheme (age 65). This is known as the default Target Retirement Age.

You can select a Target Retirement Age of your own choice at any time and the Trustee would adjust the lifestyle switching to reflect the revised target date over time as reasonably practicable.

‘Pick & mix’

If you don’t think the lifestyle strategy is appropriate for your circumstances or you wish to make your own investment choices, you are able to make your own selection from a range of funds made available by the Trustee.

- Blend funds – You can select from the three blend funds that are used for the growth phase of the lifestyle strategy. You would be relying on the skills of Schroders (and the underlying investment managers) to achieve the inflation plus target for your AVCs.
- Passive funds – You can choose from a range of passive funds which are broadly equivalent to the current funds.

The full list of pick & mix funds and the charges associated with them is as in the table below:

	Long term target	**Risk Level** scale of 1(low) to 6 (high)	**Charge***
	Blend funds		
LHPS Long Term Growth	Inflation plus 5%	5	0.345%
LHPS Stable Growth	Inflation plus 4%	4.5	0.370%
LHPS Cautious Growth	Inflation plus 3%	3.5	0.395%
	Passive funds		
LHPS Global Equity Fund	This funds aims to gain exposure to global equity markets. Currently this fund is invested passively and aims to perform in line with an index return of UK and overseas equities.	5	0.180%
LHPS ESG Global Equity Fund	This fund aims to invest in a globally diversified portfolio of equities and is designed to favour investment in companies which exhibit Environmental, Social and Governance characteristics that are expected to add value over the long term. This can be achieved by investing in companies with strong, improving ESG metrics, or equally by excluding less ESG friendly companies. To protect against movements in the currency market, the fund has a 50% allocation of currency hedging.	5	0.308%
LHPS Islamic Global Equity Fund	This fund aims to invest in a diversified portfolio of securities, which meet Islamic investment principles.	5	0.390%
LHPS Corporate Bond Fund	This fund aims to gain exposure to corporate bonds. Currently this fund is invested passively and aims to perform in line with its index.	2.5	0.150%
LHPS Fixed Annuity Focus Fund	This fund aims to change broadly in line with the prices of fixed annuities, and therefore attempts to “lock in” the value of your fund in terms of amount of fixed pension you could purchase at retirement.	2	0.150%
LHPS Inflation-Linked Annuity Focus Fund	This funds aims to change broadly in line with the prices of inflation-linked annuities, and therefore attempts to “lock in” the value of your fund in terms of the amount of pension you could purchase at retirement, where that pension increases each year in line with inflation.	2	0.150%
LHPS Cash Fund	This fund aims to preserve capital by investing in high-quality cash deposits and other cash instruments. Currently this fund aims to outperform its benchmark while preserving capital and maintaining a high credit rating.	1	0.15%

* The Charge figure will change daily and the figures are indicative as at March 2022.

The funds will be held by Mobius Life, although the underlying investment manager may change from time to time.

Appendix 2 - Risk

There are several types of risk related to investment and AVCs

Volatility risk	Events in financial markets cause the value of investments to rise and fall, also known as volatility.
Inflation risk	The risk that the value of investments doesn't grow quickly enough to keep up with inflation.
Conversion risk	Changes in exchange rates may cause the sterling values of overseas investments to rise or fall.
Pension conversion risk	Your pension fund may be used to purchase an annuity, which will provide you with an income. The income you eventually receive will depend on the value of your pension fund and the cost of purchasing an annuity. This creates the risk that the value of your pension fund does not move in line with the cost of purchasing an annuity.
Diversification	If you invest entirely in one asset area, then the value of your entire portfolio will be subject to the changes in the performance of that type of asset. To help manage risk, you could consider spreading the risk by investing in several assets or sectors. This protects your investment from feeling the full effects from a fall in value of one asset area. The Lifestyle Strategy and Blend Funds use diversification to reduce risk.

Risk questionnaire

To help you decide what type of assets to invest in, it is useful to ask yourself some questions:

Question	***My response***
What is your attitude to risk? *How much you get back from your investment and the degree of risk you are prepared to take are linked.*	
How many years do you have before you retire? *Riskier funds offer the best potential for achieving above average returns over the long term. This could apply to those with 15 years or more to retirement.*	
Do you want to invest in a less risky fund as you get closer to retirement? *The closer you are to retirement, funds with a risk rating of 4 and above may not be suitable for you. Although they carry the potential for short term gains, they also have potential for short-term losses.*	
How would you react if the stock market went down and your fund value reduced? *Any investor should be prepared for periods where investments may fall in value, but by remaining invested gives an opportunity for investments to perform well over the longer term.*	
How much income are you aiming to receive from your AVCs? *The funds you select, and the degree of risk you are prepared to take, will be key in trying to achieve the level of income you are aiming for.*	

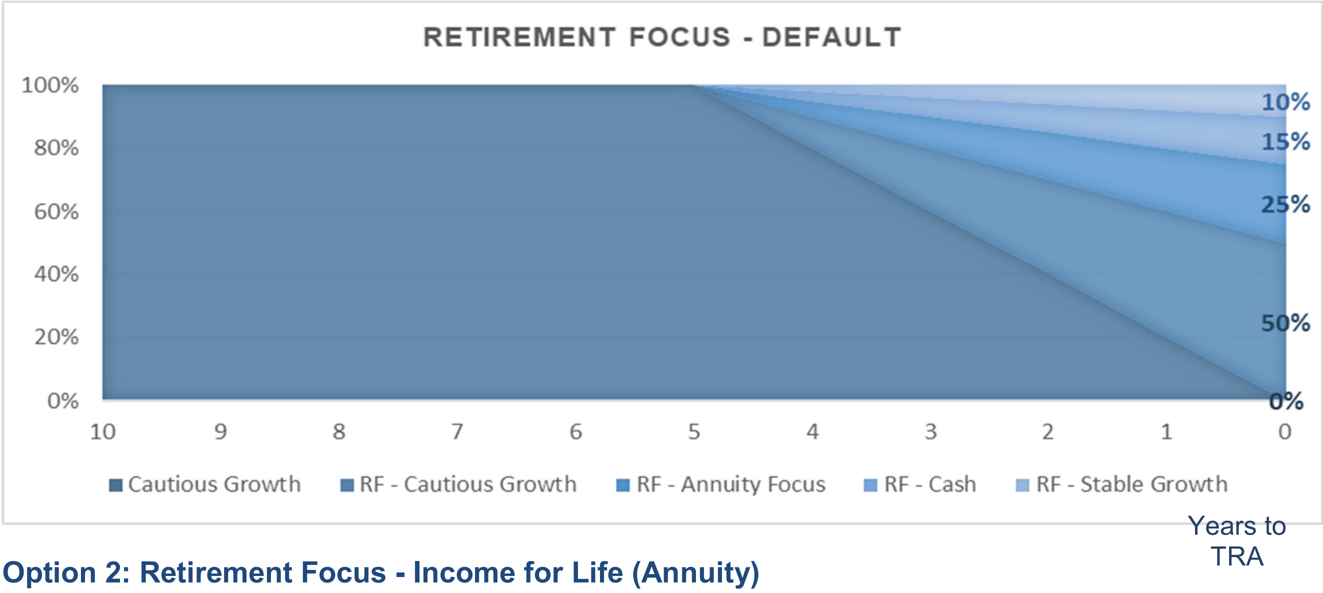
You should review your attitude to risk regularly, this can help identify any changes required to keep your investments on track and in line with your investment objectives.

Appendix 3 – Retirement Focus Fund Options

The lifestyle strategy – tailored by you

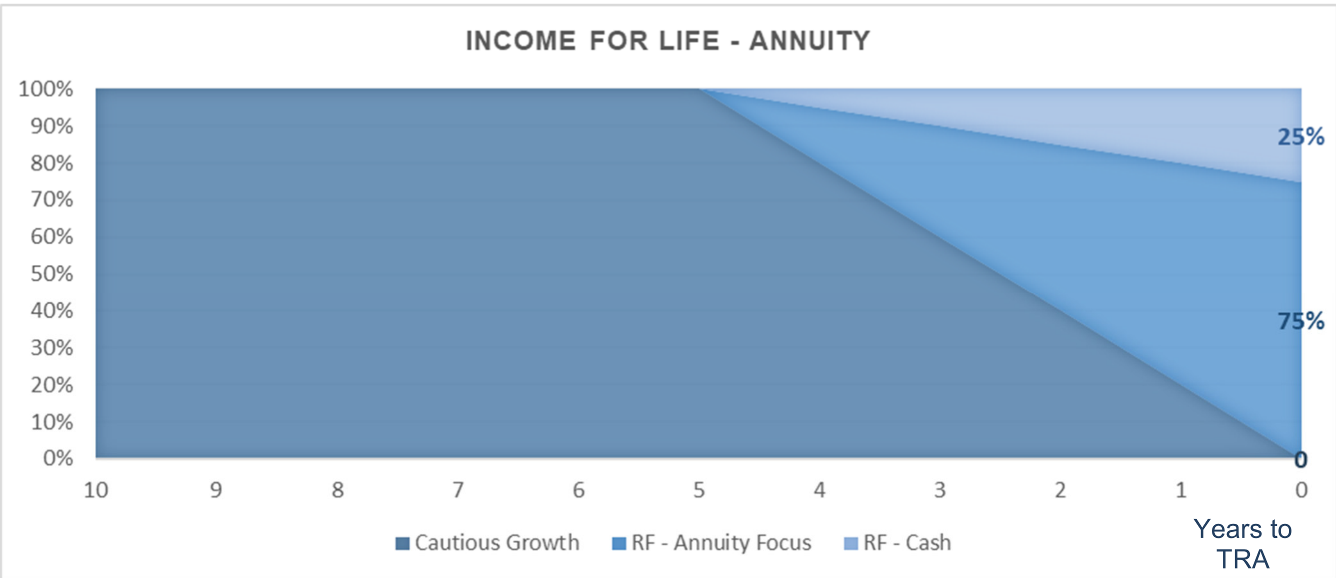
Option 1: Retirement Focus – Default

- This moves towards 50% cautious growth, 25% annuity focus, 15% cash and 10% stable growth at TRA
- This provides a diversified investment for members who are not sure what option to take
- **This is the default option if you make no selection**
- Indicative charges on this fund are 0.292% per annum as at March 2022



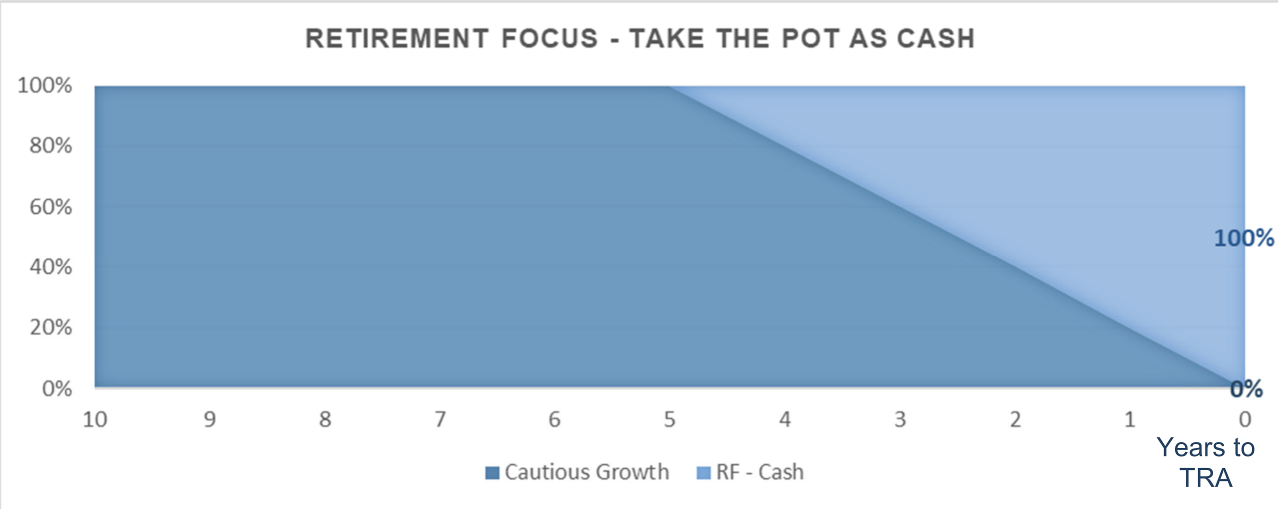
Option 2: Retirement Focus - Income for Life (Annuity)

- This moves your savings into 25% cash and 75% annuity matching assets at TRA
- This option is aimed at those who want a 25% tax free lump sum and to buy an annuity from an insurance company to have the certainty of a fixed income
- Indicative charges on this fund are 0.307% per annum as at March 2022



Option 3: Retirement Focus - Take the pot as cash

- This moves the investment into 100% cash at TRA
- This option is aimed at those who wish to take a taxed lump sum or utilise their AVC pot as part of the £50k allowance
- Care is needed with this option if the taxable withdrawal would take you into a higher income tax bracket
- Indicative charges on this fund are 0.350% per annum as at March 2022



Terminology

Here is some information that you may find useful.

Annuity	An income paid at specific intervals guaranteed for the lifetime of one or more individuals.
Equities	Also known as stocks and shares, these represent a share of the ownership of a company. Shares give two potential benefits – the share price increases as the value of the company increases and regular payments, known as dividends, may be made to shareholders based on how well the company is doing. Over the longer-term equities are considered by many investment experts to offer greater growth potential than many other asset types. But over the short-term, the value of equities can go up and down a lot. Funds investing in equities tend to carry a higher risk of capital loss than funds investing in corporate or government bonds or money market instruments.
Corporate bond	Loans to companies where the purchaser of the corporate bond lends money to the company in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date. The return achieved from a corporate bond is a combination of the interest payments and any change in the value of the bond.
Passively managed fund	Aims to match or track the performance of an index or indices, such as the FTSE All-Share Index.
Actively managed fund	The fund manager uses their expertise to decide which instruments to invest in to try to beat the return of an index or indices (this is known as outperforming).
Beneficiaries	Your widow, widower, or surviving civil partner (including, if there is no surviving widow, widower, or surviving civil partner, a person of either sex whom the Trustee considers to have had a relationship with you closely resembling marriage or civil partnership); your grandparents and your widow's, widower's or surviving civil partner's grandparents and their descendants (which will include adopted persons, children conceived and not yet born when you die, and step children) and the spouses; civil partners; widows, widowers, and surviving civil partners of those descendants; any person with an interest in your estate and any person nominated in your Wishes Letter.