

# Disclosure of Costs & Charges

## Ongoing Costs & Charges Breakdown

FCA rules state that we must publish a detailed breakdown of the costs and charges applied to QWPS members. For this year, we are required to provide data for IM’s default schemes, and this requirement will expand to cover all QWPS investment options next year.

IM charges a headline 0.5% AMC for all its default portfolios, which includes all administrative and service costs, the fees of its dedicated investment manager at end-2021, P1, and the ongoing charges associated with the underlying funds in each portfolio. Transaction costs are not charged directly to members but do have an impact on the portfolio’s net returns.

The table below shows the breakdown of these charges, including the additional impact of the transaction costs, for the range of IM Default and Optimum portfolios available to QWPS members as at end-2021.

	IM Annual Management Charge (%)			Transaction costs (%)	Total costs & charges (%)
	P1 management fee	Underlying fund charges	Max. annual charge*		
IM Default Cautious	0.10%	0.08%	0.50%	0.000%	0.500%
IM Default Conservative	0.10%	0.07%	0.50%	0.010%	0.510%
IM Default Income	0.10%	0.10%	0.50%	0.005%	0.505%
IM Default Balanced	0.10%	0.09%	0.50%	0.007%	0.507%
IM Default Growth	0.10%	0.08%	0.50%	0.010%	0.510%
IM Optimum Defensive	0.10%	0.11%	0.87%	0.026%	0.873%
IM Optimum Cautious	0.10%	0.10%	0.87%	0.016%	0.872%
IM Optimum Income	0.10%	0.11%	0.87%	0.031%	0.873%
IM Optimum Growth & Income	0.10%	0.11%	0.87%	0.038%	0.874%
IM Optimum Global Growth	0.10%	0.11%	0.87%	0.030%	0.873%

Source: IM, P1. \*IM adjusts its own management fees to ensure no member pays more than the maximum annual charge. Note: this table shows ongoing charges only and does not include the one-off charge of 1.8% on all contributions. Charges shown as % of portfolio value.

## Effects of costs & charges on average member pension savings

As per FCA requirements, we have included illustrations of how IM's costs and charges may affect the pension pot of a QWPS member invested in IM's default portfolios. This is intended to demonstrate the effects of fees on pension savings over time and does not reflect the individual circumstances of each member's plan.

### How do we make the calculations?

The gross value of the pension pot shows how savings would grow over time in IM's default arrangement if there were no charges associated with managing the pension plan. It includes the sum of ongoing contributions plus compound investment returns, adjusted for the effects of inflation.

To calculate the net value after costs and charges we:

- Deduct the 1.8% initial charge on all monthly contributions.
- Deduct the 0.5% annual management charge (AMC) from these adjusted returns.

To create these illustrations we've aggregated real-life QWPS member data from IM to make more realistic approximations about initial savings pots and annual contributions.

### Example 1 – 27-year-old member (40 years from retirement) with a starting pot of £1,530 and fixed annual contributions (including tax relief and employer contributions) of £575

Years saving into pension plan	Pension plan gross value before all costs & charges	Pension plan net value after all costs & charges
1	£2,190	£2,150
3	£3,430	£3,360
5	£4,680	£4,570
10	£7,890	£7,610
15	£11,300	£10,700
20	£14,800	£13,900
25	£18,700	£17,200
30	£22,900	£20,600
35	£27,500	£24,300
40 (at retirement)	£32,600	£28,300

### Notes on the illustration:

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 remain constant at 2.5% a year (an estimated long-term average).
3. Investment growth is assumed to average 5.2% per year (2.7% when accounting for inflation). This factors in gradually lower expected returns during the 'de-risking' phase before retirement.
4. **All values shown are estimates and not guaranteed. The real values experienced by members may be higher or lower than these projections.**

**Example 2 – 52-year-old member (15 years from retirement) with a starting pot of £2,830 and fixed annual contributions (including tax relief and employer contributions) of £880**

Years saving into pension plan	Pension plan gross value before all costs & charges	Pension plan net value after all costs & charges
1	£3,820	£3,750
2	£4,730	£4,640
3	£5,630	£5,510
4	£6,530	£6,380
5	£7,420	£7,230
10	£11,800	£11,300
15 (at retirement)	£16,000	£15,200

**Notes on the illustration:**

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 remain constant at 2.5% a year (an estimated long-term average)
3. Investment growth is assumed to average 4.0% per year (1.5% when accounting for the effects of inflation). This factors in gradually lower expected returns during the 'de-risking' phase before retirement.
4. **All values shown are estimates and not guaranteed. The real values experienced by members may be higher or lower than these projections.**