

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board
Date of Committee 3 August 2007
Report Title Standard Life AVC Arrangements:
 Investment Performance Monitoring
 Report

Summary

**For further information
 please contact:**

Phil Triggs
 Group Manager
 (Treasury and Pensions)
 Tel: 01926 412227
 philtriggs@warwickshire.gov.uk
 No.

Neil Buxton
 Pension Services
 Manager
 01926 412195
 neilbuxton@warwickshire.gov.uk

**Would the recommended
 decision be contrary to the
 Budget and Policy
 Framework?**

Background papers

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Davis, Chair of Pension Fund Board
- Cabinet Member
- Chief Executive
- Legal Tony Maione
- Finance David Clarke, Strategic Director of Resources
(reporting officer)
- Other Chief Officers
- District Councils
- Health Authority
- Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Agenda No

Pension Fund Investment Board - 3 August 2007

Standard Life AVC Arrangements: Investment Performance Monitoring Report.

Report of the Strategic Director of Resources

Recommendation

That the Board note the contents of the report and instruct the Resources Director to liaise further with Mercer about extending the range of investments available through Standard Life or an alternative provider.

1. Introduction

- 1.1 In March 2001, the Pension Fund Investment Board (PFIB) approved the appointment of Standard Life as the provider of additional voluntary contributions (AVCs) for the Warwickshire Pension Fund. The appointment was a consequence of the closure for new business of Equitable Life.
- 1.2 When making the appointment, the PFIB recommended that the performance and appropriateness of Standard Life as the AVC provider be reviewed after three years.
- 1.3 The County Treasurer commissioned Mercer in 2004 to complete a performance report and the PFIB consequently recommended that Standard Life continue to provide AVCs for the Warwickshire Pension Fund.
- 1.4 In March 2007, the Director of Resources instructed Mercer to complete an Investment Performance Report in respect of Standard Life.

2. Standard Life: Findings of the report

- 2.1 A copy of the report is attached in **Appendix A**.
- 2.2 The performance and monitoring report was based on information up to 31 December 2006.
- 2.3 The report concludes that Standard Life will remain an AVC provider that Mercer would consider from a "long list" of potential AVC providers to the Fund.

2.4 The report also highlights that, although there are currently no specific grounds of solvency alone for considering a review of Standard Life's appointment, it should be noted that Standard Life is of below average strength in comparison with other providers.

3. Prudential

3.1 Coincidentally, the County Council has recently been approached by a representative of Prudential Assurance, offering themselves as an alternative provider of AVCs for the Fund's membership.

3.2 Currently Prudential provide AVCs to 54 other administering authorities.

4. Recommendation

4.1 That the Pension Board note the contents of the report and instruct the Resources Director to liaise further with Mercer about extending the range of investments available through Standard Life or an alternative provider.

DAVID CLARKE
Strategic Director, Resources
Shire Hall
Warwick
July 2007

May 2007

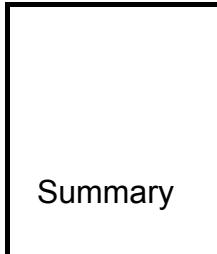
Warwickshire County Council Pension Fund

Standard Life AVC Arrangements:
Investment Performance Monitoring
Report up to 31 December 2006

MERCER

Human Resource Consulting

Mercer Human Resource Consulting Limited is authorised and regulated by the Financial Services Authority
Registered in England No. 984275 Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU



Executive Summary

Unit Linked Funds

Past performance has generally been around median or better in all funds over most of the period where data is available, apart from the odd exception, e.g. Managed Fund in year ended 31 December 2003 and Cautious Managed Fund in year ended 31 December 2002. The Protection Fund, however, shows sub-median performance, and is also below lower quartile in 3 out of 5 years.

With-Profits

1. Underlying Investment Returns

The annual underlying investment returns for the Standard Life AVC with-profits fund show slightly above average returns in 2004 and well above average returns in 2005.

2. Bonus declarations

Insurers have generally been reducing their declared bonuses in recent years. Standard Life's net rate in 2005 and 2006 is neither amongst the best nor the worst of such rates amongst the leading providers.

3. Financial strength

Standard Life's free asset ratios (on the Mercer basis excluding unit-linked liabilities) have been below average amongst the insurers listed. In addition the insurer's Mercer free asset ratio in 2005 allowing for long-term and other than long-term inadmissible assets has also been below average.

4. Asset allocations

For a number of years there has been a general trend of reducing real asset holdings but the majority of insurers have increased the proportion held in real assets more recently. However, the average real assets held by Standard Life (Category 2) show a reduction from 60% to 51% in real assets between 2004 and 2005. At this level, real assets are below that for most other providers shown.

5. Demutualisation

The latest with-profits data available reflects the position prior to demutualisation. Whilst we are not anticipating the demutualisation will have a material impact, the position will become clearer when the next monitoring report is prepared.

Fund Choices Generally

Currently, Warwickshire AVC payers are offered only a handful of fund options to choose from. Standard Life have introduced a large number of other options, including external “guest” funds, that could also be offered if the Administering Authority wishes to extend the fund range on offer to members. We would be happy to advise on whether any changes should be made to ensure a suitable range of funds is offered to members.

Suitability

The current financial strength of Standard Life is such that it remains one of the AVC providers that we would currently consider for inclusion on an initial “long list” of providers for a new appointment. This is not, however, a guarantee as to the future solvency of the insurer.

As noted above, there are currently no specific reasons on the grounds of solvency alone for considering a review of Standard Life’s appointment (while at the same time noting the below average financial strength for Standard Life against the other providers shown in section 3.3). If there are any other aspects of the provider’s AVC offering, e.g. administrative or communications requirements, which no longer meet the Fund’s current needs, this may lead to consideration of the continued suitability of the insurer as the Fund’s AVC provider. We would be happy to advise the Administering Authority in this area if required.

Contents	Page
1. Introduction.....	1
2. Analysis of unit-linked investment performance.....	3
3. With-profits.....	9
4. Suitability of Existing AVC Provider.....	14

Appendix

Asset Allocation Charts	15
-------------------------------	----

© Mercer Human Resource Consulting 2007

Important Notice:

This paper contains confidential and proprietary information of Mercer Human Resource Consulting and is intended for the exclusive use of Mercer Human Resource Consulting and our clients. The paper may not be modified, sold, or otherwise provided, in whole or in part, to any other person or entity without Mercer's written permission. Information contained herein has been obtained from the firms themselves and other sources. In this report we have relied upon the data supplied to us. Mercer does not accept any liability in relation to any inaccuracies in the data provided.

This paper is addressed to the Administering Authority for the purpose of enabling it to monitor past investment performance of the AVC options offered to members of the Fund via the AVC arrangement. Mercer does not accept liability to any third party in respect of this paper, nor do we accept liability to the Administering Authority if this paper is used for any purpose other than that stated.

This report is not intended to convey any guarantees as to the future investment performance of these products. In addition:

- *Past performance is not necessarily a guide to the future.*
- *The value of investments may fall as well as rise and investors may not get back the amount invested.*
- *Income from the investment may fluctuate in value.*
- *The value of investments in a foreign currency will vary as a result of changes in the rates of exchange.*
- *Where charges are deducted from capital, the capital may be eroded or future growth constrained.*

1

Introduction

- 1.1 This report provides details of past investment performance in respect of unit-linked and with-profits funds available through the current Standard Life Group AVC contract and compares these with similar funds in the marketplace. It is addressed to the Administering Authority of the Warwickshire County Council Pension Fund.
- 1.2 AVC arrangements need to be managed actively, to avoid members becoming dissatisfied or the arrangement being undervalued. We recommend that four key components need to be addressed:
 - Investment opportunity
 - Effective communication
 - Efficient service delivery and
 - Controlled operational risk
- 1.3 A disciplined approach will be of benefit to the Administering Authority and Scheme members. Within each component, the six stages of successful management are:
 - Document objectives
 - Set operational measures
 - Evaluate current status
 - Identify gaps in current delivery
 - Implement agreed actions; and
 - Continue to monitor and improve

- 1.4 Comparing providers indicates relative strengths and weaknesses. Differences may be systems, processes or even strategy driven and hence explicable, or at least a subject for discussion. Analysis of industry standards enables a balanced consideration of what is realistic. Comparing performance will “*Identify gaps in current delivery*”, help with identifying the reasons and, hopefully, enable the Administering Authority and provider to “*Implement agreed actions*”. However, a precursor to this is identifying your *Objectives*, leading to the setting of *Operational Measures*.
- 1.5 Possible questions to be considered when setting *Objectives* and ultimately *Operational Measures* might include some or all of the following:
 - 1.5.1 Is the arrangement meeting the needs and expectations of the Administering Authority, the employers and the employees?
 - 1.5.2 Is investment performance within acceptable parameters of performance and risk?
 - 1.5.3 Are employees making informed decisions?
 - 1.5.4 Is administration of the required standard?
 - 1.5.5 Is optimum use being made of the provider’s latest services?
 - 1.5.6 Are compliance requirements being met?
 - 1.5.7 Has the product remained competitive?
- 1.6 This report focuses on investment comparisons, but we would be pleased to discuss the wider context of AVC monitoring with the Administering Authority further.

2

Analysis of unit-linked investment performance

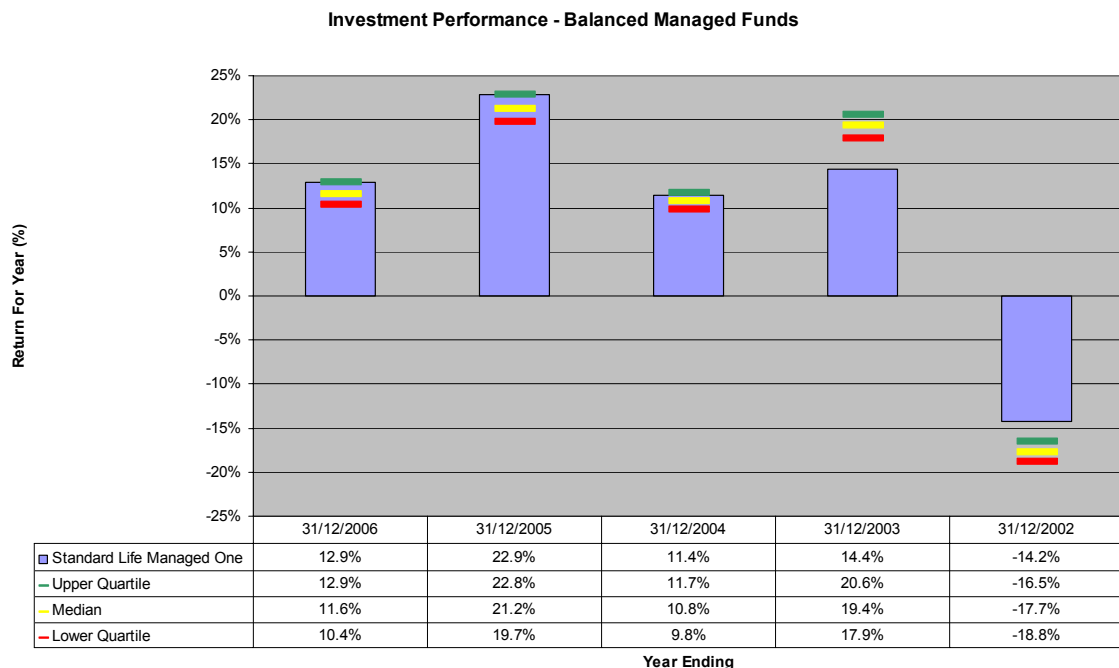
Wider Data

- 2.1 From the universe of funds currently available to new group retail pension products, we are currently tracking the performance of approximately 2,000 funds, which lead to the quartile performance indicators shown below. These universes change, as some funds close, but mainly as new ones are added, hence the quartile returns in this report will differ in some cases when compared with prior reports.

Use of Investment Performance Data

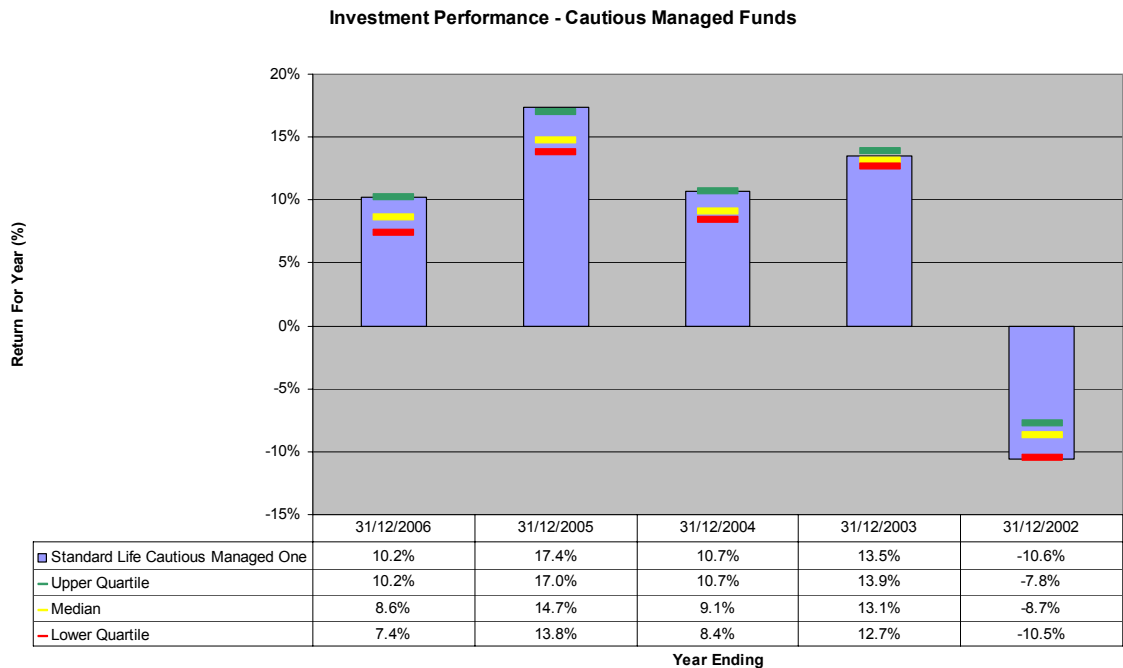
- 2.2 Quartile performance results are based on the performance of funds that fall within what can be a broad asset class. For example, the proportions relating to different asset classes vary from manager to manager. Hence, quartile performance results are only an approximate guide to the performance standard of a specific fund.
- 2.3 This particularly applies to the Ethical Fund in this instance. The first chart (in Section 2.14) compares this ethical fund against other ethical funds, but it should be noted that the actual investment criteria can vary significantly from one “ethical” fund to another, and so comparisons may well reflect the different criteria applied, as much as any over or under performance. To provide an alternative comparison, therefore, the second chart (in Section 2.15) compares the Ethical Fund against all balanced managed funds, not just ethical balanced managed funds.
- 2.4 The strict measure of any specific fund should be the actual benchmark that the manager measures itself against, along with any out-performance objective. This information is available for most funds that Mercer is monitoring, but interpretation of data and relative comparisons are more complex.
- 2.5 Past investment performance is a poor guide to potential performance. More detailed analysis would be required to estimate the likelihood of future out-performance.

- 2.6 The following charts set out comparative performance details of the Standard Life AVC unit-linked fund options currently available to Warwickshire payers together with comparative returns on the universe of all funds in each sector. This is based on the latest information readily available, which covers periods up to 31 December 2006. All returns are based on the change in unit price and are quoted gross of charges and with income reinvested.
- 2.7 The past performance data held is generally available for up to 5 years.
- 2.8 The charts illustrate the main AVC investment funds on offer to members from Standard Life. These include both the “stand-alone” fund options (which members can choose directly), and the “Balanced Lifestyle AVC Profile” fund option (where member’s funds are gradually diverted from the Pension (Balanced) Managed fund into a combination of the Pension Cautious Managed and Pension Protection funds).
- 2.9 **Comparative Performance – “Balanced Managed” Sector**



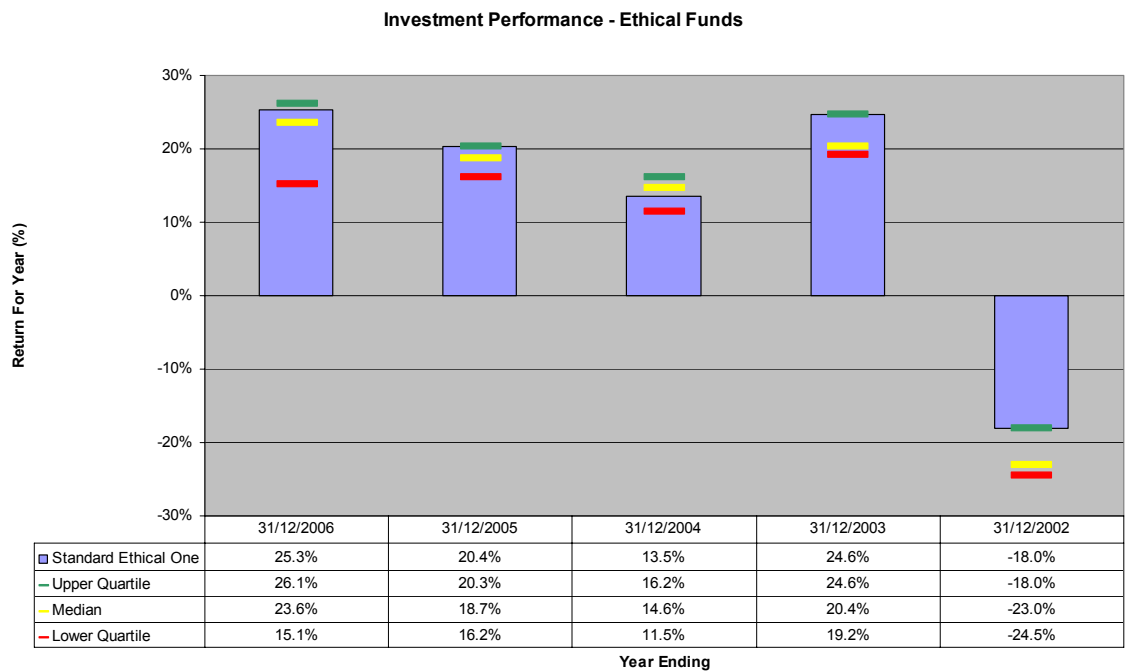
- 2.10 The composition of assets in the “Balanced Managed” sector funds can vary greatly from fund to fund. The quartiles illustrated above should therefore be interpreted as only a broad comparison of performance.
- 2.11 Note: As well as being a fund option in its own right, this is also the initial fund for members choosing the Balanced Lifestyle AVC Profile. Under the Balanced Profile, members’ funds are initially invested in the Pension “(Balanced) Managed” fund, then gradually moved into a combination of the Pension “Cautious Managed” and Pension Protection funds.

2.12 Comparative Performance - “Cautious Managed” Sector

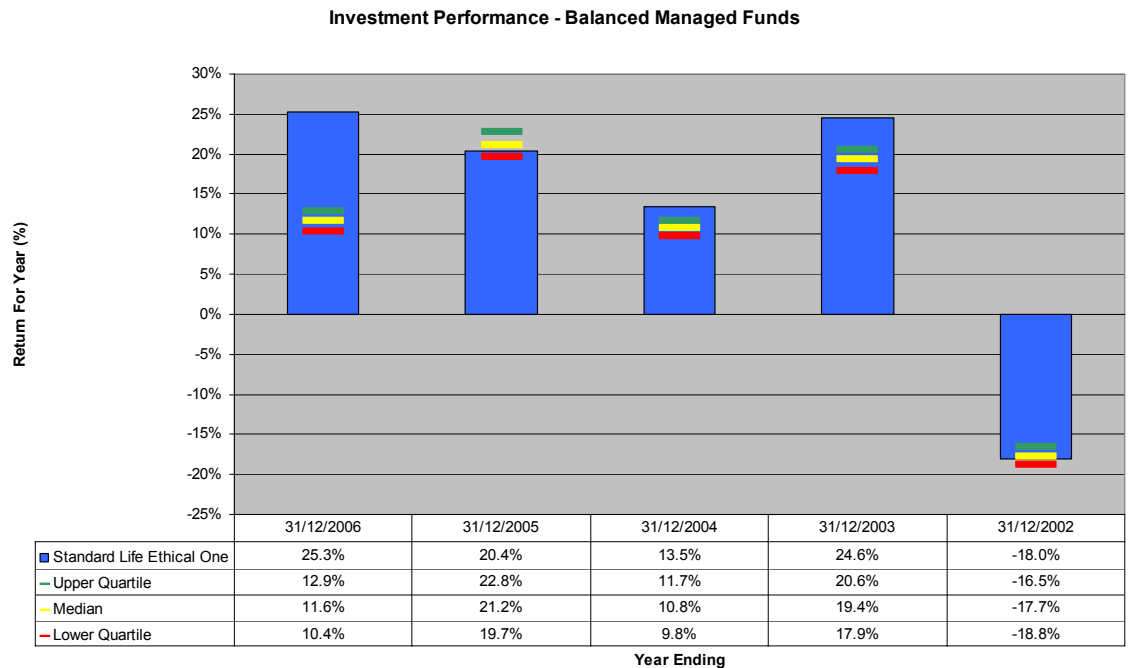


2.13 This is a fund within the Balanced Profile and is used by members nearing retirement age. The Cautious Managed fund is not currently available to Warwickshire AVC payers as a stand-alone investment option.

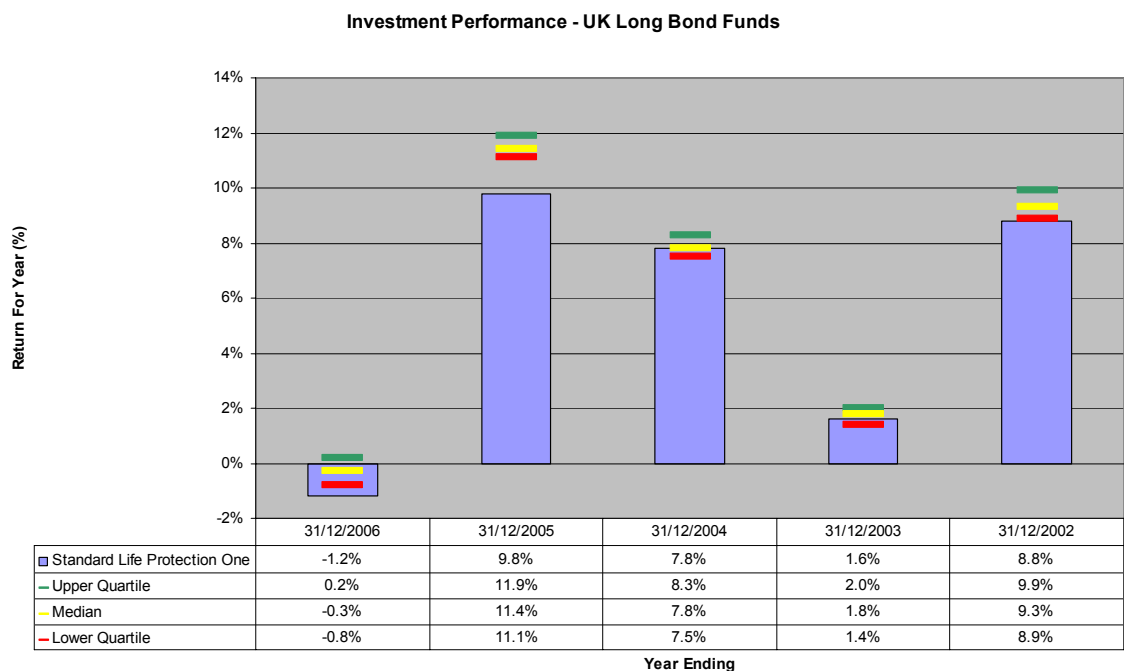
2.14 Comparative Performance - “Ethical” Sector



2.15 Standard Life's Ethical fund also falls into the Balanced Managed sector. The quartile rankings shown in the Ethical Funds chart above are made up of a variety of funds, which are therefore not necessarily comparable due to the different investment criteria adopted. The chart below compares the Standard Life Ethical fund against all balanced managed funds (not just ethical balanced managed funds).

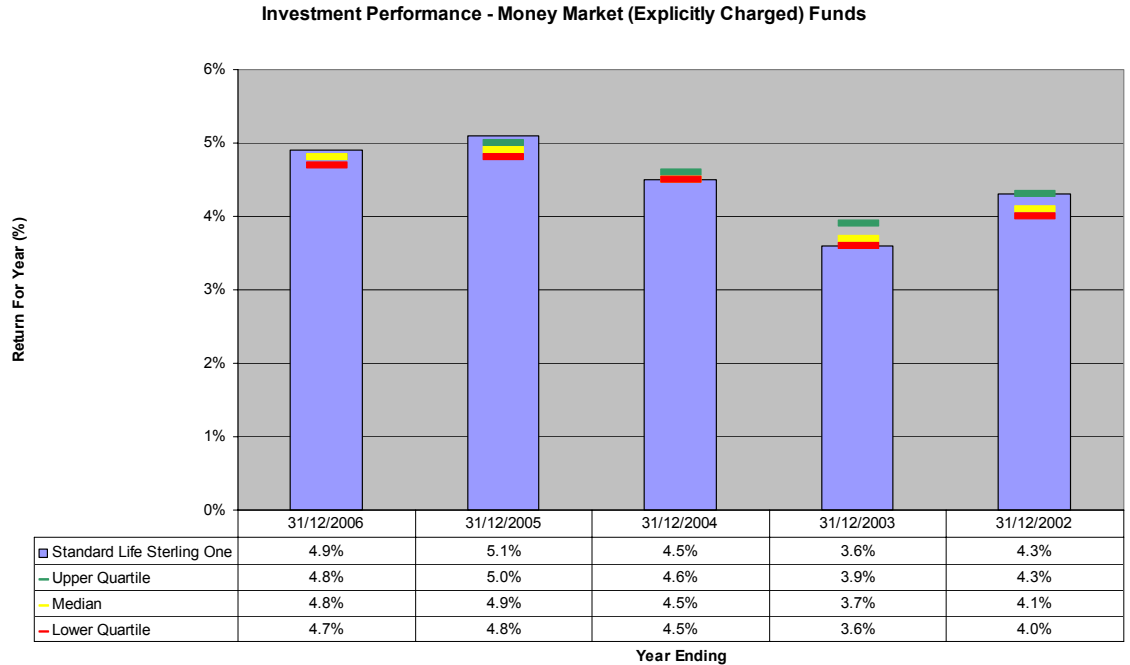


2.16 Comparative Performance – “UK Long Bonds” Sector



2.17 Note: This is a fund within the Balanced Profile and is used by members nearing retirement age. Standard Life’s Protection Fund is not currently available to Warwickshire AVC payers as a stand-alone investment option.

2.18 Comparative Performance – “Money Market (explicitly charged)” Sector



Comments

2.19 From inspection of the charts it can be seen that the past performance has generally been around median or better in all funds over most of the period where data is available, apart from the odd exception, e.g. Managed Fund in year ended 31 December 2003 and Cautious Managed Fund in year ended 31 December 2002. Standard Life’s Protection Fund however shows sub-median performance, and is also below lower quartile in 3 out of 5 years.

As mentioned above, the calculated quartile rankings are not necessarily a fair benchmark against which to measure each of these funds, and past performance is not necessarily a guide to future potential.

When choosing any “bundled” pension contract, the selection process involves compromise in respect of the constituent parts, primarily administration, investment and communication services.

Currently, Warwickshire AVC payers are offered only a handful of fund options to choose from. There are a large number of other options, including external “guest” funds, that could also be offered if the Administering Authority wishes to extend the fund range on offer to members. We would be happy to advise whether any changes should be made to ensure a suitable range of funds is offered to members.

- 2.20 In order to give better focus to the performance comparisons, we propose that the analysis is extended to show the relative levels of contributions and invested funds in each of the Standard Life investment options available to Warwickshire payers. Combining this information with the performance results would give a clearer picture to enable further action to be considered by the Administering Authority.

We would be happy to gather this additional data from Standard Life to allow this further analysis to be undertaken for all of the fund options offered to Warwickshire AVC payers.

3

With-profits

Background

For some years, Mercer has not made any general recommendations for new with-profit investment. This, of course, raises a number of important questions about current premiums and accrued funds invested in with-profits policies, including AVCs.

We would be happy to discuss this further with the Administering Authority.

Analysis

The charts on the following pages set out details of the Standard Life AVC with-profits fund compared to other leading providers in relation to **underlying investment returns, bonus declarations, financial strength and asset allocations**. With-profits data is released annually. The latest with-profits data available from the insurers is up to 31 December 2005.

Mercer does not analyse with-profit maturity payout returns but focuses on the four factors listed above. We do not believe analysis of maturity payout returns is appropriate for the following reasons:

- The data is a snapshot and depends on whether the provider has recently made a bonus declaration. Providers can move from the top to the bottom of the table following a bonus declaration. As providers declare bonuses on different dates, then direct comparison is difficult.
- The tables take no account of the degree of smoothing, so for example a company that smoothes more than another will be nearer the top of the table in a falling market and nearer the bottom of the table in a rising market.
- The tables are normally constructed for policies of specific terms and contribution level; in practice the insurer may have very few retirements for policies of that term/contribution level. Therefore it is relatively cheap/easy to manipulate bonus declarations to appear competitive in the key areas. In some cases smaller

providers only update payout data when someone actually retires in which case their payout data although typically included will not be appropriate.

- Some providers have underpaid on transfer and early retirement and used the benefits to bolster payments on normal retirement. These providers appear artificially high in the maturity payout tables.
- The payout tables do not take account of any scheme specific charging levels.

Section 3.2 below provides comparative details of bonus declarations. However, these should also be treated with some caution in drawing any conclusions for the reasons given above.

Standard Life has fundamentally changed their approach to asset allocation since 2004. The ongoing asset allocation now depends on the level of investment guarantees applying under the contract. "Category 2" figures shown in the tables below relate to investments without a positive guaranteed growth rate (e.g. Group AVC contracts) and have a higher equity content than the overall with-profits fund. The asset allocation figures for Standard Life cannot be compared with earlier years given this fundamental change.

3.1 Underlying investment returns

The tables below show underlying investment performance for Standard Life's (Category 2) with-profits fund annual returns up to 31 December 2004 and 31 December 2005, compared to other leading providers. These are actual returns earned by the assets of the with-profits funds and are not directly linked to either the regular or final bonuses declared by an insurer. Ultimately, life offices cannot afford to pay out more in the long-term than they earn on their investments.

Annual Investment Returns

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
AXA Sun Life (New WP Fund)	12.9%	17.1%	24.9%	-3.6%	17.2%	10.2%	19.4%	13.6%	19.3%	1.7%	-7.8%	-12.4%	11.4%	11.8%	15.9%
CIS WP Pension Fund	14.9%	14.8%	25.2%	-4.2%	18.9%	11.4%	20.9%	14.9%	17.9%	1.3%	-8.1%	-10.9%	11.6%	11.4%	18.9%
Clerical Medical Equitable	15.9%	13.4%	29.3%	-5.5%	18.1%	11.7%	18.8%	12.7%	20.2%	2.8%	-7.7%	-8.3%	9.7%	9.9%	15.0%
Friends Provident Legal & General	14.8%	15.9%	27.1%	-5.9%	15.6%	10.8%	17.6%	17.1%	12.9%	2.7%	-8.7%	-8.9%	9.4%	10.7%	15.0%
Norwich Union (CGNU WP Fund)	15.0%	16.6%	26.0%	-2.5%	11.7%	11.5%	20.8%	18.6%	18.5%	-1.1%	-9.5%	-7.7%	12.1%	11.5%	17.7%
Norwich Union (NUL&P WP Fund)							18.5%	14.9%	17.0%	0.3%	-7.1%	-5.3%	10.4%	10.2%	16.0%
Prudential	13.8%	15.4%	26.9%	-2.4%	21.4%	12.6%	19.8%	12.6%	19.3%	3.0%	-3.5%	-8.1%	16.5%	13.4%	20.0%
Scottish Equitable High Equity WP2						10.9%	22.7%	15.3%	16.7%	1.1%	-9.5%	-16.4%	14.9%	9.5%	16.9%
Scottish Equitable (NGWP Growth)													17.3%	9.6%	10.9%
Scottish Equitable (NGWP Cautious)													11.0%	7.8%	8.2%
Scottish Life (Royal London)									19.0%	-1.9%	-13.4%	-11.6%	7.3%	12.0%	17.1%
Scottish Life (Closed)				7.1%	17.9%	10.0%	16.4%	17.7%	19.8%	-0.9%	-9.9%	-5.7%	4.8%	8.9%	14.5%
Scottish Widows	14.7%	15.9%	26.7%	-5.2%	18.1%	10.5%	18.3%	13.7%	11.6%	0.9%	-8.1%	-8.8%	9.2%	10.5%	16.0%
Standard Life	20.0%	7.0%	23.9%	5.5%	16.0%	13.8%	17.3%	15.8%	17.8%	7.7%	-10.1%	-12.8%	10.7%	10.2%	16.1%
Standard Life (Category 1)															9.3%
Standard Life (Category 2)															11.1%
Sun Life Assurance Society	14.8%	15.1%	29.0%	-3.0%	20.0%	11.4%	17.3%	13.9%	18.6%	2.8%	-5.4%	-5.4%	10.5%	11.1%	14.4%
Winterthur			21.7%	-1.3%	20.5%	11.4%	21.2%	12.5%	18.5%	-5.0%	-12.9%	-8.6%	6.7%	8.7%	12.9%
Zurich Assurance (100:0 Fund)					13.4%	18.7%	15.4%	14.7%	4.2%	-5.2%	-11.4%	9.4%	8.4%	9.8%	
Zurich Assurance (90:10 Fund)				-5.8%	17.0%	13.6%	18.8%	13.7%	19.6%	1.5%	-3.1%	-3.7%	6.1%	9.1%	10.6%
Average	15.2%	14.6%	26.1%	-2.2%	17.7%	11.7%	19.1%	14.8%	17.6%	1.3%	-8.1%	-8.1%	10.7%	10.2%	14.8%

The annual underlying investment returns for the Standard Life (Category 2) with-profits fund show slightly above average returns in 2004 and well above average returns in 2005.

3.2 Bonus declarations

The table below summarises the regular bonus declarations made during 2005 and 2006. Most providers make their bonus declarations around February or March.

Company	Declared Bonus 2005	Interim Bonus 2006	Net or gross	Comments
AXA Sun Life	1.50%	1.75%	Net rate	1% management charge
Clerical Medical	(1% AMC series) 1.00%	(1% AMC series) 1.00%	Net rate	Rates applicable for 1% AMC series post 1st June 1999
CGNU	3%(net), 4%(gross)	3%(net) 4.50% (gross)	Gross rate (new style), Net rate (old style)	Guaranteed bonuses of 4% p.a. apply to some products
Zurich 100:0 Fund	0% UWP4, 1% UWP5, UWP6 & UWP 8	0% UWP4, 1% UWP5, UWP6 & UWP 8	Gross rate	
Zurich 90:10 Fund	4% UWP2 & UWP7, 1.4% UWP2A, UWP2B, UWP3 & UWP3B	4% UWP2 & UWP7, 1.4% UWP2A, UWP2B, UWP3 & UWP3B	Gross rate	
Friends Provident	1.90%	1.90%	Gross rate	Rates applicable for "New Generation" policies
Legal & General	2.0% to 5.0%	2.0% to 5.0%	Net rate	Depends on the date the premium is paid (1986 to 2006)
Norwich Union (NUL&P WP Fund)	3.00%	3.00%	Gross rate	Rates without guarantee. Guaranteed bonuses of 4% p.a. apply to some products
Prudential - GPP	3.25%	3.25%	Net rate	Flexible/Select Group Personal Pensions
Prudential - GMP	3.50%	3.50%	Net rate	Unitised Corporate Pensions business
Scottish Equitable	0.50%	0.25%	Net Rate	High Equity with profits (WP2) - closed to NB. Interim applies from 1 April 2006
Scottish Life	0.5% on basic, 0.5% on bonus units	0.5% on basic, 0.5% on bonus units	Net rate	1% management charge
Scottish Widows	1.50%	1.75%	Net rate	
Standard Life	2.50%	2.00%	Net rate	4% for guaranteed policies (non GAVCs)

Insurers have generally been reducing their declared bonuses in recent years. The table above shows that Standard Life's net rate in 2005 and 2006 is neither amongst the best nor the worst of such rates amongst the leading providers.

3.3 Financial strength

Each insurer publishes its free asset ratio as the percentage of excess of available assets and implicit items (see definition in the notes to the table below) above the required minimum margin, compared with the admissible assets.

The Mercer free asset ratios shown in the table below are defined as the percentage of available assets (without any allowance for implicit items or any reduction for required minimum margin) compared with the sum of total mathematical reserves (excluding unit-linked liabilities). Mercer then further adjusts the published figures to allow for inadmissible assets for both long-term and other than long-term business.

We believe this adjusted basis provides a better comparison of financial strength than the published free asset ratio.

Table of Mercer Free Asset Ratios									
Extracts from FSA Returns for years ending 31 December 2002 - 2005									
With Profit Providers									
COMPANY		Total Assets 2005 (see notes below) in millions	Mercer Free Asset Ratio (excluding Unit Linked Liabilities)				Change 2004 to 2005		Mercer Free Asset Ratio allowing for Long Term and Other Than Long Term Inadmissible Assets 2005 %
			2002	2003	2004	2005	Absolute	Proportion	
Axa Sun Life		3,032	9.6%	17.9%	25.6%	29.9%	4.2%	17%	35.0%
CGNU Life Assurance	} same group	3,598	9.0%	16.0%	23.8%	29.2%	5.4%	23%	29.6%
CU Life Assurance		-	3.9%	13.7%	17.3%	-			-
Norwich Union Life & Pensions	}	7,184	9.1%	15.1%	17.6%	22.1%	4.4%	25%	22.1%
Clerical Medical Investment Group		4,070	7.7%	9.0%	12.3%	22.1%	9.8%	80%	22.0%
Co-operative		3,188	9.4%	9.0%	15.6%	16.1%	0.5%	3%	16.1%
Friends Provident Life Assurance	} same group	348	28.7%	38.0%	31.9%	62.4%	30.5%	95%	64.6%
Friends Provident Life & Pensions		3,469	5.4%	8.7%	10.7%	18.9%	8.2%	77%	24.9%
Friends Provident Pensions ⁴		168	14.2%	7.0%	7.6%	6.6%	-1.0%	-13%	6.6%
Legal & General Assurance		8,546	10.9%	14.0%	23.2%	23.5%	0.2%	1%	25.5%
National Farmers Mutual		1,283	17.7%	22.2%	32.81%	33.04%	0.2%	1%	40.5%
Prudential		23,406	9.1%	11.4%	23.11%	31.34%	8.2%	36%	35.7%
Royal London Mutual		3,325	3.9%	7.2%	12.8%	23.0%	10.2%	80%	24.0%
Scottish Widows plc		6,736	10.7%	13.5%	25.7%	33.1%	7.3%	28%	40.8%
Standard Life		7,070	5.7%	7.2%	10.6%	13.6%	3.0%	28%	13.2%
Arithmetic Average		5,028	10.4%	14.0%	19.4%	26.1%	6.5%	34%	28.6%

NOTES:

- Total Assets includes "implicit items" in the FSA returns which are defined as "future profits", "hidden reserves" and "zillmerising". "Zillmerising" involves increasing part of future premiums to allow for initial expenses. "implicit items" are therefore "non-physical" type assets and are not necessarily guaranteed.
- The "Mercer Free Asset Ratio allowing for Long Term and Other Than Long Term Inadmissible Assets" gives credit for all types of assets available to the insurer.

The table above shows that Standard Life's free asset ratios (on the Mercer basis) have been below average amongst the insurers listed. The insurer's Mercer free asset ratio in 2005 allowing for long-term and other than long-term inadmissible assets has also been below average.

3.4 Asset allocations

The latest available asset allocations for the with-profits fund of Standard Life (Category 2) and other leading insurers are shown in the charts in the Appendix.

The "real assets" include UK equities, overseas equities, property and index-linked bonds.

A number of insurers reduced their equity holdings significantly in 2003 in anticipation of the changes to the realistic reporting requirements introduced by the Financial Services Authority.

From the charts it can be seen that for a number of years there was a general trend of reducing real asset holdings but the majority of the insurers have increased the proportion held in real assets more recently. However, Standard Life shows a reduction from 60% to 51% in real assets between 2004 and 2005, for the Category 2 fund. At this level, real assets held are below that for most other providers shown.

As noted above, the figures for Standard Life cannot be compared with years prior to 2004, given the fundamental change in the insurer's approach to asset allocation since then.

3.5 Demutualisation

As previously noted, the charts in Section 3 are based on the latest available with-profits data which is up to 31 December 2005. This was before the demutualisation of Standard Life was completed in 2006. Whilst we are not anticipating the demutualisation will have a material impact, the position will become clearer when the next monitoring report is prepared.

4

Suitability of Existing AVC Provider

- 4.1 The current financial strength of Standard Life is such that it remains one of the AVC providers that we would currently consider for inclusion on an initial “long list” of providers for a new appointment. This is not, however, a guarantee as to the future solvency of the insurer.
- 4.2 The above comments do not constitute “investment advice” by Mercer of Standard Life’s continued suitability as the Fund’s AVC provider. If a review of the market place exercise was carried out (to benchmark Standard Life against other possible providers) we would recommend a review process based on:
- Establishing the Fund’s current requirements for an AVC provider, which may have changed since the appointment of Standard Life in 2001; and
 - Assessing these needs against the current offering of the existing provider and of others in the market, which has also seen a degree of change since then.

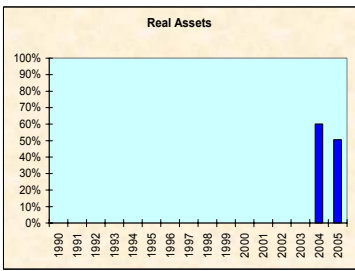
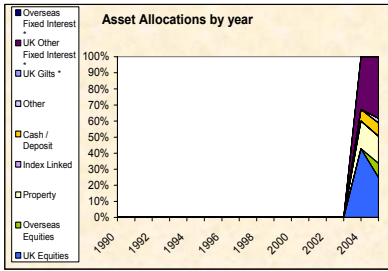
If the Administering Authority is interested in considering such an exercise, we would be happy to provide more details of what would be involved. Given that it is now 6 years since the appointment was made, such an assessment to check continuing suitability may now be appropriate.

- 4.3 As noted above, there are currently no specific reasons on the grounds of solvency alone for considering a review of Standard Life appointment (while at the same time noting the below average financial strength for Standard Life against the other providers shown in Section 3.3). If there are any other aspects of the provider’s AVC offering, e.g. administrative or communications requirements, which no longer meet the Fund’s current needs, this may lead to consideration of the continued suitability of the insurer as the Fund’s AVC provider.



Asset Allocation Charts

Company	Standard Life (Category 2)													Category 2 - All other unfitted pension business				
Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	42.4%	42.7%	24.9%
Overseas Equities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	8.8%
Property	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17.9%	17.3%	16.8%
UK Gilts *	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	0.0%
UK Other Fixed Interest *	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	32.7%	32.8%	38.2%
Overseas Fixed Interest *	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	0.0%
Index Linked	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	0.0%
Cash / Deposit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.0%	7.2%	8.3%
Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	3.0%
Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%	100%
Real Assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60%	60%	51%

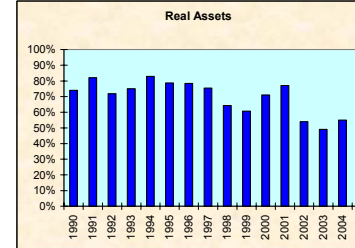
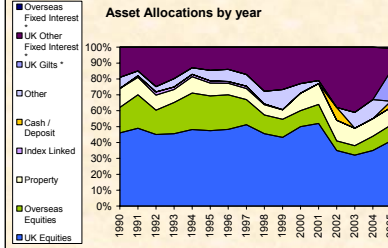


Average Credit Rating of Other UK Fixed Interest Stocks
Moody's A3, Standard & Poor's A

Average Real Assets over last 3 years
not available

* The Fixed Interest is split between: UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.
Standard Life's Fixed Interest % includes UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest.

Company	Scottish Widows																	
Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	46.0%	49.0%	45.1%	45.5%	48.1%	47.5%	48.3%	51.2%	45.5%	43.2%	50.0%	52.0%	35.0%	30.0%	32.0%	33.0%	35.0%	41.0%
Overseas Equities	16.0%	21.0%	15.2%	19.7%	23.0%	21.8%	21.7%	15.8%	11.9%	11.4%	10.0%	12.0%	6.0%	5.0%	6.0%	7.0%	9.0%	10.0%
Property	12.0%	11.0%	9.5%	8.2%	10.3%	8.1%	7.3%	6.9%	6.3%	6.0%	11.0%	13.0%	13.0%	13.0%	11.0%	11.0%	11.0%	11.0%
UK Gilts *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.0%
UK Other Fixed Interest *	19.0%	15.0%	24.8%	19.8%	13.0%	14.6%	14.0%	17.2%	27.8%	26.6%	23.0%	21.0%	38.0%	46.0%	41.0%	37.0%	33.0%	14.0%
Overseas Fixed Interest *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
Index Linked	0.0%	1.0%	2.1%	1.6%	1.5%	1.3%	1.1%	1.5%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash / Deposit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	8.0%	0.0%	0.0%	0.0%	4.0%
Other	7.0%	3.0%	3.3%	5.2%	4.1%	6.7%	7.6%	7.4%	7.9%	12.7%	6.0%	2.0%	0.0%	6.0%	10.0%	12.0%	12.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Real Assets	74%	82%	72%	75%	83%	79%	78%	75%	64%	61%	71%	77%	54%	48%	49%	51%	55%	62%



Average Credit Rating of Other UK Fixed Interest Stocks
Standard & Poor's
BBB

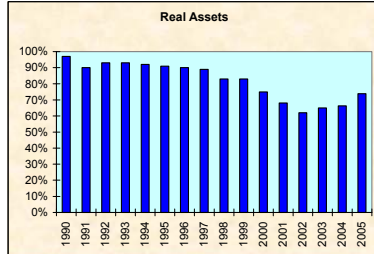
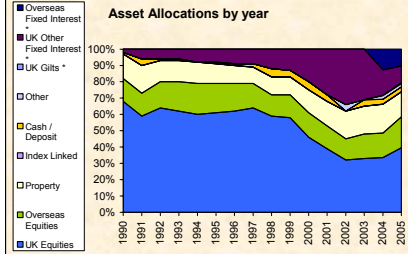
Average Real Assets over last 3 years
55.3%

* The Fixed Interest is split between: UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.

**Standard Life AVC Arrangements:
Investment Performance Monitoring Report up to
31 December 2006**

Company: **Prudential**

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	68.0%	59.0%	64.0%	62.0%	60.0%	61.0%	62.0%	64.0%	59.0%	58.0%	46.0%	39.0%	32.0%	33.0%	33.0%	33.5%	33.6%	39.5%
Overseas Equities	14.0%	14.0%	15.0%	18.0%	19.0%	18.0%	17.0%	15.0%	13.0%	14.0%	15.0%	14.0%	13.0%	13.0%	15.0%	14.5%	15.0%	19.0%
Property	15.0%	17.0%	13.0%	13.0%	13.0%	12.0%	11.0%	10.0%	11.0%	11.0%	14.0%	15.0%	17.0%	17.0%	17.0%	17.8%	17.8%	15.3%
UK Gilts *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	0.3%	0.4%
UK Other Fixed Interest *	2.0%	6.0%	6.0%	6.0%	8.0%	8.0%	9.0%	12.0%	13.0%	20.0%	28.0%	34.0%	34.0%	31.0%	31.0%	15.5%	15.5%	10.4%
Overseas Fixed Interest *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	12.7%	10.3%
Index Linked	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Cash / Deposit	1.0%	4.0%	1.0%	1.0%	0.0%	1.0%	1.0%	2.0%	5.0%	4.0%	5.0%	4.0%	4.0%	4.0%	4.0%	0.4%	2.9%	2.9%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	0.0%	0.0%	2.2%	2.3%	2.1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Real Assets	97%	90%	93%	93%	92%	91%	90%	89%	83%	83%	75%	68%	62%	62%	65%	66%	66%	74%



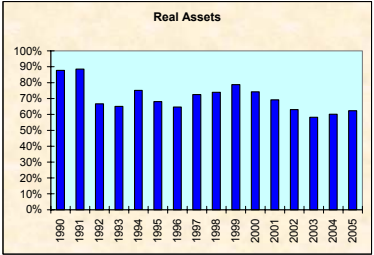
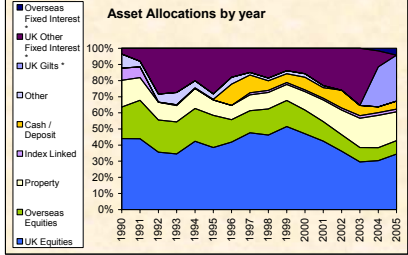
Average Credit Rating of Other UK Fixed Interest Stocks: **BBB** (Standard & Poor's)

Average Real Assets over last 3 years: **68.4%**

* The Fixed Interest is split between: UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.

Company: **Clerical Medical**

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	44.1%	43.9%	35.6%	34.5%	42.4%	38.5%	41.9%	47.6%	46.3%	51.5%	47.0%	42.5%	36.2%	28.1%	29.6%	29.2%	30.3%	34.4%
Overseas Equities	19.5%	23.9%	20.0%	19.8%	20.3%	20.0%	13.9%	13.7%	16.2%	16.2%	14.7%	12.1%	10.2%	8.1%	8.9%	8.7%	8.1%	8.3%
Property	16.6%	14.1%	11.0%	10.2%	12.4%	9.5%	8.8%	9.9%	10.1%	9.9%	11.4%	13.4%	15.3%	16.0%	18.2%	19.9%	20.1%	17.9%
UK Gilts *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.1%	24.9%	28.5%
UK Other Fixed Interest *	3.6%	8.0%	28.4%	27.4%	20.1%	28.3%	18.0%	14.9%	18.4%	13.9%	15.8%	23.1%	25.9%	28.0%	35.4%	9.3%	9.9%	0.0%
Overseas Fixed Interest *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	1.5%	4.2%
Index Linked	7.5%	6.6%	0.0%	0.5%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%	1.1%	1.3%	1.3%	1.5%	1.5%	1.5%	1.5%	1.7%
Cash / Deposit	0.0%	0.1%	0.1%	0.0%	0.4%	0.4%	13.2%	11.0%	8.0%	5.4%	7.8%	6.5%	11.1%	18.3%	6.4%	4.3%	3.8%	5.0%
Other	8.7%	3.4%	4.9%	7.6%	4.4%	3.3%	4.2%	1.6%	1.7%	1.9%	2.2%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Real Assets	88%	89%	67%	65%	75%	68%	65%	73%	74%	79%	74%	69%	63%	54%	58%	59%	60%	62%



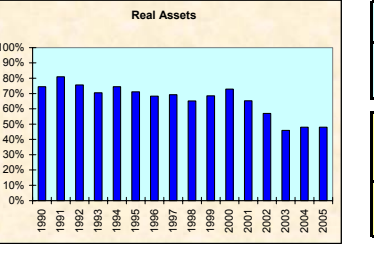
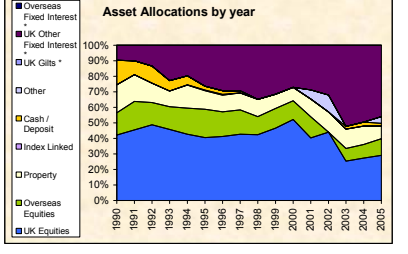
Average Credit Rating of Other UK Fixed Interest Stocks: **Range from unrated to AAA** (Standard & Poor's)

Average Real Assets over last 3 years: **60.2%**

* The Fixed Interest is split between: UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.

Company: **Friends Provident**

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	42.1%	45.4%	48.7%	45.8%	42.7%	40.5%	41.2%	42.6%	42.4%	46.6%	52.1%	40.3%	44.0%	22.3%	25.3%	26.3%	27.3%	23.1%
Overseas Equities	14.3%	18.4%	14.4%	14.8%	16.8%	18.2%	15.9%	15.8%	11.6%	12.7%	12.1%	13.6%	0.0%	9.1%	8.2%	7.9%	8.8%	10.7%
Property	18.1%	17.2%	12.5%	10.1%	14.8%	12.1%	10.8%	10.8%	11.2%	9.2%	8.7%	11.4%	13.0%	12.3%	12.4%	13.1%	11.9%	8.2%
UK Gilts *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UK Other Fixed Interest *	9.7%	10.0%	13.4%	22.8%	19.7%	26.4%	29.3%	29.4%	34.8%	31.5%	27.1%	28.8%	32.0%	46.1%	52.3%	50.9%	49.5%	46.0%
Overseas Fixed Interest *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Index Linked	0.0%	0.0%	0.0%	0.2%	0.2%	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash / Deposit	15.8%	9.0%	11.0%	8.7%	6.8%	2.5%	2.4%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	10.2%	1.8%	1.7%	2.5%	1.7%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.9%	11.0%	0.0%	0.0%	0.0%	0.0%	4.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Real Assets	75%	81%	76%	71%	75%	71%	68%	69%	65%	69%	73%	65%	57%	44%	46%	47%	48%	48%



Average Credit Rating of Other UK Fixed Interest Stocks: **AA** (Standard & Poor's)

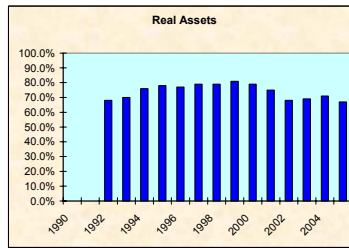
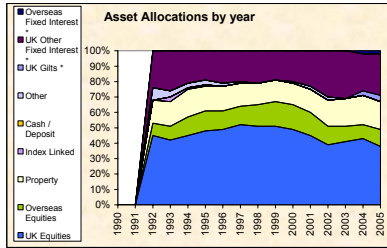
Average Real Assets over last 3 years: **47.3%**

* The Fixed Interest is split between: UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.

Friend Provident's did not provide a UK Fixed Interest split.

**Standard Life AVC Arrangements:
Investment Performance Monitoring Report up to
31 December 2006**

Company	Legal & General																	
Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	N/A	N/A	45.0%	42.0%	45.0%	48.0%	49.0%	52.0%	51.0%	51.0%	49.0%	45.0%	39.0%	N/A	41.0%	N/A	43.0%	38.0%
Overseas Equities	N/A	N/A	8.0%	9.0%	12.0%	13.0%	12.0%	12.0%	14.0%	16.0%	16.0%	15.0%	12.0%	N/A	10.0%	N/A	9.0%	11.0%
Property	N/A	N/A	15.0%	16.0%	18.0%	16.0%	16.0%	15.0%	14.0%	14.0%	15.0%	15.0%	17.0%	N/A	18.0%	N/A	19.0%	18.0%
UK Gilts *	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	N/A	3.0%	4.0%
UK Other Fixed Interest *	N/A	N/A	24.0%	26.0%	21.0%	19.0%	21.0%	20.0%	21.0%	19.0%	20.0%	23.0%	30.0%	N/A	31.0%	N/A	24.0%	27.0%
Overseas Fixed Interest *	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	N/A	2.0%	2.0%
Index Linked	N/A	N/A	0.0%	3.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	N/A	0.0%	0.0%
Cash / Deposit	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	N/A	0.0%	0.0%
Other	N/A	N/A	8.0%	4.0%	3.0%	3.0%	2.0%	1.0%	0.0%	0.0%	1.0%	2.0%	2.0%	N/A	0.0%	N/A	0.0%	0.0%
Total	N/A	N/A	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A	100%	N/A	100%	100%
Real Assets	N/A	N/A	68%	70%	78%	78%	77%	79%	79%	81%	79%	75%	68%	N/A	69%	N/A	71%	67%

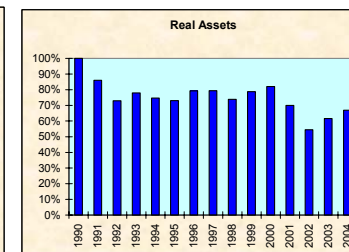
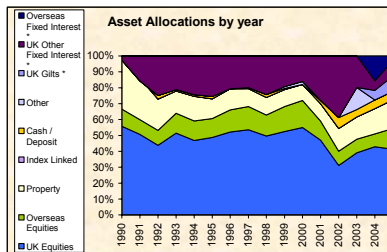


Average Credit Rating of Other UK Fixed Interest Stocks
Standard & Poor's
A

Average Real Assets over last 3 years
69.0%

* The Fixed Interest is split between; UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.

Company	Norwich Union (CGNU WP Fund)																	
Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jun-03	Dec-03	Jun-04	Dec-04	Dec-05
UK Equities	55.8%	50.7%	43.8%	51.4%	46.9%	48.7%	52.1%	53.6%	49.7%	52.5%	55.0%	47.0%	31.1%	32.5%	39.1%	41.6%	42.9%	41.3%
Overseas Equities	10.7%	9.2%	9.3%	12.5%	12.2%	11.9%	14.0%	14.5%	13.1%	15.6%	17.0%	12.0%	9.0%	8.2%	8.5%	8.5%	8.0%	13.1%
Property	35.0%	26.1%	19.7%	14.1%	15.6%	12.4%	13.2%	11.3%	11.1%	10.7%	10.0%	11.0%	14.3%	16.1%	14.0%	15.1%	16.0%	18.0%
UK Gilts *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	6.0%	9.7%
UK Other Fixed Interest *	2.6%	15.7%	24.8%	21.2%	24.4%	25.5%	20.7%	19.9%	24.3%	19.2%	16.0%	28.0%	38.7%	39.6%	19.8%	11.8%	6.1%	9.7%
Overseas Fixed Interest *	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.5%	15.6%	2.9%
Index Linked	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash / Deposit	-4.1%	-1.7%	2.3%	0.8%	0.9%	1.5%	0.0%	0.7%	1.8%	0.8%	0.0%	2.0%	6.9%	3.6%	4.7%	5.5%	5.4%	5.3%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	2.0%	0.0%	0.0%	0.0%	13.9%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Real Assets	100%	86%	73%	78%	75%	73%	79%	79%	74%	79%	82%	70%	54%	57%	62%	65%	67%	72%



Average Credit Rating of Other UK Fixed Interest Stocks
Standard & Poor's
A

Average Real Assets over last 3 years
67.0%

* The Fixed Interest is split between; UK Gilts, Other UK Fixed Interest and Overseas Fixed Interest. Pre 2004 Other UK Fixed Interest represent all types of Fixed Interest.

MERCER
Human Resource Consulting

Mercury Court, Tithebarn Street
Liverpool L2 2QH
0151 236 9771 Fax 0151 242 7346