



Pace
pension
scheme

Pace DC Factsheet

Pace DC is the pension arrangement for Co-operative Bank employees. This factsheet tells you about how Pace DC works and where to find out more information.

August 2018

The **co-operative** bank



This factsheet is for members of The Co-operative Bank Section of Pace. If you're a member of The Co-op Section, you should visit the Co-op's pensions website at coop.co.uk/pensions for pension information that's relevant to you.

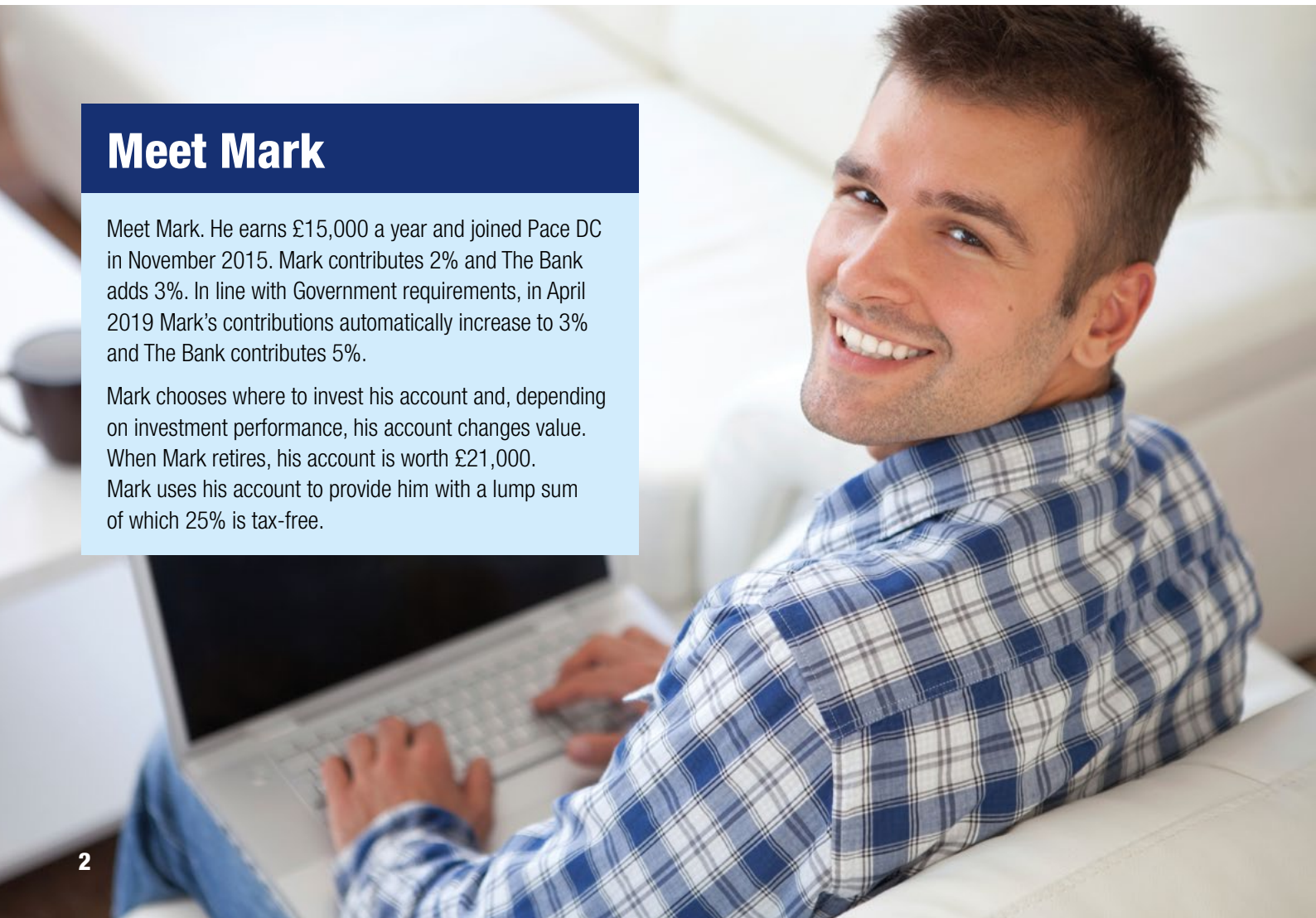
How Pace DC works

1. You can choose how much to pay into Pace DC depending on what's best for you and if you want to save more for retirement. Your choice will determine how much you and The Bank contribute to Pace DC.
2. Contributions from you and The Bank are made to your account each month.
3. Your account is invested and could increase in value over time, depending on the performance of your investments.
4. At retirement, you use the value of your account to provide an income or lump sum.
5. Based on current tax rules, you could take up to 25% of the value of your account as a tax-free lump sum and use the rest to provide an income or taxable lump sum. The greater the value of your account, the higher the income or lump sum you will receive.

Meet Mark

Meet Mark. He earns £15,000 a year and joined Pace DC in November 2015. Mark contributes 2% and The Bank adds 3%. In line with Government requirements, in April 2019 Mark's contributions automatically increase to 3% and The Bank contributes 5%.

Mark chooses where to invest his account and, depending on investment performance, his account changes value. When Mark retires, his account is worth £21,000. Mark uses his account to provide him with a lump sum of which 25% is tax-free.



Contribution rates (% of Pay)

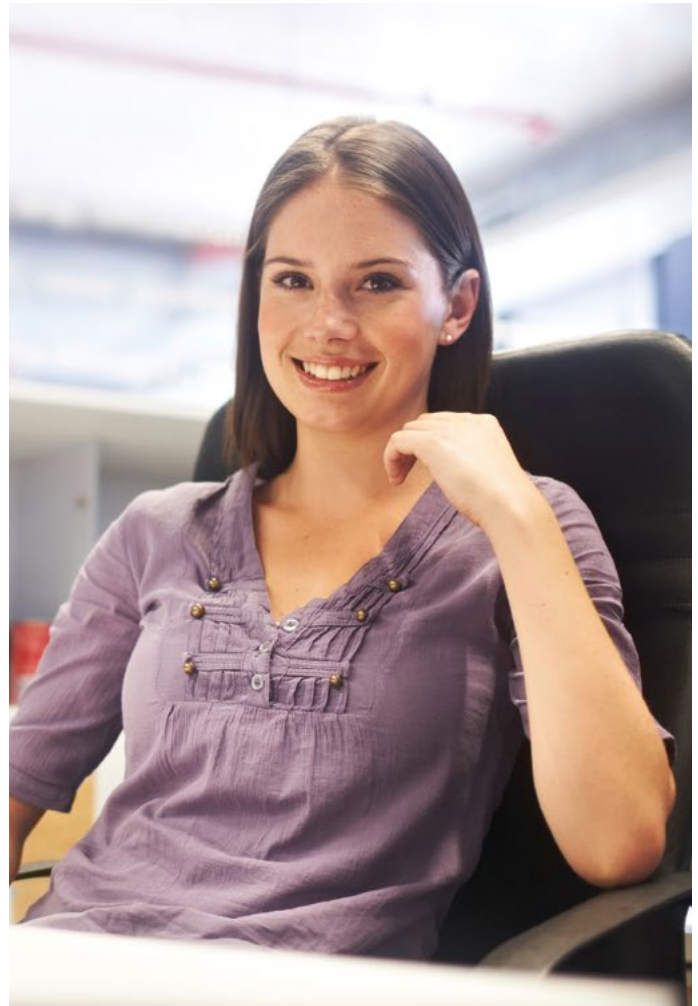
You pay	The Bank pays	Total
*2%	3%	5%
*3%	5%	8%
4%	8%	12%
5%	10%	15%
6%	10%	16%
7%	10%	17%
8%	10%	18%

*Please note that in line with the current Pace Rules the 2% contribution rate will not be available from April 2019 and your contribution will increase to 3%.

You can pay more than 8% of your Pay into Pace DC if you want to build up a bigger fund. You can decide how much to pay and you can also vary your AVCs. You also benefit from tax relief on your AVCs (up to a certain limit). Remember, you can contribute up to 8% of your Pay as 'ordinary' contributions through salary sacrifice (see page 4). Please refer to the **AVC factsheet** for more information on AVCs.

Pay

Pay means your basic pay, plus overtime and any other payments that are pensionable, excluding any bonus payments. It is also sometimes called 'pensionable earnings'.



Joining Pace DC

Why should I join?

Retirement may seem like a long way off, but everyone needs money for when they stop working, so saving for retirement is important. The State Pension will only provide for your most basic needs so The Co-operative Bank offers you a flexible and affordable pension arrangement, called Pace DC, to help you save more for when you retire. You can join Pace DC as soon as you start employment with The Bank.

If you meet certain criteria to do with your age and the amount you earn, you may be automatically enrolled into Pace DC to encourage you to save more for your retirement. This is a law that the Government has introduced.

Pace DC is easy to join, it probably costs less than you think – and comes with some great extras, such as financial support for your family if you die. What's more, when you join Pace DC, The Bank will also pay into your pension – making it easier to save more for your retirement.

What it costs

There are a range of contribution options and these are shown in the table on page 3. The Government has said that the minimum total contribution to a pension arrangement provided by a company such as The Bank has to gradually increase to help people save more for their retirement. The Bank supports this and is paying more than the Government requires. If you are paying 2% this will increase to 3% in April 2019.

What does 'defined contribution' mean?

This is a type of pension arrangement where the pension you receive at retirement is based on the contributions paid into your account and investment returns. At retirement, you use your account to provide an income or a lump sum.

What membership options do I have?

You choose how much you pay within 30 days of the date when you first join Pace DC. After the 30-day window has expired, you will only be able to choose how much to pay once a year. You will be notified in advance of this opportunity.

Why would I pay more into Pace DC?

1. The more you pay, the more The Bank pays into your account (up to a maximum of 10%), so you build up more money for your retirement.
2. With a DC scheme such as Pace DC, the more you pay in, the higher your benefits in retirement are likely to be.

What happens to my contributions?

Your contributions and The Bank's are paid into an account in your name, which is administered by Legal & General. You get tax relief on your contributions – this means that some of the money that you would have paid to the Government as income tax gets paid into Pace DC instead. Also, contributions are usually paid through 'salary sacrifice', an arrangement that means you make national insurance savings. Read the **salary sacrifice factsheet** for more information.

Your contributions and The Bank's are invested and could increase in value over time, depending on the performance of your investments.

At retirement

Following rules introduced from April 2015, there are three ways in which you can use the money in your account at retirement:

- You can take all of your account as a lump sum – 25% will be paid tax-free and the rest will be taxed at your highest rate of income tax.
- You can use your account to buy a regular income, which is called an annuity. If you want to you can take up to 25% of your account as tax-free cash and use the rest to buy an annuity.
- You can leave some or all of your account invested and take sums of money (either as income or a series of cash payments) directly from it, instead of taking one lump sum payment. This option is sometimes known as 'drawdown'. The first 25% of the cash lump sum will be paid tax-free and the rest is taxed as income. This is not currently an option provided directly by Pace DC. If you wish to choose this option, you will need to transfer your Pace DC account to another pension provider who is able to offer this option.
- If you are lower or nil rate taxpayer, as your earnings are below the starting rate for income tax you will not receive tax relief from the government on your payments. However, this doesn't affect the amount that is paid into your pension and you'll continue to benefit from the money that The Co-operative Bank pays in.

How much will my fund be worth?

This depends on a lot of different factors, but the main ones are:

- how much money is paid into your account, and
- how well your investments perform.

When can I take my pension?

Your normal pension age is 65. Under current law, you can take your pension from age 55. If you retire early, and choose to buy a pension, it will be smaller to take account of the fact that it will probably be paid for longer.

You can take your pension and carry on working for The Bank, if you want. You can also take your pension later than 65, if you wish.

As you approach normal pension age (or selected retirement age, if you have chosen one), you will receive more information on your options.

The normal pension age for Pace DC is 65. You can retire from age 55, or keep working past age 65 if you want to, but you should tell Legal & General if you plan to do either of these, because it could change how your money is invested.

Other benefits

What other benefits do I get from joining Pace DC?

- If you die before retirement, your account will be paid to your beneficiaries – usually as a lump sum.
- If you are contributing to Pace DC when you die, a tax-free death in service lump sum is payable of 3 x Salary.
- Death benefits after retirement depend on how you choose to take your pension at retirement.
- If you become seriously ill, you may be able to use your account to provide benefits before age 55.
- If you leave, you won't lose the money you have paid into Pace DC. Your options if you leave are explained in Section 7 of the **pension guide** for members of Pace DC.

There is lots more information on retirement in the **retirement guide**.



Investments

How do I invest my account?

In Pace DC, you can choose how your account is invested, from a range of funds selected by the Trustees. Pace DC offers three Target options which are designed to be appropriate for the different retirement options you can take from Pace.

Target: Lump Sum (the default option)

This option is designed to be appropriate if you want to take your account as a lump sum at retirement. This is also the option your contributions will be invested in if you do not make an alternative choice.

Target: Secure Income

This option is designed to be appropriate if you want to use your account to buy a pension (annuity) at retirement.

Target: Flexible Income

This option is designed to be appropriate if you want to leave your account invested after you retire and take sums of money from it (drawdown). Please note that option 3 is not available directly from Pace and you would have to transfer to another pension arrangement at retirement.

If you do not want to invest in one of the Target options you can select your own investment options from a range of funds. You can find out more in the **fund guide** available on the Bank's pensions website: www.co-operativebank.co.uk/pensions

What charges apply to my account?

The Pace Trustees have negotiated very competitive charges with Legal & General for administering and investing your account:

- Administration charge - 0.13%* or 13p per year for every £100 in your account.
- Investment charge - Between 0.10% and 0.30% (so, 10p and 30p for every £100 invested, depending on your investment choices).
- Total charge - Between 0.23% and 0.43% (so, 23p to 43p per year for every £100 invested in your account).

For example, if you had a fund of £1,000 and you were invested in Target: Lump Sum, the annual charge on your account would be no more than £2.60.

*Please note that the administration charge will increase from 0.13% to 0.16% if you leave The Bank's employment and choose to keep your account in Pace DC. For more details please see the **pension guide** for members of Pace DC.

How do I manage my account?

You can change your investment choices online, by going to the Bank's pensions website www.co-operativebank.co.uk/pensions and following the links to **Manage your Account**.

Will I get a State Pension?

Yes, your State Pension will not be affected by you being a member of Pace DC, and you will continue to build up your State benefits while you are a member.

Who manages Pace?

The Pace Trustees make sure that Pace is run properly and they have chosen Legal & General to administer Pace DC. Legal & General make sure that your contributions are paid into your account and invested, and are your main contact if you have any questions.



Find out more

Where can I find out more?

The Bank's pensions website:

www.co-operativebank.co.uk/pensions

contains lots of useful information about Pace DC, and also some useful tools. For example, you can go online to see the current value of your account, change your investment choices and see **fund factsheets** for each of the investment funds. The **pension guide** and the **fund guide** for members of Pace DC go into more detail on all of the points in this factsheet and there are various factsheets on other topics, some of which have been mentioned here.

If you do not have internet access, you can ask Legal & General to send you more information.

Legal & General
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City Park
The Drove
Hove BN3 7PY

Tel: 0345 070 1148

Email: coopbankpensions@landg.com

Whenever you contact Legal & General, please quote your national insurance number which can be found on your payslip. If you are writing to Legal & General, you will need to refer to Pace or The Co-operative Bank.



What is the Pension Quality Mark Plus?

Pace has been awarded the Pension Quality Mark (PQM)

Plus by the Pensions and Lifetime Savings Association (PLSA), which is the highest standard that can be achieved by PQM. In order to achieve this prestigious award, the PLSA had to be satisfied that Pace meets certain contribution requirements, is well managed, and has good member communications.

This factsheet is not intended to be a legal promise to members, as it is only a summary of the terms and conditions of Pace. If there is any conflict between this factsheet and the Rules, the Rules (as amended from time to time) will be overriding. If you want to see a copy of the Rules, or have any questions concerning the contents of this factsheet, please contact Legal & General.

