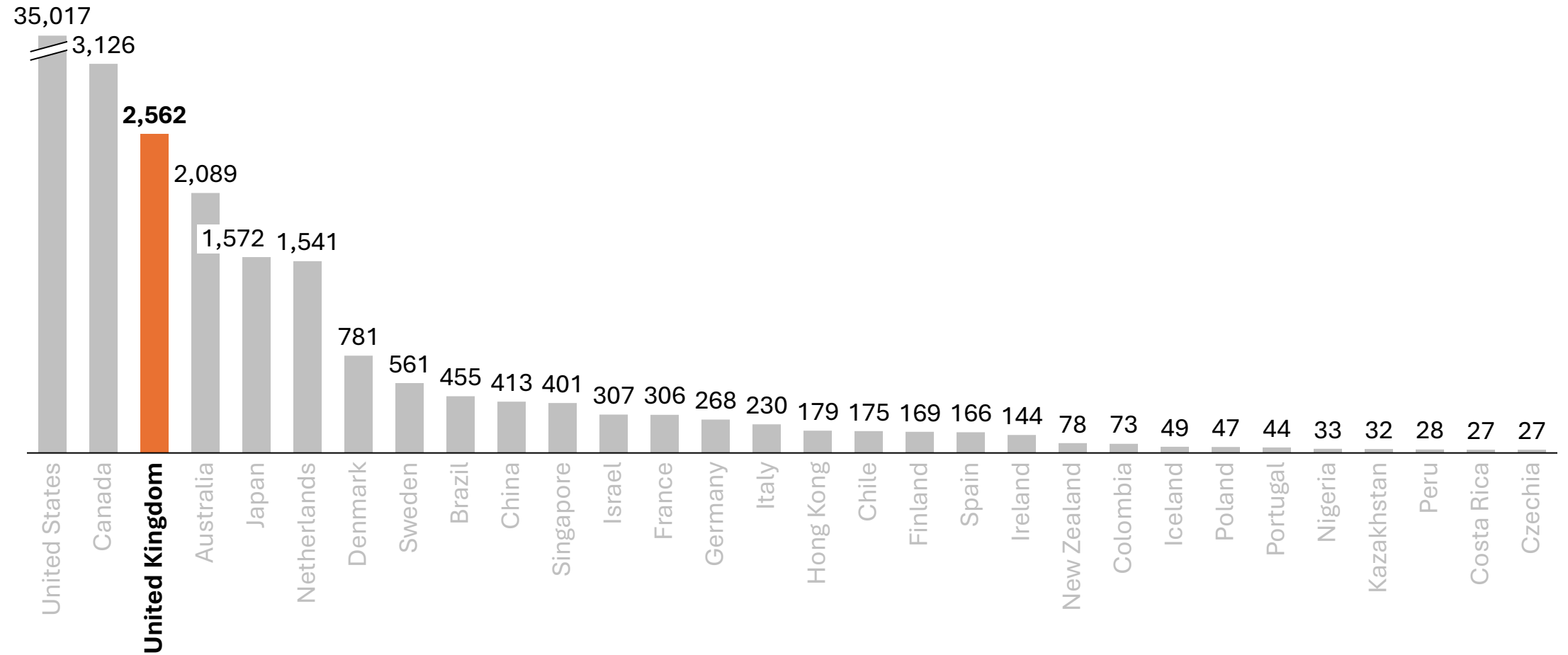


Market scan: UK pensions landscape

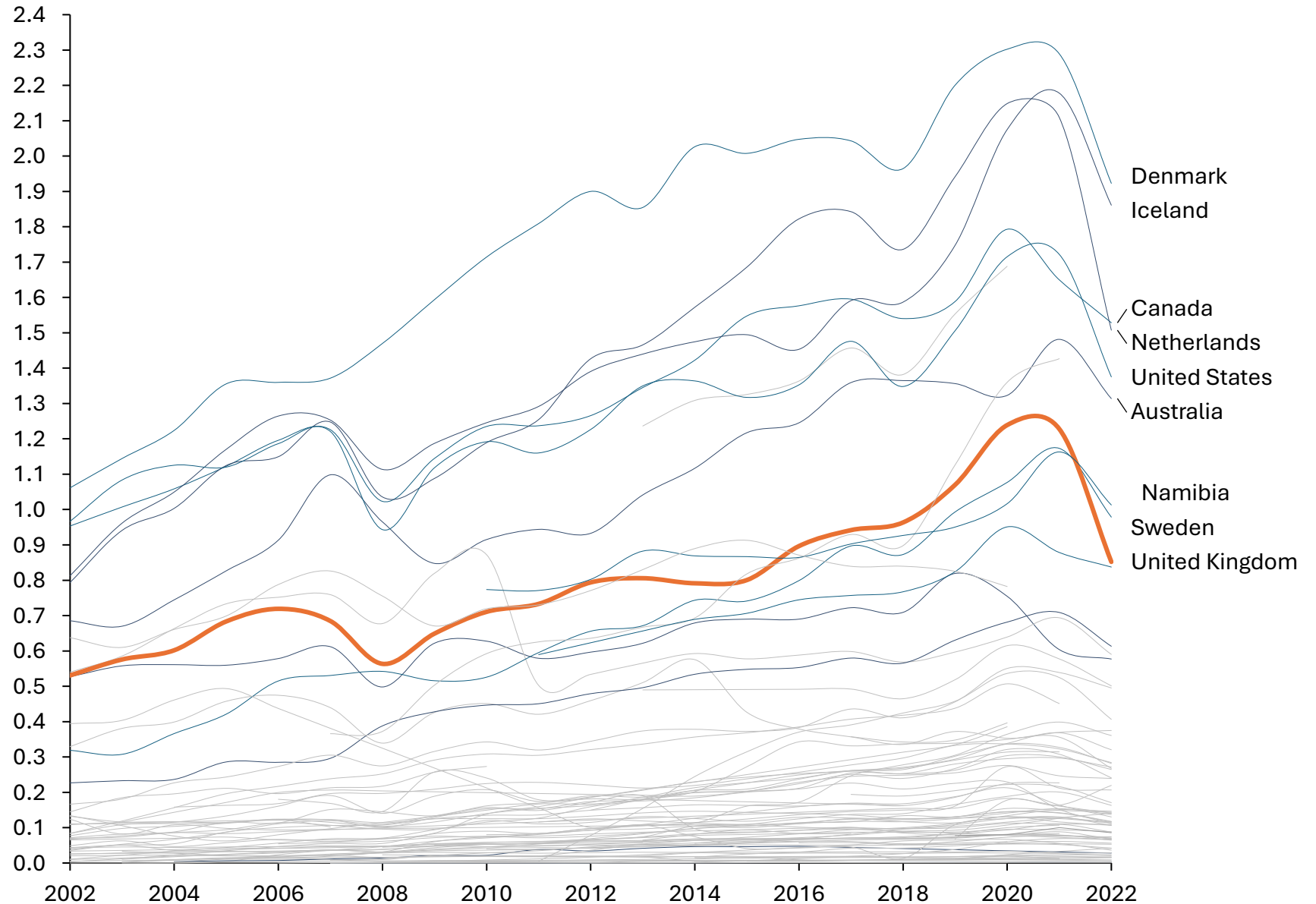
The UK pension system is the 3rd largest pension system in the world by total assets...

Total pension assets; \$Bn of USD



...but ranks 9th
when adjusting for
the size of its
economy

Total pension assets; as a multiple of GDP

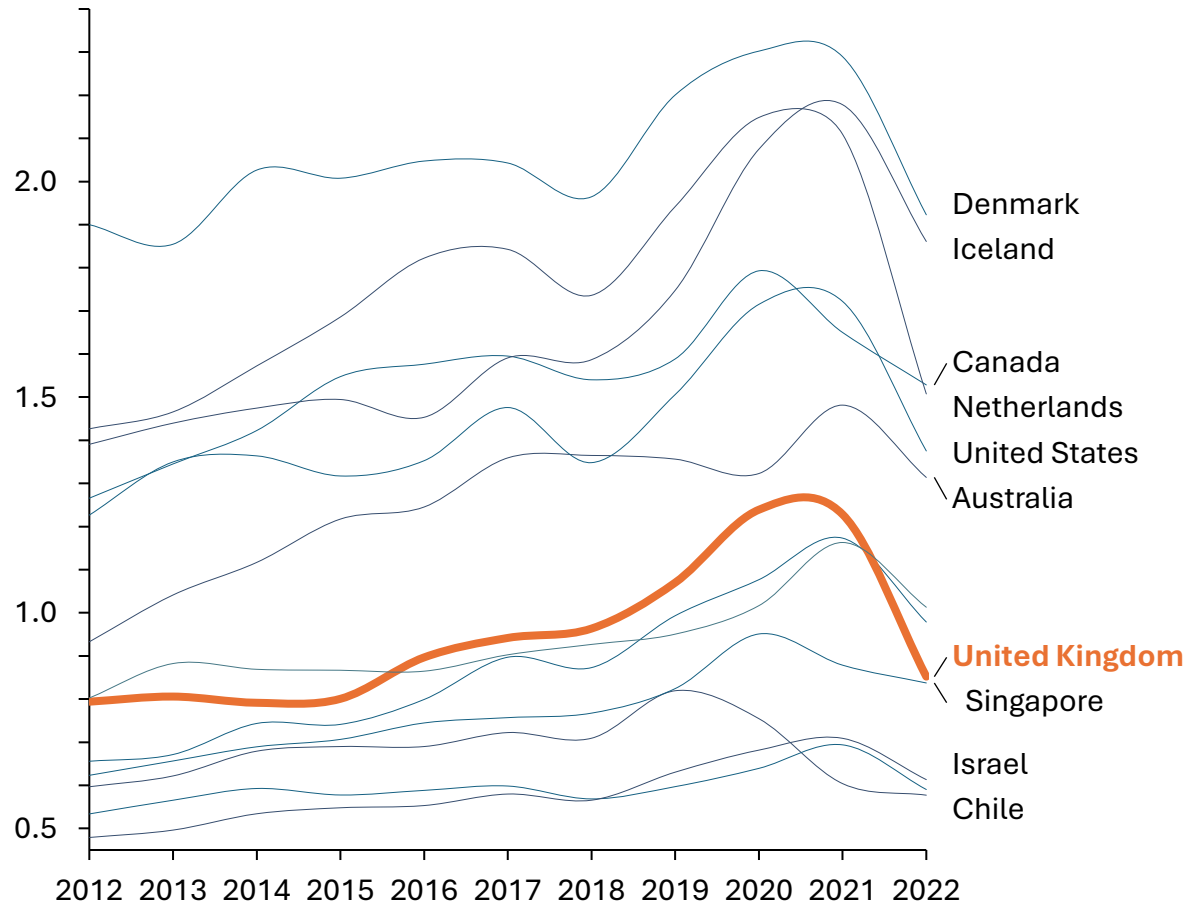


Source: OECD, Funded Pension Indicators, 2024

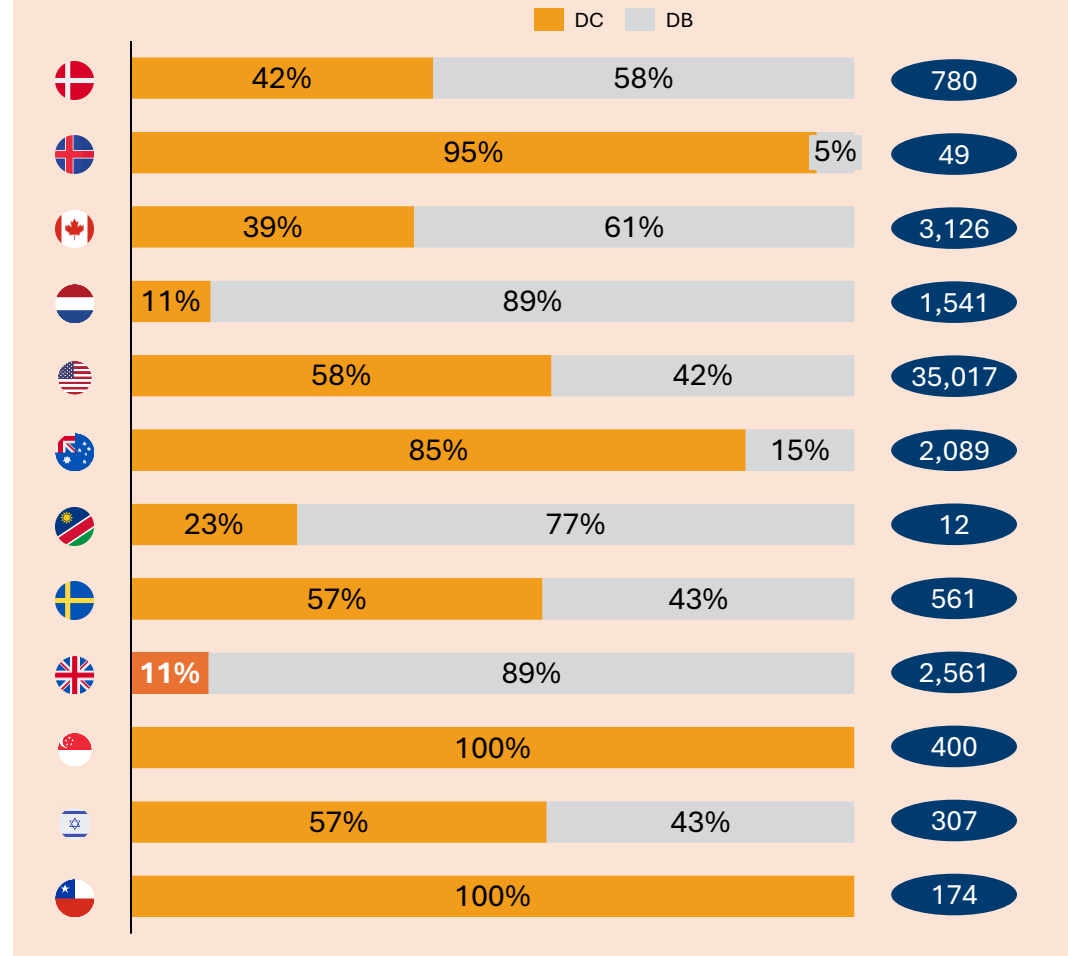
Note: Excludes Isle of Man, and Lichtenstein;

Unlike other leading countries, most assets in the UK are held under DB schemes...

Total pension assets; as a multiple of GDP



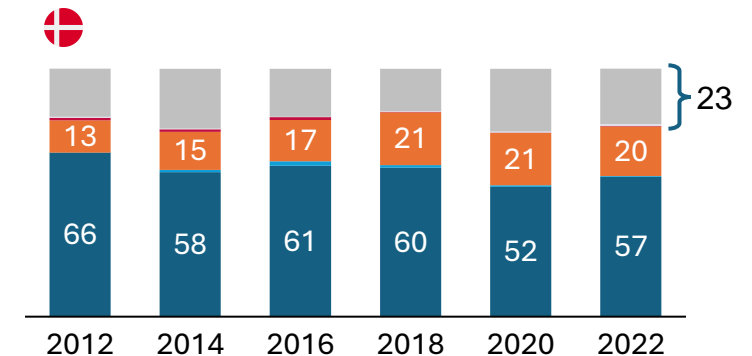
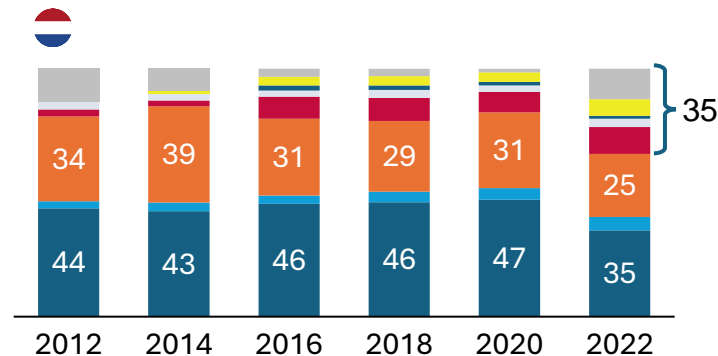
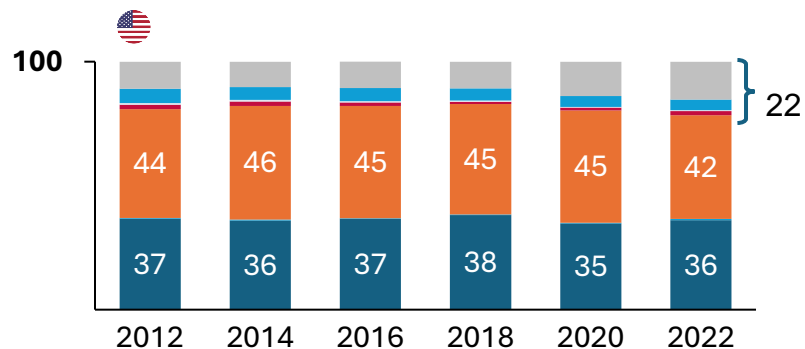
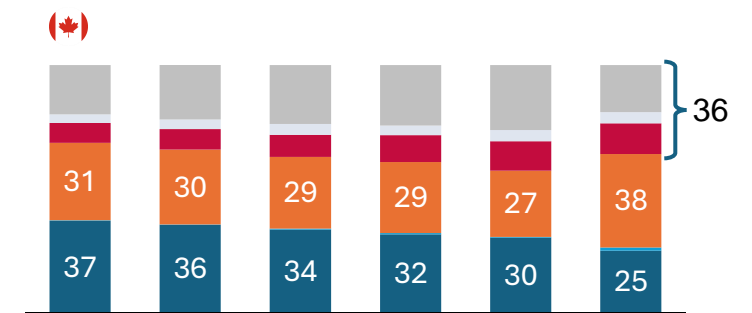
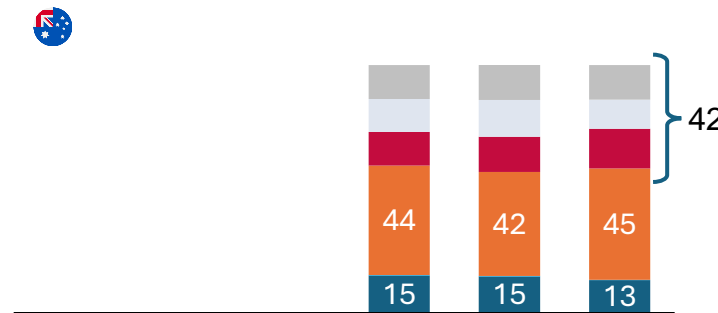
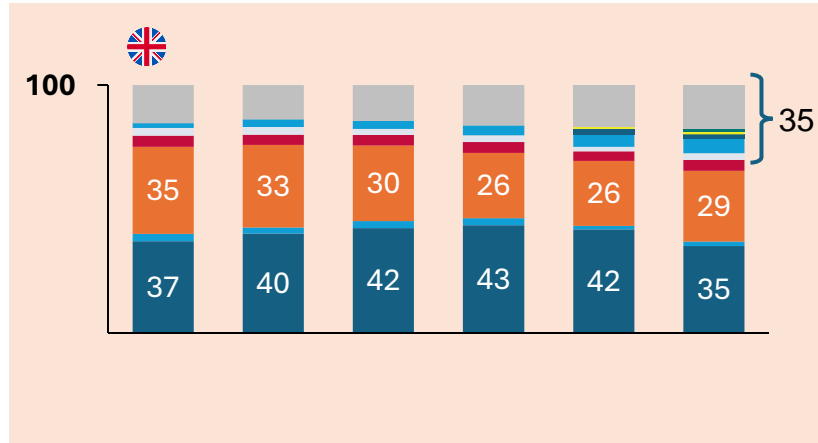
Share of DB vs DC; 100%; total assets in \$Bn



Pension assets in the UK have comparatively more exposure to bonds than peers such as Australia and Canada

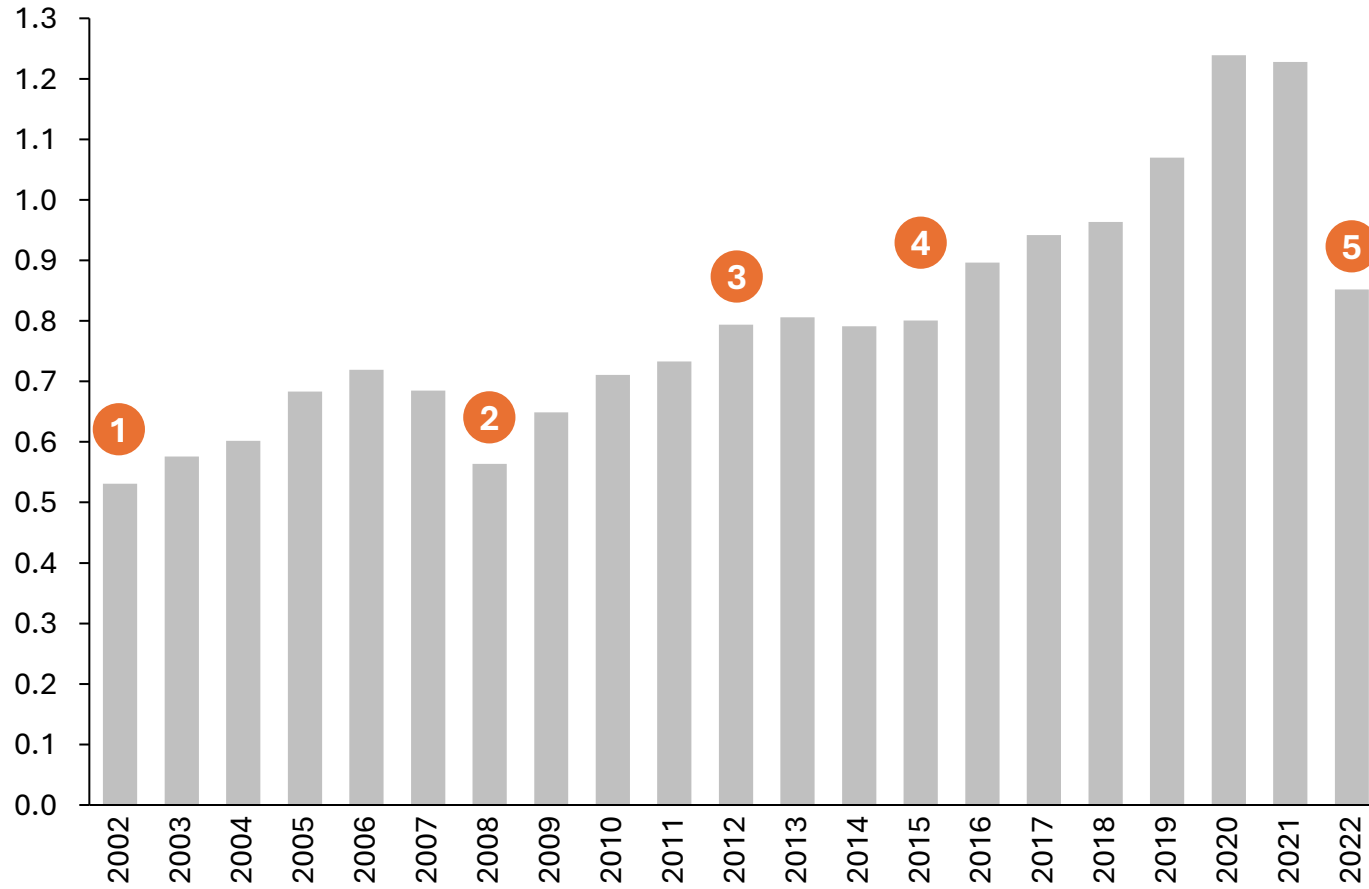
Allocation of assets invested in autonomous pension funds; 100%

Other investments Structured products Private equity funds Hedge funds Unallocated insurance contracts Cash and Deposits Land and Buildings Equity Loans Bills and bonds issued by public and private sector



Pension assets in the UK had seen steady year-on-year increases until COVID

Total pension assets in the UK; as a multiple of GDP



Events shaping the UK's pension market over the last 20 years

- 1 Pension Act of 2004 relaxed the stringency of minimum funding requirements** for pensions, allowing more capital to be invested
- 2 The fall on interest rates during the GFC meant a “double-whammy” on pension assets**, as equities decrease, and funding requirements increased with growing liabilities
- 3 The gradual introduction of auto-enrolment in 2012 and workplace pensions saw a meaningful increase in the number of employees contributing to a pensions** (e.g., contributions from private sector employees grew from 39% to over 75%)
- 4 Pension assets grew at market rates from 2017 to 2021, outpacing GDP**
- 5 The equities downturn and a sharp decrease in interest rates in the wake of COVID, in addition to the UK's Mini-budget of September 2022 had a meaningful effect on total pension assets in the UK as well as other markets with significant pension assets**

UK's pension systems lags versus that of other comparable countries and is facing a series of serious challenges today

High fragmentation of funds

The UK has over 6,200 DB and DC funds versus leading countries like Australia, where the 16 largest funds hold up to 70% of total pension assets

Limited investment in the UK

Around 5% of pension assets are invested in UK assets (equities, bonds, or real assets), while Australia and The Netherlands invest over 30% of pension assets in the local economy

Insufficiency of state pensions

At £221 per week, the full state pension for the UK lags countries like the Netherlands, who offer 20% more¹ in state pension

Low contributions to workplace pensions

The minimum contribution set for employers on workplace pensions is 3%, markedly lower than Australia with 10.5% and the Netherlands with 11.5%; moreover, in both countries, contributions are mandatory

Current fee-structures undermine performance

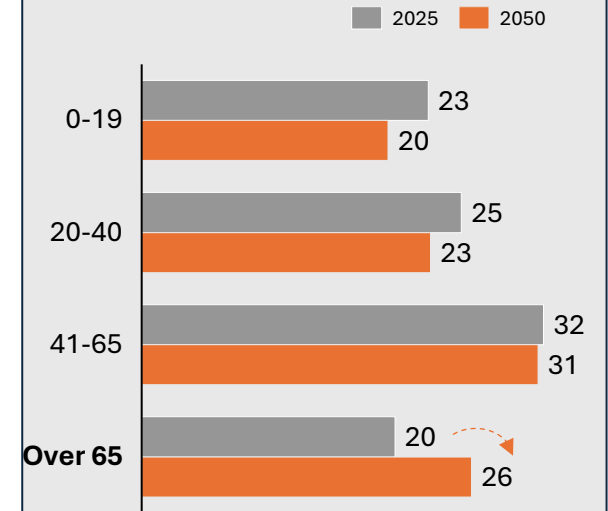
The cap government-mandated cap on 0.75% per year on the total cost of managing pension funds does not incentivise active and performance-oriented investment

Ageing population

The UK's population is expected to age materially over the next 25 years, with an **additional 5m people** above the current State Pension Age

UK demographics by age group;

%



Assumes 68.1m people in 2025, and 71.6m in 2050

What are the biggest challenges facing the UK pension system today

...with tangible solutions that have been tested in other geographies

What are the biggest challenges facing the UK pension system today

High fragmentation of funds

...and potential solutions

- ❑ Evaluate performance of current funds, including fund performance, fees and quality of service to promote consolidation of funds
- ❑ Introduce Collective Defined Benefit Funds

Limited investment in the UK

- ❑ Consolidation of funds to allow larger pools of capital for investment
- ❑ Government incentives (i.e. tax incentives to invest in projects in the UK like housing, infrastructure)

Insufficiency of state pensions

- ❑ Raise level of the minimum state pension
- ❑ Increase the State Retirement age

Low contributions to workplace pensions

- ❑ Increase minimum contributions
- ❑ Remove opt-out option for auto-enrolment
- ❑ Expand NEST or introduce a collective defined contribution scheme for all self-employed/ informal workers

Current fee-structures undermine performance

- ❑ Remove fee-cap and focus on net returns