

### Money Purchase Illustrations (MPIs)

#### The Abbott Laboratories Pension Fund (1966) (the Fund)

This is an overview of the basis used for preparing MPIs for members' Additional Voluntary Contributions (AVCs).

MPIs are a complex subject and whilst this overview contains some technical detail, it is intended only as a guide for members. The detailed requirements for MPIs are set out in a technical memorandum issued by the Board for Actuarial Standards.

#### Background

Pension schemes must provide members who have Defined Contribution (DC) benefits with an annual illustration of their estimated pension at normal retirement age. This is known as a Money Purchase Illustration (MPI).

Although the main benefits of the Fund are provided on a Defined Benefit (DB) basis, the extra benefits that members secure by paying AVCs within the Fund are DC benefits. Members who have AVCs within the Fund must be provided with a MPI each year, with an effective date of 1 April. We include members' MPIs in the annual Fund benefit statement.

## Investment return before retirement

The rate of investment return on a member's AVC fund and future AVCs that will be paid in the period up to retirement are key assumptions used in MPI projections.

The investment assumption takes into account the expected returns from the current and anticipated future investment strategy of each member's own funds over the period to their retirement. This approach is essentially member-based.

The table below shows the investment types available to members who pay AVCs in the Fund and the investment return assumption that is used for different funds in the 2026 MPIs. The investment return reflects the assets underlying the fund. Assumptions will be reviewed every year to ensure that they remain appropriate.

| Fund Type                       | Fund Name                                           | Investment Return Assumption<br>(per annum) |
|---------------------------------|-----------------------------------------------------|---------------------------------------------|
| Government bonds and cash funds | <b>Aviva</b>                                        |                                             |
|                                 | Pre-Retirement Fixed Interest                       | 6.00%                                       |
|                                 | Cash Fund                                           | 2.00%                                       |
|                                 | Index Linked                                        | 7.00%                                       |
|                                 | My Future Target Cash Lump Sum Lifetime Pre-2025    | 2.00%                                       |
| Equity funds                    | <b>Aviva</b>                                        |                                             |
|                                 | BlackRock (50:50) Global Equity Index (Aquila HP)   | 7.00%                                       |
|                                 | Stewardship                                         | 7.00%                                       |
|                                 | BlackRock UK Equity Index (Aquila HP)               | 7.00%                                       |
|                                 | BNY Mellon Global Equity                            | 6.00%                                       |
|                                 | BlackRock World Ex UK Equity Index Tracker          | 7.00%                                       |
|                                 | HSBC Islamic Global Equity Index FP                 | 6.00%                                       |
|                                 | Aviva Pension Global Equity FP                      | 6.00%                                       |
| Mixed funds                     | <b>Aviva</b>                                        |                                             |
|                                 | BNY Mellon Multi-Asset Balanced                     | 6.00%                                       |
|                                 | Stewardship Managed                                 | 6.00%                                       |
|                                 | Aviva Pension My Future Growth (Pre-2025) FP        | 4.00%                                       |
|                                 | Aviva Pension My Future Consolidation (Pre-2025) FP | 4.00%                                       |
| With Profits                    | <b>Aviva</b>                                        |                                             |
|                                 | With Profits                                        | 5.00%                                       |
|                                 | FP With-Profits Sub-Fund (NGP Series 1)             | 4.00%                                       |
|                                 | FP With-Profits Sub-Fund (NGP Pre Demutualisation)  | 4.00%                                       |

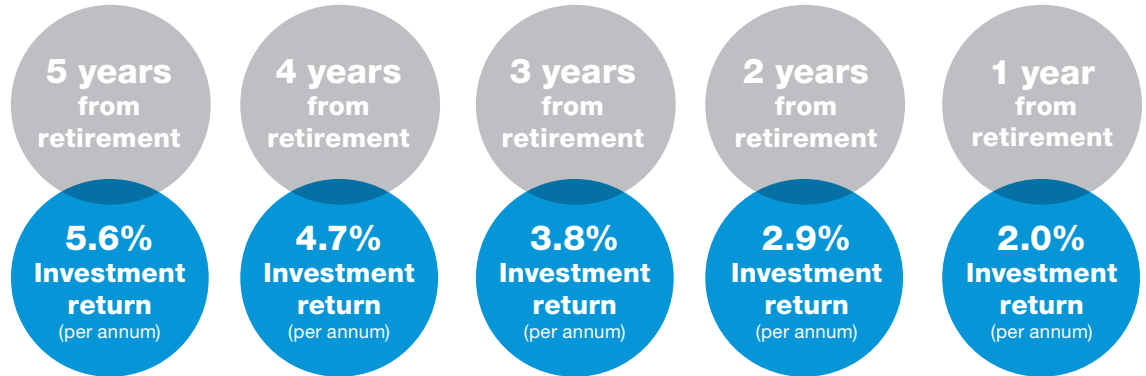
This approach takes into account current market conditions and is consistent with the inflation rate assumption of 2.5% per annum that is prescribed in the technical actuarial requirement.

The effect of the change in the MPI basis on a member's expected pension at retirement will depend on the fund(s) in which they are investing their AVCs.

## Setting assumptions for the Fund's lifestyle funds

Members of the Fund may choose to invest their AVCs with Aviva using 'lifestyling'. This means that funds are automatically switched from the member's pre-lifestyle investment strategy into a cash fund over a set period. In practice, the switching is phased over a period of five years ending with the member's selected retirement age. For the purposes of the illustrations shown on the benefit statements, it is assumed that the switching is phased over a period of five years ending with the member's normal retirement age which is assumed to be 65.

Lower returns are expected during the switching period. Based on the switching rules for the Fund's lifestyling, the expected returns that are assumed for the lifestyle fund are as follows:



*The investment return before the switching period would be determined by the investment fund(s) that the member is invested in.*

## Expenses prior to retirement

MPIs allow for the Annual Management Charge made on investment funds.

The table below shows the charges applicable to each investment option in the Fund, the expense deduction that has been used for the purpose of the MPI and the resulting net investment return assumption.

| Fund type                       | Fund name                                                                                                                                                                                                                                                                                                                                            | Annual Management Charge (per annum) | Net Investment Return Assumption (per annum) |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------|
| Government bonds and cash funds | <b>Aviva</b>                                                                                                                                                                                                                                                                                                                                         |                                      |                                              |
|                                 | Pre-Retirement Fixed Interest                                                                                                                                                                                                                                                                                                                        | 0.36%                                | 2.62%                                        |
|                                 | Cash Fund                                                                                                                                                                                                                                                                                                                                            | 0.36%                                | 2.62%                                        |
|                                 | Index Linked                                                                                                                                                                                                                                                                                                                                         | 0.36%                                | 2.62%                                        |
|                                 | My Future Target Cash Lump Sum Lifetime Pre-2025                                                                                                                                                                                                                                                                                                     | 0.36%                                |                                              |
| Equity funds                    | <b>Aviva</b>                                                                                                                                                                                                                                                                                                                                         |                                      |                                              |
|                                 | BlackRock (50:50) Global Equity Index (Aquila HP)                                                                                                                                                                                                                                                                                                    | 0.36%                                | 6.12%                                        |
|                                 | Stewardship                                                                                                                                                                                                                                                                                                                                          | 0.36%                                | 6.12%                                        |
|                                 | BlackRock UK Equity Index (Aquila HP)                                                                                                                                                                                                                                                                                                                | 0.36%                                | 6.12%                                        |
|                                 | BNY Mellon Global Equity                                                                                                                                                                                                                                                                                                                             | 0.36%                                | 5.77%                                        |
|                                 | BlackRock World Ex UK Equity Index Tracker                                                                                                                                                                                                                                                                                                           | 0.36%                                |                                              |
|                                 | HSBC Islamic Global Equity Index FP                                                                                                                                                                                                                                                                                                                  | 0.36%                                |                                              |
| Mixed funds                     | <b>Aviva</b>                                                                                                                                                                                                                                                                                                                                         |                                      |                                              |
|                                 | BNY Mellon Multi-Asset Balanced                                                                                                                                                                                                                                                                                                                      | 0.36%                                | 5.42%                                        |
|                                 | Stewardship Managed                                                                                                                                                                                                                                                                                                                                  | 0.36%                                | 5.62%                                        |
|                                 | Aviva Pension My Future Growth (Pre-2025) FP                                                                                                                                                                                                                                                                                                         | 0.36%                                |                                              |
|                                 | Aviva Pension My Future Consolidation (Pre-2025) FP                                                                                                                                                                                                                                                                                                  | 0.36%                                |                                              |
| With Profits                    | <b>Aviva</b>                                                                                                                                                                                                                                                                                                                                         |                                      |                                              |
|                                 | With Profits                                                                                                                                                                                                                                                                                                                                         | 0.36%                                | 4.72%                                        |
|                                 | FP With-Profits Sub-Fund (NGP Series 1)                                                                                                                                                                                                                                                                                                              | 0.36%                                |                                              |
| Lifestyling                     | FP With-Profits Sub-Fund (NGP Pre Demutualisation)                                                                                                                                                                                                                                                                                                   | 0.36%                                |                                              |
|                                 | The investment return during the switching phase (the period of five years to retirement) is based on a blended rate derived from the asset allocation. An average expense allowance of 0.48% per annum is used during this period. Prior to the switching phase, the expense allowance is that applicable to the fund(s) the member is invested in. |                                      |                                              |

*Charges relating to transaction costs may be charged in addition.*

## Life expectancy and the cost of buying a pension

The life expectancy that is assumed in the MPI will affect the rate used in the illustrations for converting an AVC fund to a retirement income (a pension). The mortality rates that must be used for MPIs are prescribed and they have been updated since last year to reflect improvements in life expectancy. We use unisex rates which are the same for women and men.

The illustrations of the estimated AVC pension are also based on annuity rates as at the date of illustration. Whilst the approach used to determine the annuity rates has not changed from previous years, market conditions have. This has resulted in it becoming less expensive to buy a pension compared with the basis used in the 2025 benefit statements. Accordingly, the illustrations may show slightly higher projected pensions than the pension illustrations provided in 2025.

The estimated pensions per annum are rounded to the nearest pound if under £10 and otherwise are rounded to the nearest multiple of £10.

## Illustrating volatility / sensitivity of projected pensions to future experience

Overall, MPI assumptions may be considered to represent a reasonable projection of a member's AVC (DC) benefits. However, these assumptions are unlikely to be borne out exactly in practice, so the actual pension payable to individual members may differ significantly from the amounts illustrated.

Benefit statements include an alternative AVC estimate to help members appreciate the risks involved in a DC style AVC arrangement. It shows the possible effect that different investment returns and annuity rates could have on a member's eventual income in retirement.

Recent experience has shown that the impact of adverse market movement at retirement is not always fully appreciated. The alternative illustration uses lower estimated investment returns for each fund compared with the statutory basis of illustration. It also allows for the cost of buying a pension at retirement to be 10% more expensive relative to the statutory basis.

