

Magnox Group of the Electricity Supply Pension Scheme (“The Scheme”) – Change of AVC Provider Frequently Asked Questions

We understand that you are likely to have questions about the change in AVC provider and have set out answers to some of the questions you may have below. We will continue to update this document throughout with new information so keep checking back.

1. Why did The Trustee decide to change its AVC provider to Aegon?

Following a comprehensive review of the market, the Trustee and its advisers concluded Prudential was no longer an appropriate provider for the Scheme.

Aegon was selected as our AVC provider for future contributions. We believe this to be an improvement on the current situation as Aegon will not only improve members' experience through its online functionality, you will also benefit from a wider range of funds with lower charges and we believe continued good investment performance.

2. What about the other benefits that I get as a Magnox ESPS Scheme member? Are they changing?

No, this is just a change of AVC provider and therefore all your other Scheme benefits and options remain unchanged.

3. Who are Aegon?

Aegon is one of the world's leading providers of pensions, asset management and life insurance. In the UK, it started life as Scottish Equitable in 1831. Over the years Aegon has combined its strong UK heritage with Aegon's global strength, while staying committed to its original purpose; to help people take responsibility for their future and achieve a lifetime of financial security. In 2016, Aegon acquired BlackRock Life's Defined Contribution business, strengthening Aegon's position as a leading player in the UK workplace savings market. BlackRock is one of the world's pre-eminent asset management firms and as part of the acquisition, a partnership was agreed between Aegon and BlackRock to continue to offer BlackRock funds at extremely competitive prices.

4. When will the change take place?

The move to Aegon is being split in two phases:

1. We anticipate the change will take effect in Spring 2022 for all future contributions. This means that all your contributions* will be invested with Aegon from that point.
2. The transfer of Prudential/Utmost's assets will follow and is anticipated in Summer 2022. See questions 5 & 6

* With the exception of contributions to Prudential With Profits Fund, see questions 7 & 8

5. When will I hear more about the transfer of my AVC funds to Aegon?

We will write to you in Spring/Summer 2022 with your full transfer options. We will also keep you updated throughout the change by posting more information on our [website](#)

6. Can I opt out of the transfer from the Prudential/Utmost?

We will write to you in Spring/Summer 2022 with your full transfer options, but in summary your Prudential/Utmost funds** will be transferred to Aegon unless you reply and confirm you do not want to transfer. This is because the Trustee and its advisers believe Aegon offers better value to members.

**With the exception of the Prudential With Profits and Deposit funds, see Q8.

7. Can I still continue to contribute to Prudential?

No, all future contributions can only be made to Aegon, except for current contributors to Prudential's With Profits Fund.

8. I am invested in Prudential's With Profits/Deposit funds, what are my options?

If you are **currently** contributing to Prudential With Profits Fund, you will have the option to continue to contribute to this Fund.

Your Prudential's With Profits and Deposit funds will not automatically be transferred to Aegon as these funds have certain underlying guarantees which cannot be replicated in Aegon. You will however have the option to transfer these if you want to.

We will write to you with more details and your options so that you can review your position.

9. Are there upfront or one-off fees associated with transferring my Prudential/Utmost AVC savings to Aegon?

There are no explicit fees or charges associated with transferring your unit-linked Prudential funds or your Utmost funds to Aegon, so the total value of your AVC savings will be transferred to Aegon and invested in your Aegon AVC account. However, the unit price of the funds being sold and bought on your behalf may be affected by transaction costs which can arise when the unit price of a fund changes, depending upon flows into and out of the fund on that day.

10. What about ongoing costs? Will I know what these are?

Yes, you will be able to see the unit prices of the funds that you are invested in, these are adjusted on a daily basis to take account of the charges on the fund and the underlying returns on the fund's assets. The annual management charges for funds are shown in the table below. Funds may also be subject to additional expenses, and these are shown on the fund factsheet.

11. What is the default fund and what funds will be available?

The funds available through Aegon are shown in the table below, along with the Annual Management Charges and links to the fund factsheets.

The performance of the Aegon funds can be found in the quarterly fund factsheets using the links in the table below. More regular fund performance information will be available once your Aegon account is set up and can be accessed at any time via your personal online account.

The BlackRock Lifepath Capital fund is the default fund. This will apply to new AVC payers who do not make a fund selection.

The BlackRock Lifepath funds are 'target date' funds. They work in much the same way as the Prudential's Lifestyle funds, changing the investment risk your pension savings are exposed to depending upon the length of time you have until your selected retirement date.

Each target date fund has a target retirement period covering 2 years and the at retirement asset allocation reflects the format in which benefits are expected to be taken (e.g. Capital for cash, Retirement for annuity and Flexi for income drawdown). See Q16 for more information, as well as the following [video](#).

Fund / strategy	Annual Management Charge (% p.a.) ¹	Factsheet link
BlackRock Lifepath Capital	0.31	https://www.aegon.co.uk/content/dam/ukpaw/documents/LIFEPATH_BYZSFD4.pdf
BlackRock Lifepath Retirement	0.31	https://www.aegon.co.uk/content/dam/ukpaw/documents/LIFEPATH_BTL26P4.pdf
BlackRock Lifepath Flexi	0.31	https://www.aegon.co.uk/content/dam/ukpaw/documents/LIFEPATH_BTL26C1.pdf
BlackRock MSCI World Index	0.25	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_BRJMD17.pdf
Aegon HSBC Islamic Global Equity Index	0.55	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_B0RXV19.pdf
BlackRock World ESG Equity Tracker	0.30	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_BKJ9Z50.pdf
BlackRock UK Equity Index	0.25	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_B4KZBD2.pdf
BlackRock Dynamic Allocation	0.62	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_BWX54Y7.pdf
BlackRock Corporate Bond All Stocks Index	0.25	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_B62DYC8.pdf
BlackRock Over 15 Years Gilt Index	0.25	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_B4KDR61.pdf
BlackRock All Stocks UK Index-Linked Gilt Index	0.25	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_B7MLVW8.pdf
BlackRock Cash	0.25	www.aegon.co.uk/content/dam/ukpaw/documents/Standard_0576169.pdf

¹Funds may also be subject to additional expenses, which are shown on the fund factsheet.

12. What is the Shariah fund?

The Aegon HSBC Islamic Global Equity Index is the Shariah Fund. It invests in company shares from around the world and is compliant with Islamic Shariah principles.

13. Does Aegon offer any environmental or sustainable investment options?

Yes, the BlackRock World ESG Equity Tracker Fund will be available through the Aegon AVC arrangement. This Fund invests in the BlackRock ACS World ESG Equity Tracker which aims to closely track the performance of the MSCI World ESG Focus Low Carbon Screened Index.

You can find more information about the benchmark indices [here](#) and also [here](#).

14. Can I invest in both a LifePath fund and non-LifePath funds?

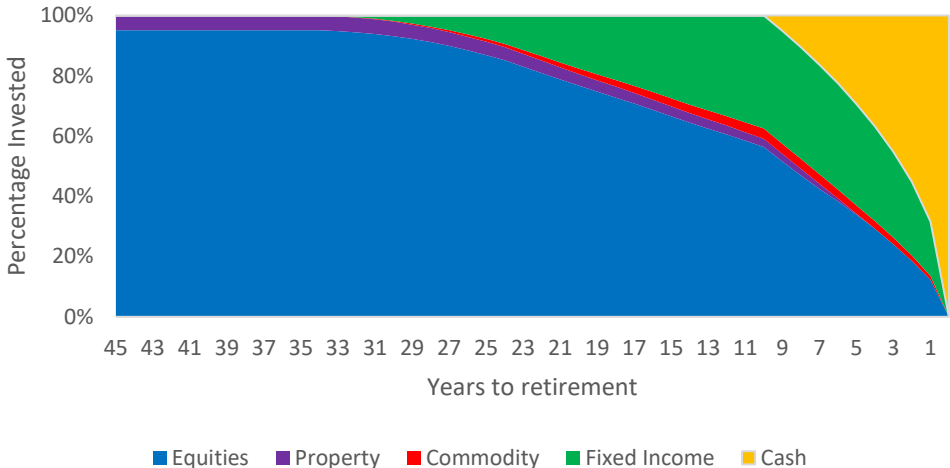
Yes.

15. Can I invest in more than one LifePath fund?

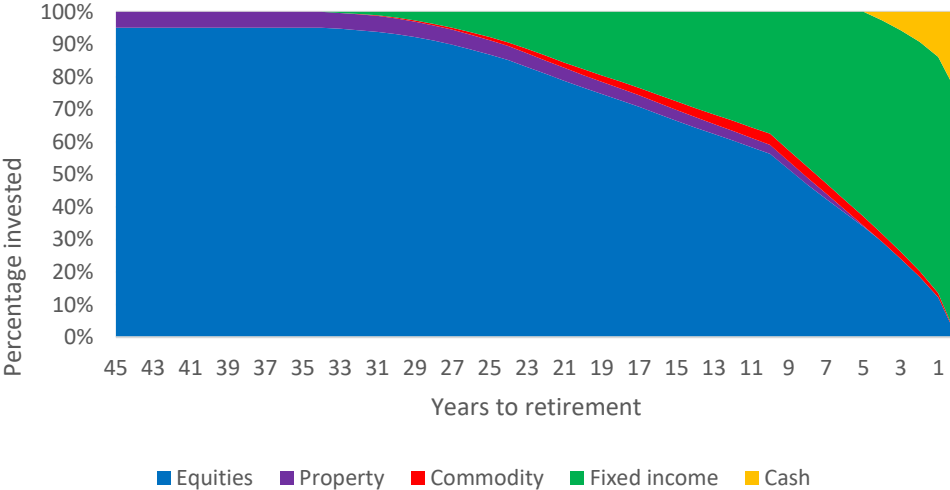
Yes, but your target retirement date must be the same for each of your LifePath funds.

16. In which assets classes are the LifePath funds invested in?

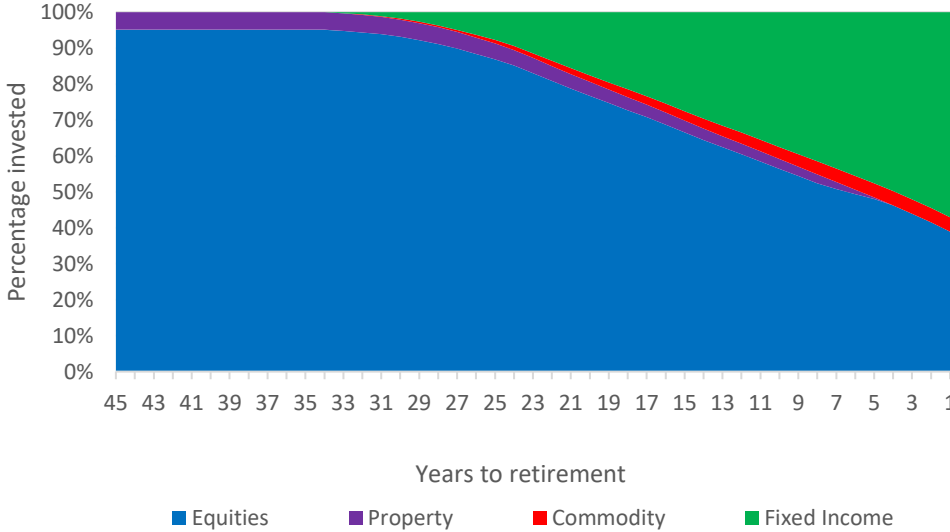
LifePath Capital (Cash) – Default option



LifePath Retirement (annuity) fund



LifePath Flexi fund (drawdown)



17. Where can I see the charges that apply to the Aegon funds? How do these compare to the Prudential/Utmost ones?

Many of the funds available through Prudential and all of the funds available through Utmost are actively managed, whilst most of the funds available through the Aegon arrangement are passively managed. BlackRock however has a very strong reputation as a passive fund manager and these funds are at very low risk of underperforming their benchmark before charges, although they do not have the potential to out-perform the benchmark in the way actively managed funds do.

Prudential fund	Charges (% p.a.) ²	Most similar Aegon fund	Charges (% p.a.) ²
Lifestyle Cash	0.55 – 0.71	BlackRock Lifepath Capital	0.31
Lifestyle Index-Linked	0.71 – 0.76	BlackRock Lifepath Retirement	0.31
Lifestyle Gilts	0.66 – 0.71	BlackRock Lifepath Retirement	0.31
International Equity	0.76	BlackRock MSCI World Index	0.26
Global Equity	0.76		
UK Equity	0.76	BlackRock UK Equity Index	0.26
UK Equity Passive	0.66		
Discretionary	0.78	BlackRock Dynamic Allocation	0.65
Long-Term Gilt Passive	0.66	BlackRock Over 15 Years Gilt Index	0.26
Index-Linked	0.76	BlackRock All Stocks UK Index-Linked Gilt Index	0.25
Cash	0.55	BlackRock Cash	0.28
Utmost fund	Charges (% p.a.) ²	Most similar Aegon fund	Charges (% p.a.) ²
Investing by Age strategy	0.50 – 0.75	BlackRock Lifepath Capital	0.31

²This is the current total annual charge comprised of the annual management charge and additional expenses. For the Prudential lifestyle strategies (and the Utmost Life and Pensions Investing by Age strategy), charges vary according to your term to retirement (or age).

18. How frequently are the LifePath Funds rebalanced?

There is no fixed frequency at which Lifepath is rebalanced. Lifepath aims to take age-appropriate risk throughout the term to retirement, so BlackRock sets a strategic asset allocation for each 'lifestage' but then also adjusts the asset allocation throughout depending upon various factors such as its asset allocation and risk modelling, market conditions and the regulatory environment.

19. How often can I change my fund choices, and will I have to pay if I decide to change them?

There is no limit to how often you change your fund choices / switch funds. There are no explicit charges for switching funds although the unit price of the funds you are selling and buying may be affected by transaction costs which can arise when the unit price of a fund changes, depending upon flows into and out of the fund on that day.

20. How do I switch my investments within my Aegon Account & how long does it take?

The most efficient way to do this is to log into your Aegon AVC account and instruct the fund switch online. If you have not registered for online access to your Aegon AVC account, and do not wish to, you can contact Aegon by telephone or email to instruct fund switches.

Aegon's service level agreement for processing fund switches is one working day. Fund switches instructed online, by telephone or email before close of business will typically be processed the same day. You will receive confirmation of the fund switch the next day.

21. Should I get independent financial advice? Who will pay for this?

That's entirely up to you. You will find lots of information to help you understand all about the funds available through the Scheme's AVC arrangement with Aegon on the fund factsheets. If you want to get independent financial advice on the investment options to help you decide what is best for you, that would be for you to pay for. You can find details of a local Independent Financial Adviser at www.unbiased.co.uk

22. Would I still have the same AVC options at retirement with Aegon, i.e., Tax free cash, annuity, transfer?

Yes, your retirement options are not changing. You will continue to be able to use your AVC fund(s) for tax free cash purposes*, purchase an annuity** or transfer it to another provider.

* In broad terms, the Scheme provides a tax-free lump sum on retirement of 3/80th of pensionable salary for each year of pensionable service in the scheme. HMRC rules provide that up to 25% of the value of your pension savings, up to a maximum of 25% of the LTA or your protected LTA, may be taken as a tax-free lump sum. If you pay AVCs it may be possible to draw some but not necessarily all of your AVCs as a tax-free lump sum. If you can't take all your AVC pot as tax free cash, the remainder of your AVC fund must be used to buy an annuity unless you started paying AVCs before 6 April 2006, in which case they can be used to buy extra benefits in the Scheme.

** An annuity provides you with a regular guaranteed income in retirement. You can buy an annuity with some or all of your AVC pot. More information can be found [here](#).

23. How will the Scheme Trustee make sure that the charges remain good value for money?

The Trustee and its advisers will monitor Aegon on an ongoing basis including external benchmarking so that they can ensure it continues to provide value for members.

24. Is there any impact to Prudential/Utmost if most of the Magnox ESPS members' AVC pots are transferred to Aegon?

We do not believe there will be a significant impact to Prudential or Utmost as the assets held with Prudential/Utmost by the Trustee, c.£14.3M, are a very small percentage of their business. The total assets under Prudential management are c.£55.bn and Utmost's c.£7bn.