IMPORTANT: Changes to the Scheme's default fund (and other investment options) – FAQs

1. Why is the change to Scheme management happening?

Recently the Company has committed to retain Aegon as the provider for the current pension scheme. The decision is based on the service they provide to our employees, and the work we've done together to improve employee engagement over the last few years.

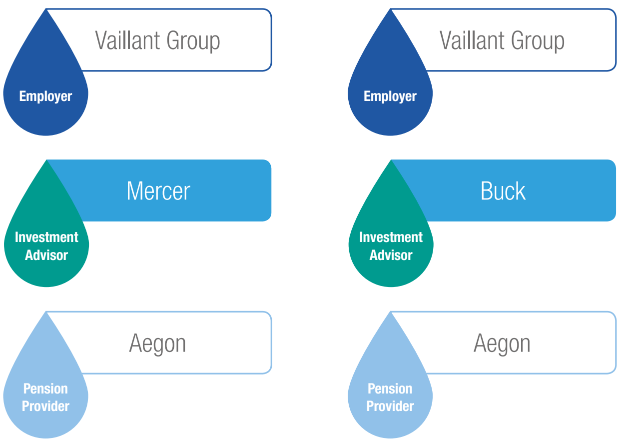
When the Scheme was set up by Vaillant Group, they used Mercer for advice on the Scheme's investment strategy. In particular, Mercer advised on the investment approach to be used by members when first joining the Scheme (the default fund). The default fund they chose was the **Aegon Mercer Target Cash** lifestyle approach, and this is still the Scheme's current default fund today.

We've been extremely happy with Mercer, but they've made some changes recently which mean we no longer have the option to partner with them.

As a result, the Scheme's current default fund and all other Mercer funds on the Aegon investment platform are being withdrawn with effect from **30th September 2019**. Members invested in the current default fund (and other Mercer funds) need to be mapped to alternative investment funds/approaches.

This is an exciting opportunity for us to work with Buck (our new investment advisor) to review the investment options available to you, which we hope will make your choices clearer and easier to make should you wish to invest in something other than the default fund.

Existing **New**



2. Can you tell me more about the new default fund?

Given the development of the Scheme since it started in April 2015 and the recent change in its management, we wanted to take this opportunity to review the default fund we offer, to ensure that it is still appropriate for our members. To help us do this we have appointed Buck (**www.buck.co.uk**), who will provide advice on the investment strategy for the Scheme in the same way that Mercer did previously.

Following Buck's review, we've decided to change the default fund to the **Aegon Growth Tracker (Flexible Target)**. Although there are some differences between this fund and the current default fund, the split of assets between equities and bonds is broadly similar. The chart below shows the asset allocation of the funds used in the growth phase of the new default fund. Aegon has rated this as having an average risk rating during the growth phase (compared to an above-average risk rating for the Mercer approach).

Asset allocation as at 31 March 2019

UK Equity	37.2%
North America Equity	24.6%
UK Bonds	18.0%
Global Bonds	7.2%
Asia Pacific including Japan Equity	6.8%
Other	6.2%
Total	**100.0%**

Top holdings as at 31 March 2019

Holding	%
OVERSEAS EQ TRACKER PN	37.6%
UK INDEX TRACKER PN	37.2%
SCOT EQ CORPORATE BOND TRACKER PN	13.3%
UK GILTS ALL STOCKS TRACKER PN	9.1%
SCOT EQ INDEX-LINKED GILT TRACKER PN	2.8%
Total	**100.0%**

Source of fund breakdown and holdings: Fund management group

Fund factsheets for both approaches can be found at **www.vaillantpensions.com/dc/newsletters**

Member charges are made up of an administration service charge and an investment fund charge. As a result of the default fund review, Aegon has committed to a lower administration service charge of 0.30% a year (previously 0.35% a year). The investment fund charge for the new default is 0.05% a year. Investment fund charges vary depending on the funds in which you invest. Fund factsheets only show these investment fund charges (not the administration service charge).

One of the key benefits of the new default fund is that it has a lower overall member charge of 0.35% a year both in the growth phase and approaching retirement, whereas the current default fund has an overall member charge of 0.60% a year during the growth phase and 0.43% a year approaching retirement. **This gives us all a significant saving compared to the fees we currently pay.**

3. Why have we made this decision?

The current default fund targeting a cash outcome at retirement was chosen with the aim of giving more certainty about the cash lump sum that you can take when you retire. When the Scheme was introduced following the closure of the final salary scheme, this was considered to be the option most employees were likely to take.

However, based on the latest data available from the Financial Conduct Authority (FCA Data Bulletin: Issue 14 – September 2018) and advice from Buck, we believe it's now more appropriate that the default fund should target an investment mix that offers more flexibility at retirement as our employees have differing needs in retirement.

You can find details of the old and new default funds, including how the investment mix changes approaching retirement in the fund factsheets* available at
www.vaillantpensions.com/dc/newsletters
or
https://www.aegon.co.uk/support/fund-prices-and-performance.html (and clicking on the Aegon Retirement Choices (ARC) link).

On Aegon's website the fund names are listed as:

Current Default
'Aegon Mercer Tgt Cash ARC Pn'

Proposed New Default
'Aegon Growth Tkr Flex Tgt ARC Pn'

* These factsheets give an indication of past performance and are provided for information only. You should be aware that investments can go down as well as up and past performance is not a reliable indicator of future results.

4. Will I be affected, and when will the change happen?

You are receiving this communication because all or part of your individual fund is currently invested in the Aegon Mercer Target Cash lifestyle default approach. From the end of September 2019, you will no longer be able to invest in this fund. So the following will happen automatically during the **week commencing 23rd September 2019:**

Switch (existing fund) – any funds built up under the Aegon Mercer Target Cash lifestyle approach will be automatically switched to the new default fund. If you are invested in any other funds, these will be unaffected by these default fund changes.

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Re-direction (future contributions) – at the same time any future regular contributions will be changed to the new default fund. Again, if you are also investing in any other funds, regular contributions will continue to these funds.

As a result, you will see a switch on your plan statement and future payments will be made to the new fund, if applicable.

5. Are there any costs associated with this change?

There are no explicit costs to you as a result of these changes. There is also no 'out of market' investment risk, i.e. a fall or rise in investments whilst your monies are awaiting reinvestment, as the switch will occur on the same day. However, switching investments does result in some transaction costs, i.e. the costs incurred by the investment funds in selling and buying units. These are unavoidable, market-imposed costs that get reflected in the unit prices used to sell and buy investments.

6. Do I need to do anything?

If you are happy with the proposed change to the default fund, you don't need to do anything – we'll make the change for you.

However, if you want to take the opportunity to make your own investment choices now before the automatic switch happens, you can do this through Aegon's Retiready website –
www.retiready.co.uk

As well as providing information on investments this website also provides information on the retirement options available to you. If you haven't used this online service before you can register for it at the above web address. If you have problems registering you can call Aegon on **0345 680 1234 (option 3)**.

To ensure that you aren't part of the automatic switch you'll need to change where both your existing fund **and** future payments are invested **not later than 5:00pm on Friday 20th September 2019**. If you don't make these changes before this deadline, don't worry – you'll still be able to change how you are invested in the future, but you'll will be moved to the new default fund first.

7. Will this affect me if I'm close to retirement?

The way in which the current default fund works is that **eight years** before your Target Retirement Age (TRA), you will already be moving towards an investment mix suited to taking a cash lump sum at retirement such that you will be invested 100% in a cash fund at retirement.

The change to the new default approach will mean that **six years** before your TRA you are switched into an investment mix more suited to keeping your options open at retirement (investing in a mix of equities, bonds and cash at retirement). Members who are within **nine years** of their TRA will, therefore, be exposed to a higher level of risk in the underlying investments as they approach retirement than under the current default. If you are still likely to take all of your fund as a cash lump sum when you retire, the default change may not suit your plans and you should consider carefully whether you want to choose an investment approach that continues to target taking the whole fund as an immediate cash lump sum at retirement.

8. What is the new core fund range?

In addition to the change in default fund, we have taken advice from Buck on implementing a core fund range. This is a short list of funds covering the main asset classes and investment approaches. Aegon offers over 4,000 investment funds to members through the Scheme. The core fund range is aimed at helping members who would prefer a more restricted range of funds to choose from, but the full range of funds continues to be available to everyone.

Details of the core fund range, including fund factsheets, can be found online through your Retiready account.

We have listed the new default and the core fund range below:

Asset Class	Proposed Fund	Aegon risk-rating*	Ongoing charges
Default Lifestyle	Aegon Growth Tracker (Flexible Target)	Average**	0.35%
Alternative Lifestyle	Aegon Growth Tracker (Annuity Target)	Average**	0.35%
Alternative Lifestyle	Aegon Growth Tracker (Cash Target)	Average**	0.35%
Alternative Lifestyle	Aegon Adventurous Tracker (Flexible Target)	Above-average**	0.35%
UK equity	Aegon BlackRock Aquila UK Equity Tracker	Above-average	0.40%
Global equity ex UK	Aegon BlackRock World (ex-UK) Equity Tracker	Above-average	0.40%
Emerging markets equity	Aegon BlackRock Emerging Markets Equity Tracker	Higher	0.55%
Shariah compliant	SE HSBC Life Amanah	Above-average	0.65%
DGF fund	SE Baillie Gifford Diversified Growth	Average	1.05%
Gilts	Aegon BlackRock Over 15 Years UK Gilt Tracker	Below-average	0.40%
Corporate bonds	Aegon BlackRock Corporate Bond Tracker	Below-average	0.40%
Cash	Aegon Cash Pension Fund	Minimal	0.40%

* Aegon's risk ratings are Minimal, Low, Below-average, Average, Above-average, Higher.

** Aegon's risk ratings for the lifestyle approaches relate to the growth phase only. A lower level of risk will apply within six years of retirement when the mix of investments used automatically changes.

9. Should I seek financial advice?

The default fund has been principally designed for members who do not wish to make a choice about how to invest their pension savings. If you wish to select your own fund(s), you should select those which best suit your needs and if you are unsure about how to invest your retirement savings, you should speak to a financial advisor. If you don't have your own advisor, you should refer to the Retirement Advisor Directory on the Money Advice Service website in the 'Pensions & Retirement' section at **www.moneyadviceservice.org.uk**

10. What if I still have questions?

If you have any questions or concerns, please e-mail **vaillant.pensions@vaillant-group.com** and we'll be happy to help.

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