Eaton UK Pension Plan
SMPI assumptions

Each year the Trustee is required to take advice and consider what assumptions should be used in preparing members' Statutory Money Purchase Illustration (SMPI) statements. This note applies to benefit statements provided in relation to Individual Member Accounts, arising from membership of the Defined Contribution section of the Aeroquip Vickers Plan ("AV DC").

In setting the assumption for the investment growth of the various funds, the Trustee:

- Will consider the expected future returns on the various funds offered
- Will take into account current market conditions and expectations, adjusted if necessary to ensure they are consistent with a price inflation assumption of 2.5% a year, which is specified for SMPI projections
- Will take into account, in the case of the lifestyle funds, the planned future investment of funds into the diversified growth and cash funds as members approach retirement, for this purpose assuming members will retire at their current planned retirement age
- Will, in line with the requirements of TM1[1], assume that non-lifestyle members will retain their current fund allocation until retirement, notwithstanding that in practice many members will move their retirement savings into funds that are expected to deliver a lower return but with a lower risk of poor performance
- Considers that members should be encouraged to make their fund choices on the merits of the fund itself rather than the effect on their SMPI projections. Given the approximate nature of SMPI projections, spurious accuracy should be avoided and it is appropriate to group broadly similar funds and use the same net of expense assumption for such funds
- Will review the approach used to determine assumptions each year but with the intention that there should be a measure of consistency in assumptions from year to year recognising that changes will be necessary in the light of changes in market conditions. So, for example, the Trustee may decide to round assumptions and maintain assumptions unchanged where they would only be making small changes to the assumptions adopted for the previous statement.

It is important to note that your SMPI statement is only an illustration of the benefits you might receive on retirement. We have prepared your illustration according to the requirements laid down in law and in "TM1" (Version 4.2), published by the Financial Reporting Council. This prescribes most of the assumptions to be used, including the assumption that future increases in earnings will be in line with the price inflation assumption of 2.5% a year.

We have also worked out the pension you will get from your fund at retirement on the basis set out in TM1. This is based on an estimate of the current cost of buying an annuity at retirement in today's terms, which includes a 50% pension from your death to your surviving spouse (or civil partner) that increases in line with price inflation capped at 5% each year.

The investment returns assumed are not guaranteed; the actual returns you will get on your Defined Contribution investments will depend on the actual performance of your chosen funds. Defined Contribution investments can go down in value as well as up. The actual pension you or any dependant may receive will depend on various factors. These include the actual performance of your chosen funds, the cost of buying an annuity when you retire, the form of annuity you choose to buy, whether or not you take a part of your funds as a tax-free cash sum, your actual date of retirement and any limits set out by HMRC. Under the rules of the Plan, your funds must provide at least your Guaranteed Minimum Pension

[1] TM1 stands for Technical Memorandum 1 and is issued by the Financial Reporting Council and sets out the method to be used to set assumptions for SMPI statements

and Reference Scheme Test pension; the SMPI statement takes no account of the possible impact of this minimum benefit.

For your SMPI statement as at 6 April 2023, the following assumptions have been used, taking into account advice from the Scheme Actuary:

Fund	Return assumed
Equities / equity-based	**7.0% pa**
Aegon BlackRock MSCI World Index	
Aegon BlackRock UK Equity Index	
Aegon BlackRock 60/40 Global Equity Index	
Corporate bonds	**4.5% pa**
Aegon BlackRock Corporate Bond Index All Stocks Index	
Gilt based	**4.0% pa**
Aegon BlackRock All Stocks UK Index Linked Gilt Index	
Aegon BlackRock Over 15 Year UK Gilt Index	
Aegon BlackRock All Stocks UK Gilt Index	
Diversified Growth	**6.5% pa**
Aegon Blackrock ALMA	
Cash	**3.0% pa**
Aegon BlackRock Cash	

These assumptions are considered to be appropriate in the context of a price inflation assumption of 2.5% a year for this purpose based on the RPI measure.

April 2015 pensions flexibility

From April 2015 there has been increased flexibility in the way that some members can access their pension benefits. However, this new flexibility is not available from the Plan in respect of the Individual Member Accounts arising from membership of the Aeroquip Vickers Plan, which include a guarantee that they will provide at least a member's Guaranteed Minimum Pension and Reference Scheme Test pension. Current legislation prevents the Trustee from offering the new flexibility where these guarantees are in place.

You are able to leave your more recent Plan benefits in the Plan but to transfer out your AV DC funds to another pension arrangement eligible for the new flexibility. You should take appropriate authorised advice if you are interested in this option.