



Your fund guide

For members of Pace DC
(including Additional Voluntary Contributions)

Co-operative Bank Section
April 2023

The **co-operative** bank



Welcome to your fund guide for members of Pace DC.

This fund guide is relevant to you if you are, or are soon to be, a member of The Co-operative Bank Section of Pace DC.

This guide 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.

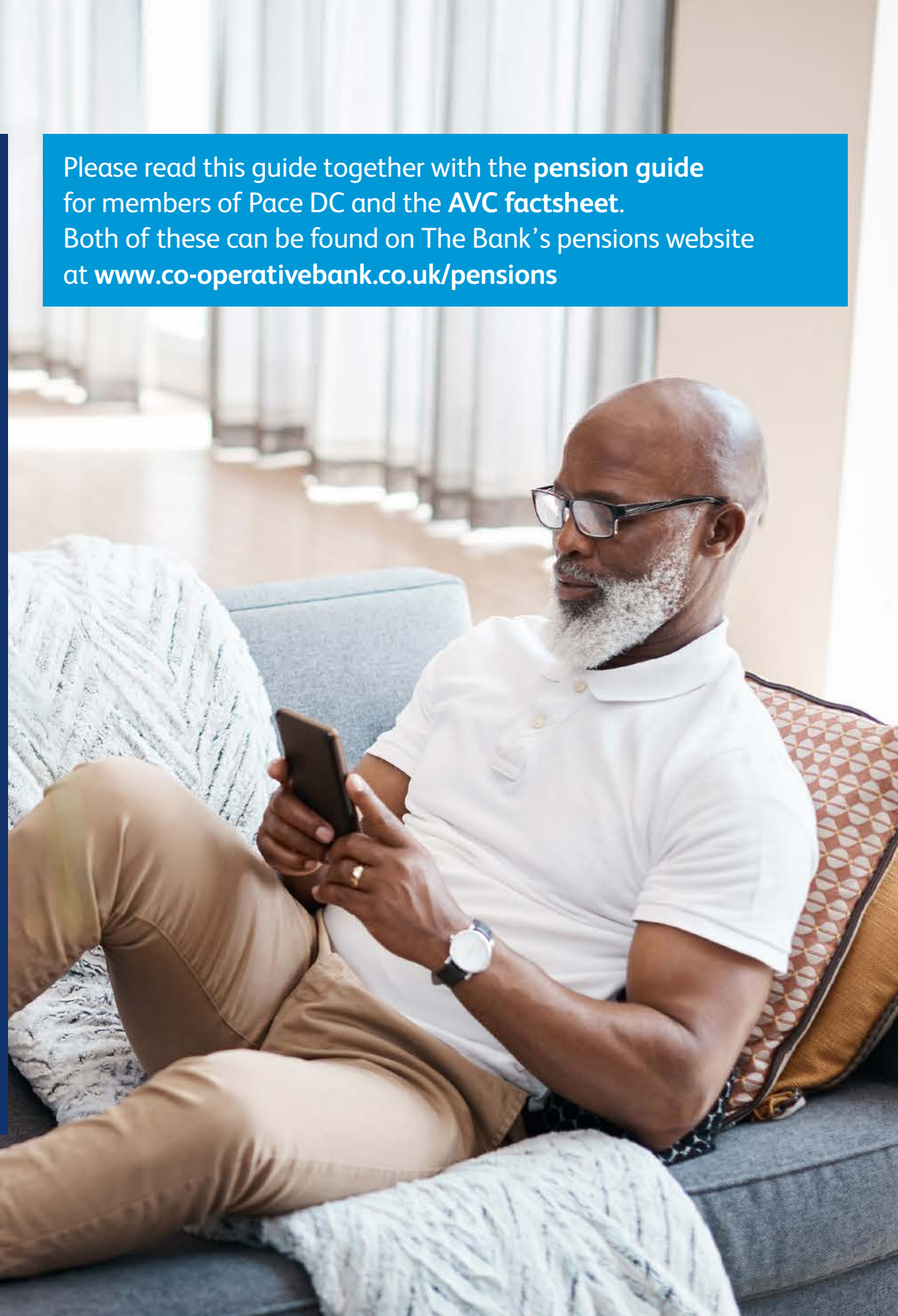
When you and The Bank pay into Pace DC, the money in your account is invested on your behalf.

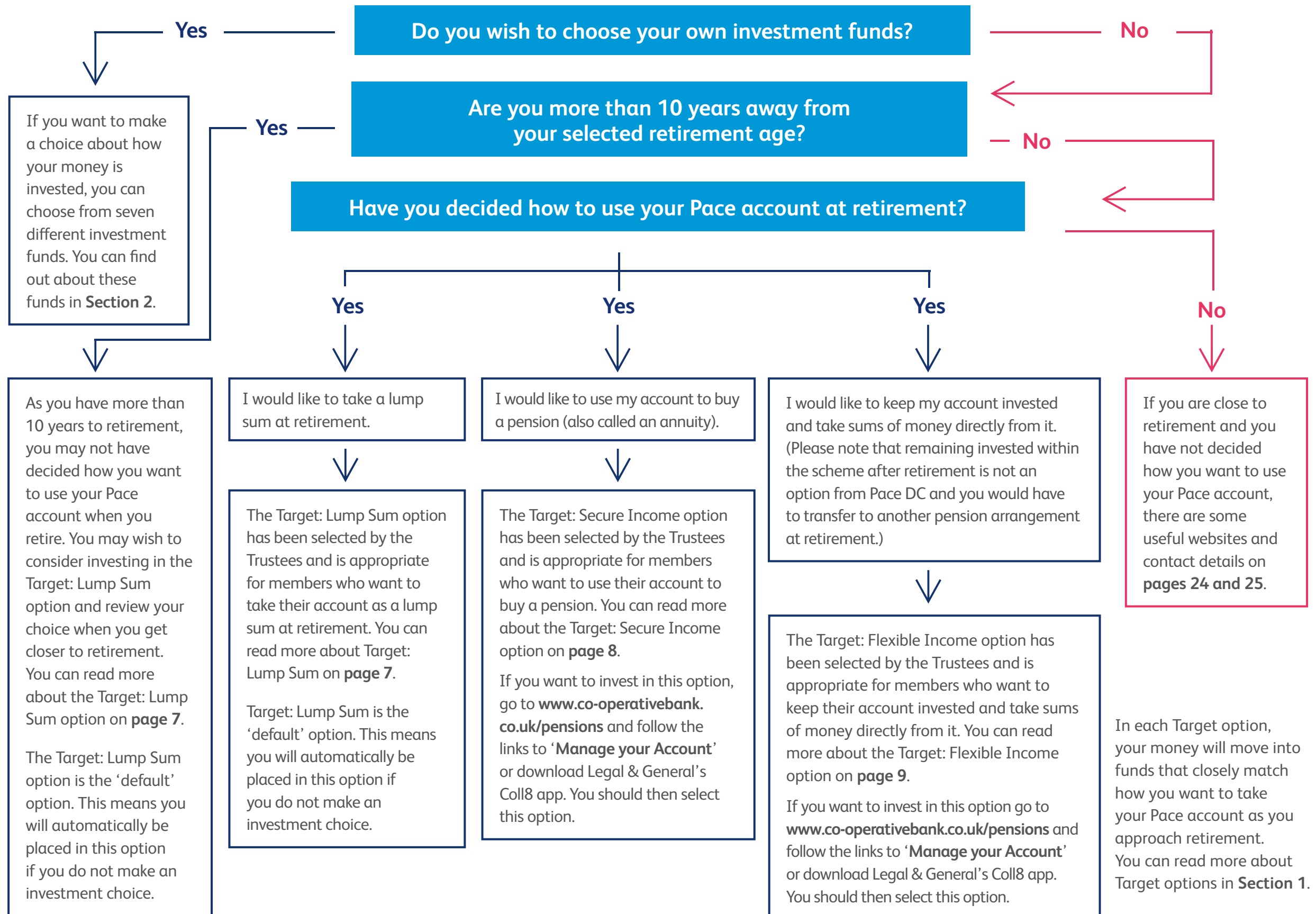
This guide:

- Tells you how your account will be invested and what you need to think about.
- Provides information on the choices that you have.
- Gives you some basic background on investments in general.


You're able to choose where your Pace account is invested with Legal & General, and there are different investment options available that are designed to match the different options available on retirement. The aim of investing is to make the value of your account grow.

Please read this guide together with the **pension guide** for members of Pace DC and the **AVC factsheet**. Both of these can be found on The Bank's pensions website at www.co-operativebank.co.uk/pensions

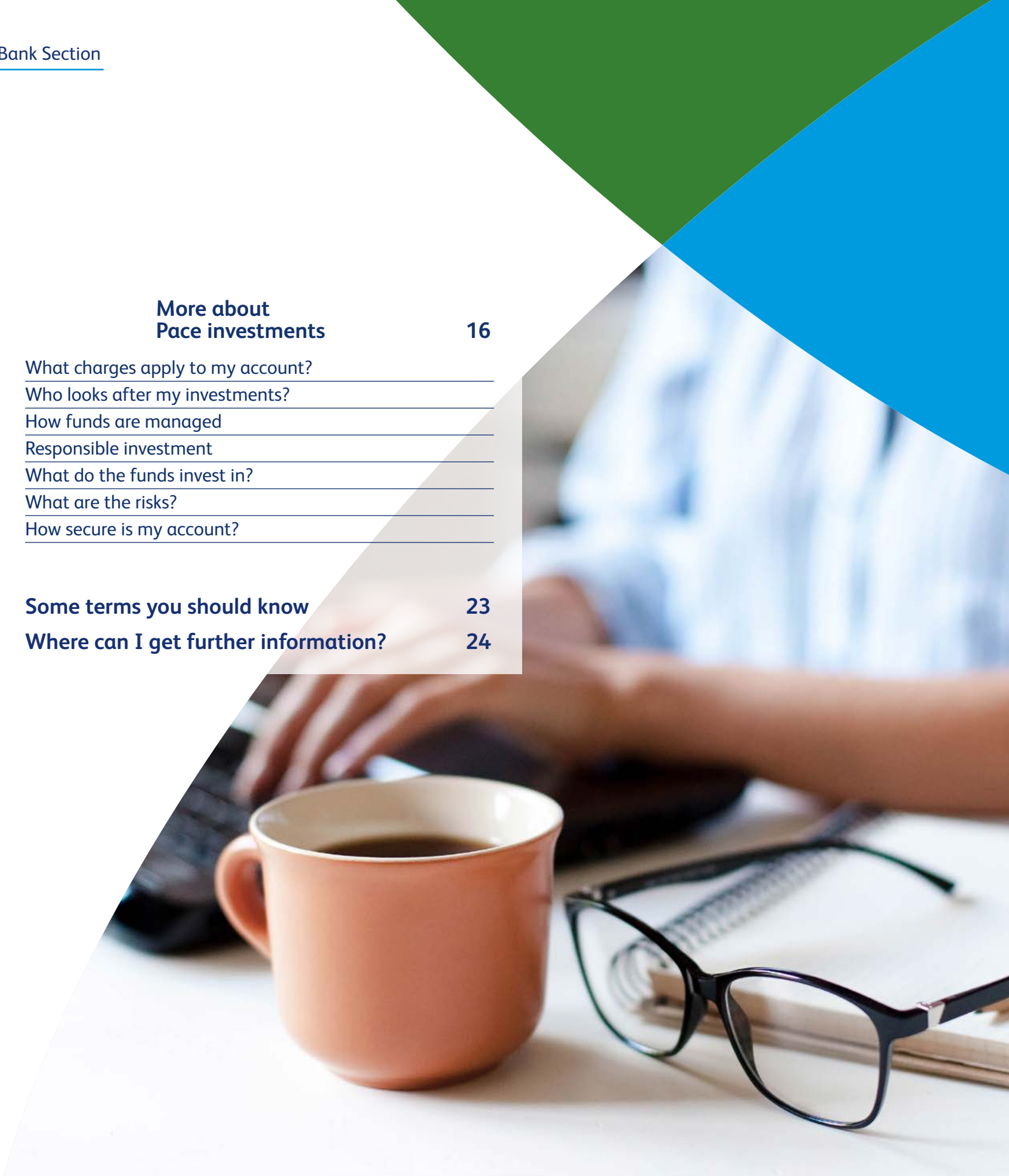




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Target options

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.

Pace DC also offers other Target options that are suitable for the other retirement options available:

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:

- Take an income from your Pace DC account which you can change, or take cash sums from; or
- Take a series of lump sum payments.

These options aren't available directly from Pace DC and you would need to transfer your pension account to another provider who can offer this option, at retirement.

Key information

Don't forget that the earlier you retire, the less time your account will have to grow. Retiring early could significantly reduce the amount of money you can save in your Pace account.

You can read more about the Target: Lump Sum option on **page 7**, and information on the Target: Secure Income and Target: Flexible Income options is on **pages 8 and 9**. You'll also find charts on **pages 7 to 9** showing how your money moves between the different funds under each of the Target options.

In each of the Target options, your account is invested in different ways at different times in your working life. The way this happens is all pre-arranged; you don't need to get involved.

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. Find out more on **page 10**.

How it works

While you are younger, and further away from retirement, the money you and The Bank pay into your account is invested in funds that give your pension savings the greatest opportunity to grow. This can mean that the value of your account may go up and down a lot in the short term. However, the aim is that the value of your pension savings should go up in the long term.

As you get closer to retiring, it's usually best to invest your money in ways that don't have these ups and downs. This is because you don't want the value of your pension savings to fall just before you retire; you will want a good idea of how much you've saved.

Therefore, under the Target options, the money in your account will gradually be moved into less risky assets when you're 25 years away from retirement; then when you're 10 years away from retiring, your account will gradually be moved into funds that aim to reduce risk and match your chosen retirement objective.

The process of moving your pension savings between different types of investments happens automatically - you don't have to do anything to prompt them. **You should let Legal & General know at what age you plan to retire, so the switches can begin at the right time.**

If you are paying Additional Voluntary Contributions (AVCs), you can use one of the Target options to invest your savings – but you will have to tell us that you are choosing this option. See **Section 3** for further details.

What if I don't want to retire at age 65?

The normal pension age for Pace is 65, but you can take your pension at any time from 55*. If you plan to take your pension earlier or later than 65, you should tell Legal & General. This is because the Target options are designed to automatically move your pension savings into funds that aim to reduce risk and match your retirement objective 10 years before your selected retirement age.

For example, if you want to retire at 55, your pension savings will begin to move into funds that aim to reduce risk and match your retirement objective under the Target options when you're 45.

If you don't tell Legal & General that you want to change your retirement age, your pension savings might still be invested in funds that do not match your retirement objective when you are close to retiring and there is a bigger risk that your account could fall in value just as you are about to take your benefits.

What if I want to take a combination of options at retirement?

The Target: Lump Sum option is also appropriate for members who want to use their account to provide several lump sums. Please note that this is not an option available directly from Pace and you would need to transfer to another pension arrangement at retirement.

You can also choose a combination of options, for example take a lump sum and a flexible pension. Depending on what options you want to take, you may need to transfer to another pension arrangement at retirement.

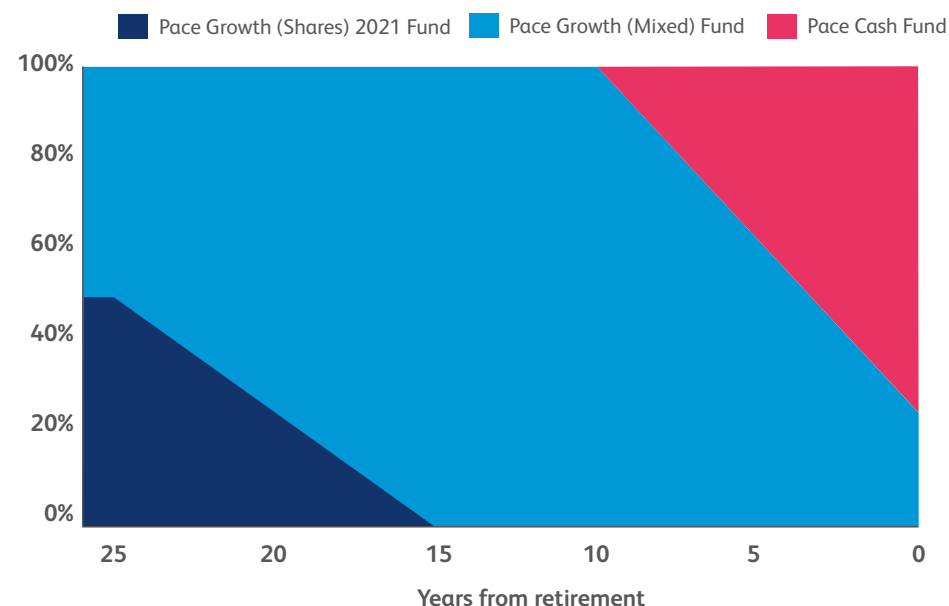
*The Government has confirmed that the minimum pension age at which people may ordinarily access their pension benefits will increase from 55 to 57 from 6 April 2028, alongside planned increases in the State Pension Age. Depending on when you joined Pace and the benefits that you have in Pace, you may be protected against this change and may still be entitled to access your benefits before age 57 after 6 April 2028.

Target: Lump Sum (the default option)

Target: Lump Sum

- The default investment option
- Designed to be appropriate for members who want to take all of their account as a lump sum
- This is where your money will be automatically invested if you don't make your own investment choice

This chart shows how your account will be invested at the start of each year as you approach retirement:



You can change where the money in your account is invested and change where your future contributions go, at any time. You can do this online at www.co-operativebank.co.uk/pensions by following links to 'Manage your Account', by downloading Legal & General's Coll8 app or by contacting Legal & General.

How will my account be invested?

The Target: Lump Sum option uses three investment funds. (Find out more about each fund on **pages 12 to 14.**)

- During the early years, the aim is for your account to grow over the long term and it will be invested 50 % in the Pace Growth (Shares) 2021 Fund and 50 % in the Pace Growth (Mixed) Fund. As you approach your selected retirement age, the money in your account will start to switch automatically into a fund that is less likely to fall in value and closely match your retirement objective.
- When you're around 25 years away from retirement, your money will start to be moved gradually until 100 % is invested in the Pace Growth (Mixed) Fund by the time you're around 15 years away from retirement.
- When you are around 10 years away from retirement, your money will start to be moved gradually into the Pace Cash Fund.
- When you reach age 65 (or your selected retirement age, if different), 75 % of your account will be invested in the Pace Cash Fund and 25 % of your account will be invested in the Pace Growth (Mixed) Fund.

There are other Target options that have been designed to match the other retirement options you have in Pace DC. You can read about these on pages 8 and 9.

Note that the Trustees monitor the Pace investment options on an ongoing basis and the funds, including the funds used under the Target: Lump Sum option and the timing of the switches as you approach retirement, could be subject to change.

Target: Secure Income

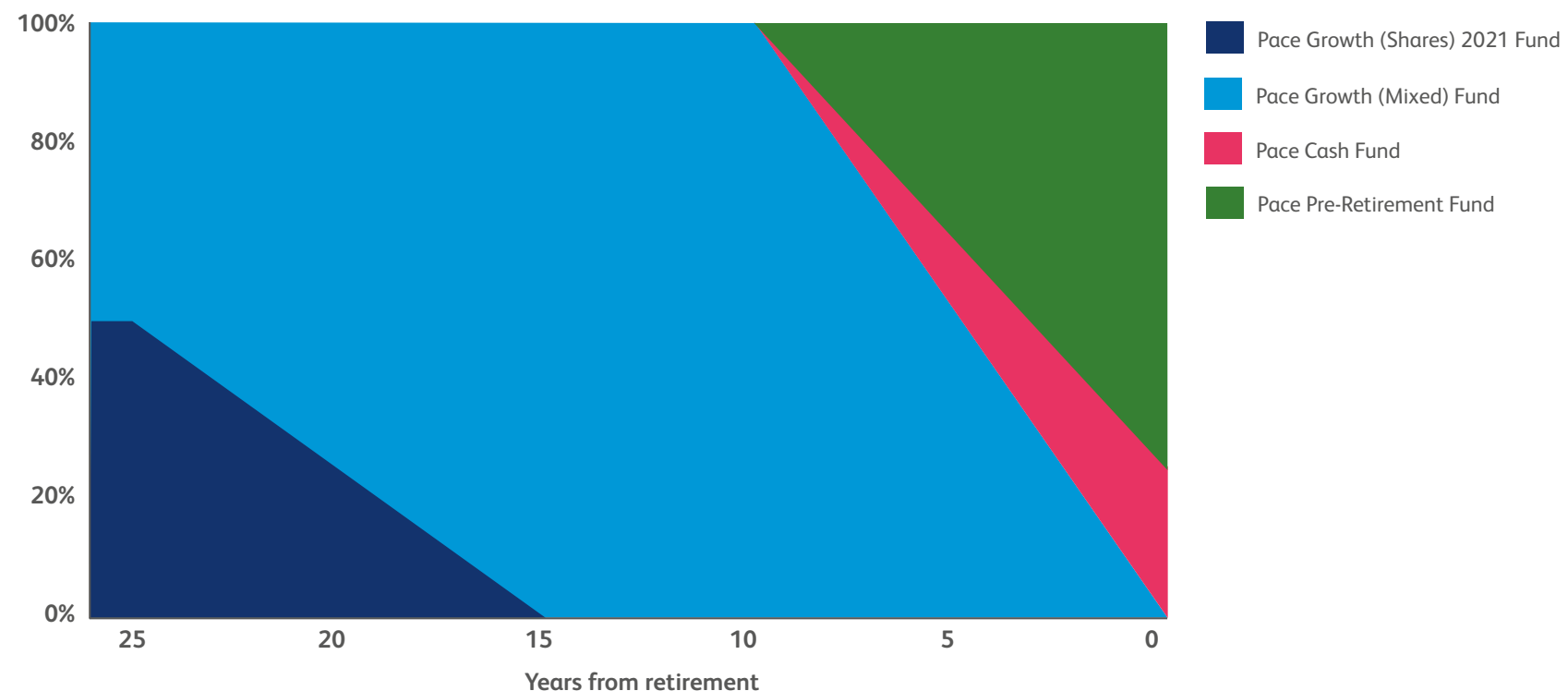
How will my account be invested?

The Target: Secure Income option uses four investment funds. (You can find out more about each fund on **pages 12 to 14.**)

- During the early years, the aim is for your account to grow over the long term and your account will be invested 50 % in the Pace Growth (Shares) 2021 Fund and 50 % in the Pace Growth (Mixed) Fund. As you approach your selected retirement age, the money in your account will start to switch automatically into funds that are less likely to fall in value and closely match your retirement objective.
- When you're around 25 years away from retirement, your money will start to be moved gradually until 100 % is invested in the Pace Growth (Mixed) Fund by the time you're around 15 years away from retirement.
- When you are around 10 years away from retirement, your money will start to be moved gradually into the Pace Pre-retirement Fund and the Pace Cash Fund.
- When you reach age 65 (or your selected retirement age, if different), 75 % of your account will be invested in the Pace

Pre-retirement Fund and 25 % of your account will be invested in the Pace Cash Fund. This is because the Target: Secure Income option is designed to closely match people taking their account as an annuity and most people take 25 % of their account as a tax-free lump sum (the maximum tax-free amount allowed by current pensions law).

This chart shows how your account will be invested at the start of each year as you approach retirement:



You can choose to invest in the Target: Secure Income option, which is designed to be appropriate for members who want to use their account at retirement age to buy a pension (also 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.

Target: Flexible Income

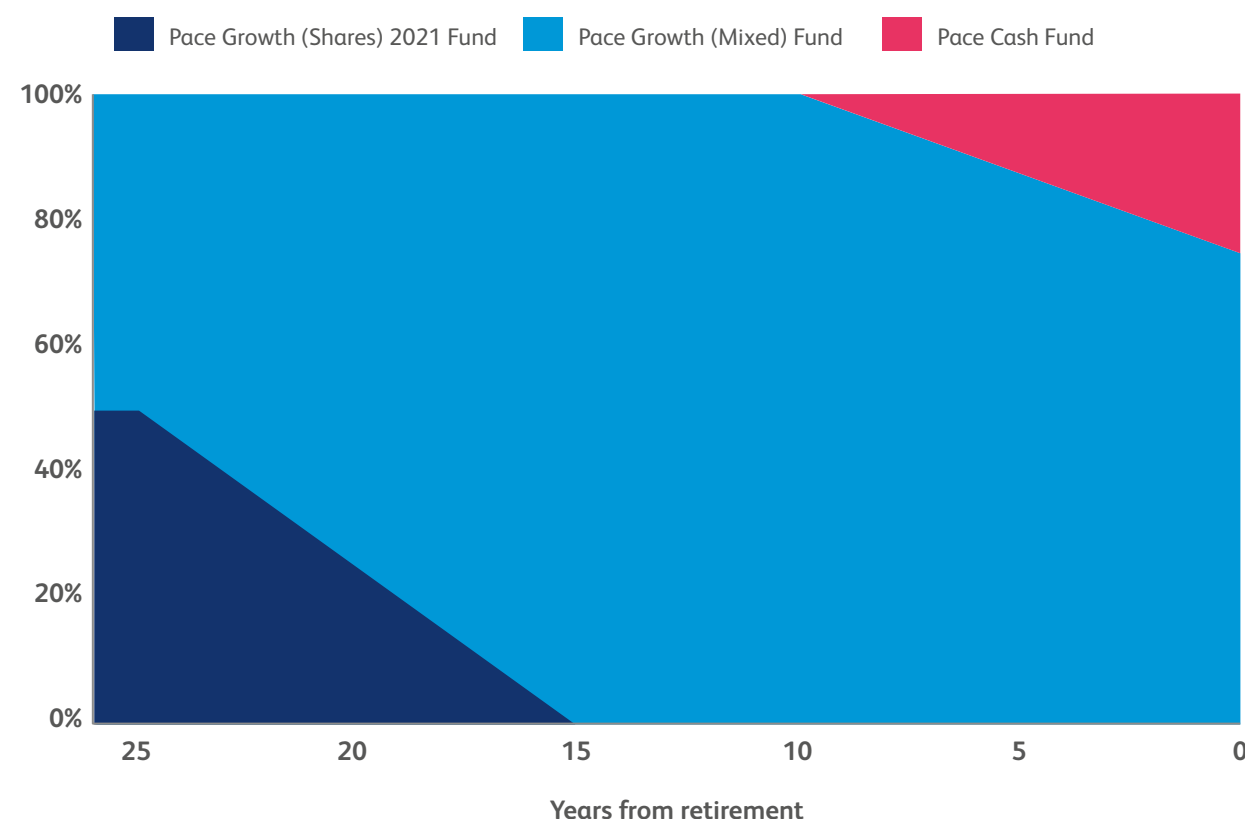
How will my account be invested?

The Target: Flexible Income option uses three investment funds. (You can find out more about each fund on **pages 12 to 14.**)

- During the early years, the aim is for your account to grow over the long term and your account will be invested 50 % in the Pace Growth (Shares) 2021 Fund and 50 % in the Pace Growth (Mixed) Fund. As you approach your selected retirement age, the money in your account will start to switch automatically into funds that are less likely to fall in value.
- When you're around 25 years away from retirement, your money will start to be moved gradually until 100 % is invested in the Pace Growth (Mixed) Fund by the time you're around 15 years away from retirement.
- When you are around 10 years away from retirement, your money will start to be moved gradually into the Pace Cash Fund.
- When you reach age 65 (or your selected retirement age, if different), 75 % of your account will be invested in the Pace Growth (Mixed) Fund and 25 % of your account will be invested in the Pace Cash Fund. This is because the Target: Flexible Income option is designed to closely match people keeping part, or all, of their account invested after retirement age and taking cash payments or regular income from it.

Note that the Trustees monitor the Pace investment options on an ongoing basis and the fund options, including the funds used under the Target: Secure Income and Target: Flexible Income options, and the timing of the switches as you approach retirement could be subject to change.

This chart shows how your account will be invested at the start of each year as you approach retirement:



This option is designed to be appropriate for members who want to:

- Take a variable income; or
- Take a series of lump sum payments.

In Pace, you can't leave anything invested in your account once you have started to take the money out, so you would have to transfer to another pension provider that can offer this, at retirement.

Making your own investment choices

If you want to choose how your account is invested and you do not want to invest in any of the three Target options, the Trustees have made seven funds available for this purpose.

If you decide that you want to invest in one of the Target options, they are explained in Section 1 on **pages 7 to 9**.

What investment funds are available?

Pages 12 to 14 contain information on the seven investment funds that are available to you. As well as the name of each fund, we've also included:

- A brief description of how each fund aims to invest your pension savings.
- An indication of the level of investment risk that you will be taking when you invest in each fund (you can find out more about risk on **page 20**).
- How much it costs to invest in the fund each year. This is called the 'fund management charge' (you can find out more about charges in Section 3 of the **pension guide** for members of Pace DC).

Where can I find out more about different types of investment?

If you would like to know more about different types of investment and how they aim to make your account grow, please see **Section 4**.



Risk

Risk is the chance that something won't happen as you expected. When it comes to investing your pension savings, there are several types of risk. You can find out more about different types of risk on **pages 20 and 22**.

How many investment funds can I choose?

If you don't want to invest your account in one of the three Target options, you can invest your account in as many or as few of the available seven funds as you like. For example, you can choose to pay half of your contributions into one fund and half into another. Go to **page 12** for more information on the different funds.

Note that if you invest in one of the Target options, then you can only invest in that option on its own.

How do I move my investments between different funds?

You can change where the money in your account is invested and change where your future contributions go, at any time. You can do this online at www.co-operativebank.co.uk/pensions by following the links to 'Manage your Account', by downloading Legal & General's Coll8 app or by contacting Legal & General.

Moving your investments is free of charge and you can change your investment choices as often as you want. You should remember that pensions are a long-term investment and it is not usually advisable to move your investments too often.



Pace investment funds



This fund is used as part of the Target: Lump Sum option



This fund is used as part of the Target: Secure Income option



This fund is used as part of the Target: Flexible Income option

Pace Growth (Shares) 2021 Fund – Higher risk



This option is generally suitable for people who are a long way from retiring. If you invest in this fund, your account will be invested in a diversified range of businesses in the UK and overseas, with the aim of sharing in any profits they make and any rises in the overall value of those businesses. This option spreads investments more evenly between companies than a traditional index-tracking fund. It also invests more in companies with strong and improving Environmental, Social and Corporate Governance (ESG) attributes, and doesn't invest in companies that manufacture controversial weapons or that earn a sizeable revenue from mining coal or using coal for power generation.

This option also aims to provide some protection against changes in overseas developed market currencies, relative to sterling, by 'hedging' 50 % of these investments against movements in currencies.

If you choose this fund, you can expect to see the value of your account move up and down a lot, especially in the short term.

Fund management charge: 0.13%

Annual management charge: 0.13%

Total charge: 0.26% (26p per year for every £100 invested)

Pace Growth (Ethical Shares) Fund – Higher risk

This fund is designed for people who are a long way from retirement. If you invest in this fund, your money will be invested in businesses from across the world that meet globally recognised corporate responsibility standards. The aim is to share in any profits that these businesses make, and any rises in the overall value of those businesses, while also benefiting from innovations in corporate social responsibility, and businesses which are doing more to manage their social, ethical and environmental risks. Unlike the Pace Growth (Shares) 2021 Fund, this option screens out companies with weaker ESG scores rather than tilting away from them. It also applies a broader set of ethical screens (for example, it avoids investing in companies that produce tobacco products).

If you choose this fund, you can expect to see the value of your account move up and down a lot, especially in the short term.

Fund management charge: 0.30%

Annual management charge: 0.13%

Total charge: 0.43% (43p per year for every £100 invested)

Pace Growth (Shariah) Fund – Higher Risk

This option is designed for members who are a long way from retirement. If you invest in this fund, your account will be invested in around 100 businesses around the globe, with the aim of sharing in any profits they make and any rises in the overall value of those businesses.

This fund follows a process that has been approved by an independent Shariah Supervisory Committee which aims to meet the requirements of Shariah law and the principles of Islamic finance. This fund doesn't invest in financial services companies, companies that manufacture weapons, or companies in industries that are prohibited by the Quran such as alcohol, tobacco, gambling and entertainment, or pork-related products.

A small amount of the revenue generated by companies that the fund invests in (less than 5 %) may come from non-compliant activities. Therefore, the Shariah Supervisory Committee agree the methodology and calculation of a purification cost which is donated by the fund to charities agreed by the Shariah Supervisory Committee.

If you choose this fund, you can expect to see the value of your account move up and down with investment markets, especially in the short term; it may be more volatile than the Pace Growth (Shares) 2021 Fund which invests in a larger number of companies.

Fund management charge: 0.35%

Annual management charge: 0.13%

Total charge: 0.48% (48p per year for every £100 invested)



Pace Growth (Mixed) Fund – Medium risk

This fund is generally suitable for people who are a long way from retiring. It will invest your account across a range of different types of investments. If you pay contributions into this fund, some of your account will be invested in businesses all over the world including those based in the UK. Some of the money in your account will be loaned to governments and companies which will pay interest (these investments are called ‘bonds’). Some of your money will also be invested in commercial properties such as factories, shops and warehouses, or infrastructure such as roads and hospitals (in order to make money from the rent and any rise in values). The fund also takes into account the environmental and social behaviours of businesses, as well as how well they are governed and run, when deciding how much to invest in different companies.

Fund management charge: 0.13%

Annual management charge: 0.13%

Total charge: 0.26% (26p per year for every £100 invested)

Pace Pre-retirement (Inflation-linked) Fund – Low to medium risk

This fund is usually suitable for people who are getting close to retiring, and who are thinking of purchasing a pension which increases each year in line with inflation. If you invest in this fund, your account is used to loan money to both the government and to major UK-based businesses. They then pay interest on these loans, which helps your account grow. Because the government and the businesses that are loaned the money are seen as relatively ‘safe’ (they are unlikely not to repay the loans), the interest rate they pay is often quite low in comparison to the potential returns of investing in shares. This means that your account is unlikely to grow as quickly as it might by investing in a medium or higher-risk option. However the value of your account should move broadly in line with the cost of buying a pension that increases with inflation and so helps to reduce the fluctuations in pension values. The investments made in this fund are chosen based on Environmental, Social and Governance (‘ESG’) considerations.

Fund management charge: 0.13%

Annual management charge: 0.13%

Total charge: 0.26% (26p per year for every £100 invested)



This fund is used as part of the
Target: Lump Sum option



This fund is used as part of the
Target: Secure Income option



This fund is used as part of the
Target: Flexible Income option



Pace Pre-retirement Fund – Low to medium risk

This fund is usually more suited to people close to retiring, and who are thinking of purchasing a pension which does not increase in line with inflation. In this fund, your account is invested in a very similar way to the Pre-retirement (Inflation-linked) Fund and aims to follow the changing cost of buying a pension income. When you invest in this fund, your account is unlikely to grow by a large amount in comparison to investments in shares. The investments made in this fund are chosen based on Environmental, Social and Governance ('ESG') considerations.

Fund management charge: 0.12%

Annual management charge: 0.13%

Total charge: 0.25% (25p per year for every £100 invested)



Pace Cash Fund – Low risk

This fund is usually only suitable for people who are very close to retiring. The fund generally invests in cash. The money is lent to banks and similar organisations that repay the money invested with them, plus interest, after a set period of time. Here, your account is unlikely to fall in value but it is unlikely to grow very much. This is very useful when you're close to retiring. However, if you choose to invest your pension savings in cash when you are a long way from retiring, there is a very high risk that your money won't grow very much, so when you come to retire, your Pace account could be much lower than you want or need it to be.

Fund management charge: 0.09%

Annual management charge: 0.13%

Total charge: 0.22% (22p per year for every £100 invested)

Pace Growth (Shares) Fund – Higher risk

This option was available until early 2021 and has been replaced by the Pace Growth (Shares) 2021 Fund. **If you were already invested in this fund, you were given the option to remain in it if you did not want to switch, but it is no longer available for other members to invest in.**

This option is generally suitable for people who are a long way from retiring. If you invest in this fund, your account will be invested in a variety of businesses with the aim of sharing in any profits they make and any rises in the overall value of those businesses. Around 30 % of these businesses will be based in the UK and around 70 % will be based overseas. If you choose this fund, you can expect to see the value of your account move up and down a lot, especially in the short term.

This option also aims to provide more protection against movements in overseas developed market currencies, relative to sterling, by 'hedging' 75 % of these investments against movements in currencies.

Fund management charge: 0.14%

Annual management charge: 0.13%

Total charge: 0.27% (27p per year for every £100 invested)

There's a factsheet available for each of these funds. Fund factsheets contain more information about the fund, including specific details of how they invest and how they have performed. You can view the fund factsheets on the Bank's pensions website at www.co-operativebank.co.uk/pensions.



This fund is used as part of the Target: Lump Sum option



This fund is used as part of the Target: Secure Income option



This fund is used as part of the Target: Flexible Income option

Investment options for Additional Voluntary Contributions (AVCs)

Do I have to choose where my AVCs will be invested?

Yes. With AVCs, there is no default investment option. You must tell Legal & General where you want your AVCs to be invested. If you do not fill out the investment section on the **start Additional Voluntary Contributions form**, then your request to pay AVCs will not be processed.

What investment options are available for AVCs?

You have the same investment options for AVCs as for your standard contributions. You can invest in one of the Target options set out in **Section 1**, or you can choose from the seven funds set out in **Section 2**.

How do I tell Legal & General where I want my AVCs to be invested?

When you start paying AVCs, you will need to tell Legal & General where you want your contributions to be invested, when you complete the **start Additional Voluntary Contributions form**. You can change where your AVC account is invested or change where your future AVCs go at any time. You can do this online at www.co-operativebank.co.uk/pensions by following links to 'Manage your Account' or via Legal & General's Coll8 app.

Do I have to invest my AVCs in the same way as my standard contributions?

No, you can choose to invest your AVCs in a different fund to your standard contributions if you wish to do so.

See the **AVC factsheet** in the Useful information section of www.co-operativebank.co.uk/pensions for more information about AVCs.

At a glance

If you wish to pay AVCs, you will need to decide how to invest them. The same options are available for AVCs as for standard contributions. You can invest your AVCs in a different way to your standard contributions, if you wish to do so.

More about Pace investments

Investing can be complicated. In this section, we explain some of the basics that you might find useful if you're thinking about making your own decisions about where to invest your account. Don't forget that many people are not comfortable with making investment choices, which is why the Trustees have set up the Target options.

What charges apply to my account?

The charges that Legal & General apply to your account cover two areas; namely the administration and the investment of your account. The administration charge is called the annual management charge and is 0.13 % of your account each year. The investment charge is called the fund management charge and is between 0.09 % and 0.35 % of your account each year, depending on your investment choices. The fund management charges for each of the funds are shown alongside the fund descriptions in **Section 2**. Full information on charges is provided in Section 3 of the **pension guide** for members of Pace DC.

Who looks after my investments?

When you invest your account, your money goes into something called an 'investment fund'. Investment funds are looked after by a fund manager. A fund manager's job is to make decisions about how to invest people's money. For example, this could be what types of businesses to invest in, or what sort of organisations to loan money to. In the end, their main objective is to get the best return for investors based upon the stated aim of that fund. The funds that the Trustees have chosen for Pace are all managed by Legal & General, the largest pension fund manager in the UK.

At a glance

Your account is invested by Legal & General.

Different funds invest in different types of investments, with different levels of risk.



Another thing to bear in mind about investment funds is that when you invest in one, your pension savings are pooled with the pension savings of thousands of other people. The two great things about this are:

- The fund manager can invest in a far wider range of different things on your behalf than you could on your own which reduces the amount of risk you take.
- It keeps costs down because everyone invested in the fund shares the charges, such as those made for buying and selling different investment types.

The Pace Trustees will closely monitor the Legal & General funds and check that they perform as expected. The Trustees may change the funds available in future if they consider this would be in the members' interests. The Trustees are also responsible for monitoring the performance of the fund managers they select.

How funds are managed

Different investment funds have different objectives. Sometimes a fund manager will pick the individual investments that make up the fund in line with the objectives of the fund. Then, as time goes by and the market changes, they may change the investment mix in an attempt to maximise its performance at any given time. This is known as 'active' fund management.

Alternatively, a fund can be managed to track as closely as possible the performance of a particular 'index', for example, an index of shares such as the FTSE 100 (the one hundred largest companies whose shares are traded on the London Stock Exchange). This is known as 'passive' fund management.

Most of the investment options listed in **Section 2** are passive. The only exceptions are the Pace Growth (Mixed) Fund (which is mostly passive but some parts of it are active) and the Pace Cash Fund, which is active.



Responsible investment

Pace DC's investments are managed to try to provide the best outcome for members. However, the Trustees are committed to achieving this goal in a way that considers broader social and environmental concerns. Investing your funds responsibly is therefore a key aim of Pace DC.

The Trustees have identified three key 'responsible investment' themes which they believe reflect the views of Pace DC's members, and which present potential financial risks to Pace's investments through the companies your pension pot is invested in (through shares and bonds):

- Climate change and the protection of the environment, including tackling deforestation
- Labour conditions and equal pay
- Corporate governance (and ensuring businesses are well run).

The Trustees will consider these themes when choosing the funds that are made available to members and used in the Target options, and also when the Trustees engage with the fund manager, Legal & General Investment Management (LGIM). Details on each of the funds and how they incorporate responsible investment issues are set out in **section 2**.

Climate change

Climate change presents huge risks to the economy but also creates opportunities to make a difference to the world we live in. The Trustees have been working with advisers and Legal & General to ensure these risks are managed appropriately. We've set a target for Pace DC's investments to be Net Zero by 2050, and to reduce the carbon emissions of Pace DC's investments by 50 % by 2030 (compared to 2021). This is set out in our climate change (or TCFD) report, which is also available on the '**Useful information**' page.

Tumelo

Pace DC has signed up to an exciting platform called Tumelo, which lets you know where your money is invested and gives you a say in how those companies are run. You can find out what's being discussed at those companies' annual general meetings (AGMs) and let the fund manager know which issues matter to you so they can be considered when LGIM vote, whether that's climate change, the gender pay gap or working conditions.

You can access Tumelo directly at co-op.platform.tumelo.com (or by downloading Legal & General's new Coll8 app)

Our reporting

It's important we're transparent on Pace's policies and how our actions align with them. The Trustees have published a more detailed Responsible Investment policy on Pace's website. Each year, they will produce a formal Responsible Investment report, setting out how these policies have been applied and how LGIM have voted at the AGMs of the companies in which members' pots are invested. These reports are all available under '**Useful information**' on the pensions website.

What do the funds invest in?

Earlier in this guide, we said that funds invest in things such as businesses or that they loan money in return for interest payments. These different types of investment are known as ‘investment assets’. Investment assets are the building blocks of investment funds. The four main types are:

1. Shares

Shares, also known as ‘equities’, are where you buy a small part of a company. This entitles you to a share of any profits the company makes. If the company is seen to be successful, their shares may be in high demand, pushing up the share price. Share prices do also fall. Share values can go up and down a lot in the short term but can give you great long-term growth potential.

2. Bonds / Fixed Interest Securities

Fixed interest securities are more usually known as ‘bonds’. All bonds are basically IOUs – a promise to pay back your original investment at a set date in the future, plus payments at regular intervals between now and then (in a similar way to interest being paid on a loan). Bonds can be ‘corporate bonds’, issued by companies to raise money, or government bonds. UK government bonds are sometimes referred to as ‘gilts’.

Bonds make money in two ways: as well as receiving interest type payments from the company or government, bonds, like shares, can be traded. This means it may be possible to sell a bond for more than it was bought for, although the value could also fall.

Investments in bonds often grow less than investments in shares but they also tend not to go up and down so much in the short to medium term.

3. Property

In investment terms, property means commercial property such as offices, shops, warehouses, factories, leisure facilities and other business buildings. Investors in property look to make money in two ways: from rent paid by tenants and from rises in the value of the property itself. Property can offer good prospects for long-term returns but property prices can fall too – particularly in the short term.

4. Cash

You may not think of cash as an investment but it’s an important asset in its own right. Although your pension savings may not grow very much when they’re invested in cash, investing in cash can be useful. For example, investments held in cash are very secure. What’s more, the value of investments in cash tend to be far more stable than investments in other types of asset. Cash can be a useful investment option as you get close to retirement, and is used in each of the Target options in the last few years before retirement.

What are the risks?

When it comes to your pension, there are a number of risks that you need to consider. But don't forget that taking risks isn't necessarily bad for you. Taking investment risk, for example, generally means that you have the opportunity to benefit from higher returns over the long term. The risks that you should be aware of are explained below.

Time

Time is one of the most important things to consider when it comes to investing. Higher risk options are often a better way to invest if you've got many years to go before you retire. On the other hand, if you're going to be retiring in only a few years, lower risk options could be more suitable.

What's your attitude to risk?

Different people think about risk in different ways. Some people are prepared to take a great deal of risk when they invest while others aren't. Your own attitude to risk is an important factor when you choose how to invest your account.

Investment risk

This is the risk that your investment choices won't perform as well as you want them to. Shares, for example, can be volatile. If you invest in a fund that invests in shares, the value of your pension savings may go up and down a lot. However, over the long term (five years or more), shares usually gain in value. However, there is the risk that their value won't increase as much as you want them to or that they could go down in value. The value of funds that invest in bonds can also fall.

Equally, investing in cash will usually mean that your Pace account will only grow very slowly. This could mean that when you come to retire, your account won't be as large as you want it to be. Investing in cash over the long term can also see your buying power reduced by the effects of inflation.

Inflation risk

The rate of inflation is the rate by which the prices of goods and services increase. As prices increase, what you can buy with a fixed amount of money will fall. For example, suppose a loaf of bread costs £1.00. If the annual rate of inflation is 4%, then the following year, you could expect a loaf of bread to cost £1.04. If the rate of inflation stayed at 4%, then in 20 years' time a loaf of bread could cost over £2.10 – more than double its cost now.

This is why inflation is a risk that you need to think about carefully. If, over the time you are saving for your retirement, your account grows by less than the rate of inflation, you will not get as much value out of your pension savings as you would have done if you had invested in a fund which kept up with inflation. It's worth noting that the Pace Cash Fund is unlikely to keep up with inflation over the long term.

Life expectancy risk

When you come to retire, you might use the money in your account to buy a pension (also called an annuity) from an insurance company. The insurance company will then guarantee to pay you a pension for the rest of your life. As people are living longer, the cost of buying a pension is increasing. In other words, for every £1 you use to buy your pension, the amount of guaranteed income you'll get has decreased. As life expectancy increases, the amount of pension you can buy for your money will reduce, as the insurance company will be expecting to pay your pension for longer. When you come to buy your pension, this could mean that you will need a larger Pace account to get the level of income you want.

Similarly, if you want to use the money in your account to take a lump sum when you retire, you may need more money in your account to get the level of cash that you require to fund your retirement. It's therefore important to consider this when thinking about how much you will need your pension savings to grow by. You will be given information on your pension options when you come to retire. See Section 5 of the **pension guide** for members of Pace DC.

Annuity rate risk

If you choose to buy a pension with your retirement account, the amount of pension that you can get from an insurance company can change depending on market conditions at the time. This may mean that you could need more money in your account to get the pension income you want. The Pace Pre-retirement Fund is intended to be a good match for annuity rates and so it tends to be suitable for people who are close to retirement. If you invest your account in the Target: Secure Income option, then part of your account will be invested in the Pace Pre-retirement Fund in the 10 years leading up to your retirement (see **Section 2**).



How secure is my account?

Money paid into Pace DB is held in a trust, which means that the assets are entirely separate from the assets of The Co-op and The Bank. Your account in Pace DC is held in an insurance policy with Legal & General. The insurance policy allows Pace members to invest in funds from the Legal & General Group.

What happens if Legal & General or the Legal & General Group were to fail?

In the event of a failure of Legal & General, the Trustees would be eligible to make a claim under the Financial Services Compensation Scheme (FSCS). This means that the Pace Trustee would be able to make a claim for 100 % of the value of your account and this would be recovered from the FSCS, with no upper limit. Therefore if your account within Pace was valued at £100,000 then the Trustees would be able to claim £100,000 from the FSCS on your behalf.

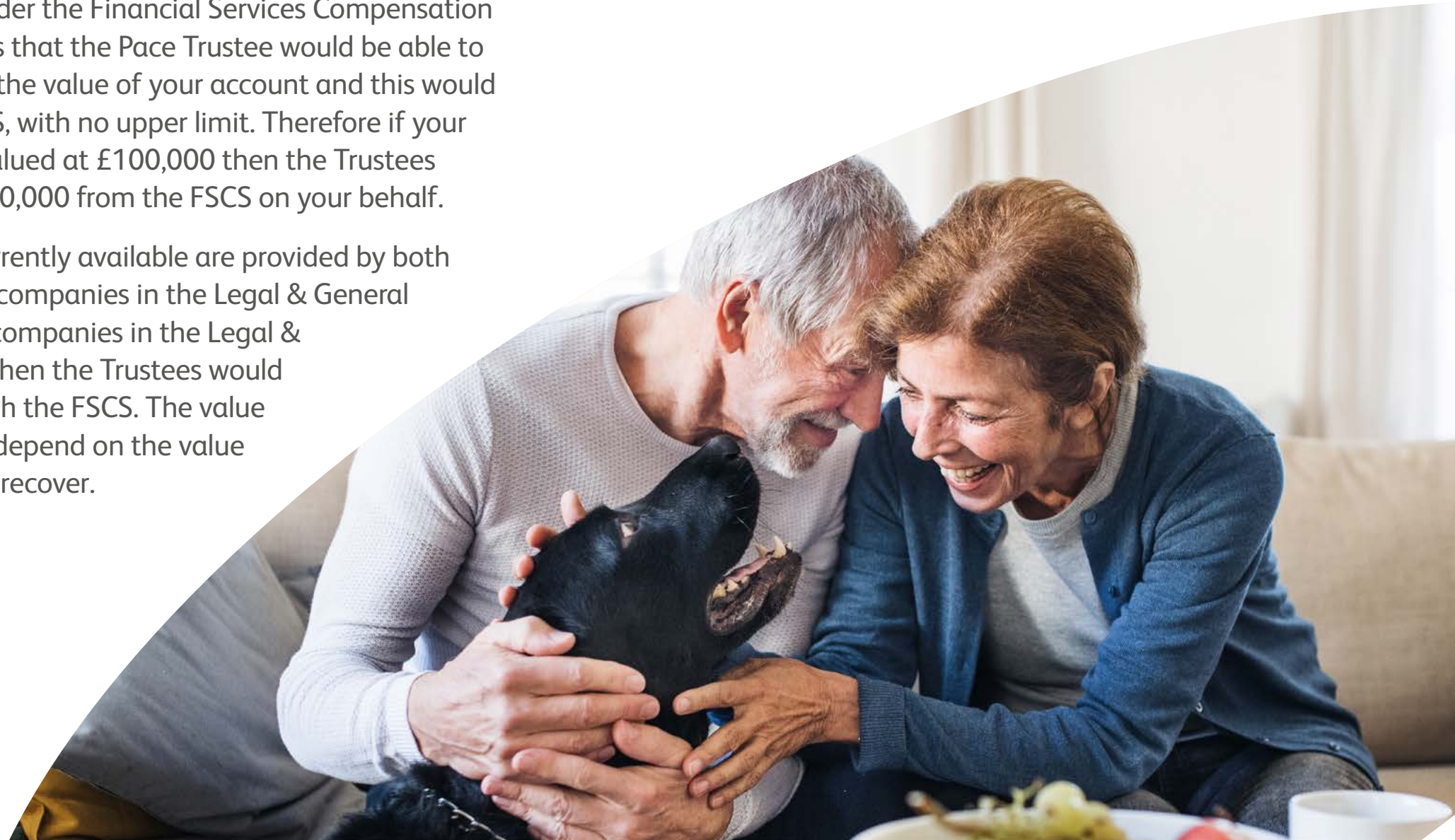
The investment options currently available are provided by both Legal & General and other companies in the Legal & General Group. If one of the other companies in the Legal & General Group was to fail, then the Trustees would not be able to claim through the FSCS. The value you would get back would depend on the value that Legal & General could recover.

How can I find out more information about the FSCS?

Further details can be found on their website www.fscs.org.uk

How financially strong is Legal & General?

One of the reasons why the Pace Trustees chose Legal & General to help manage the DC Section is that it is a very large and durable company. It is also considered to be financially strong by independent credit rating agencies such as Standard & Poors and Moody's Investors Service. The Trustees regularly monitor Legal & General's financial strength.



Some terms you should know

Annual management charge

The cost of managing your account each year, currently 0.13 % of the total value of your account.

Annuity

In a defined contribution scheme, when you retire you can use the value of your account to buy an annuity from an insurance company. This annuity gives you a guaranteed income for the rest of your life.

Assets

Investment assets are the ‘building blocks’ of all investment funds. Assets are simply the things that funds invest in. The four main types of investment assets are equities (shares), bonds, property and cash.

Bonds

Bonds are also sometimes referred to as ‘fixed interest securities’. Simply put, these are IOUs issued by a government or company. You can find out more about bonds on **page 19**.

Cash

Cash is one of the four main types of investment asset. You can find out more about investing in cash on **page 19**.

Drawdown

An alternative to cash or an annuity as a way of taking your DC benefits. You can leave your account invested and take money directly from it instead.

Equities

See ‘shares’.

Fund

Your Pace account is invested in one or more investment funds. Investment funds are controlled by a fund manager and invest in different assets with the aim of helping your account grow.

Fund factsheets

Fund factsheets contain lots of detailed information about investment funds. You can find a factsheet for each of the seven funds available to you by going to www.co-operativebank.co.uk/pensions and following the link to Useful information, Investment factsheets.

Fund management charge

This is the cost of managing your investments each year. It varies between 0.09 % and 0.35 % of your account, depending on your investment choices. The fund management charges for each fund are shown alongside the description of the funds in **Section 2**, and full information on the charges that apply to your account can be found in Section 3 of the **pension guide** for members of Pace DC.

Property

By property, we mean commercial property. Commercial property is one of the four major asset types. For more information, please see **page 19**.

Shares

Sometimes known as ‘equities’, owning shares means you own part of the company that issued them. Amongst other things, this gives you a share of any profit that company makes. Shares are one of the four main asset classes. You can find out more on **page 19**.

There are lots of other useful terms in the **pension guide** for members of Pace DC.

Where can I get further information?

The Bank has a dedicated Pace website which you can view at:
www.co-operativebank.co.uk/pensions

You can find lots of useful information including:

- The **pension guide** for members of Pace DC
- Factsheets for each of the seven investment funds offered by Pace
- Statement of Investment Principles – this is a document which the Trustees have put in place to record their investment objectives.

You can also request the **pension guide** for members of Pace DC and factsheets from Legal & General. Legal & General's contact details are:

Legal & General
Trustee Services Team
Ground Floor Knox Court
10 Fitzalan Place
Cardiff
CF24 0EB

Tel: 0345 070 1148

Email: coopbankpensions@landg.com



MoneyHelper

MoneyHelper is a Government service that provides free guidance and information to help you manage your finances, including your pension. All of the information that was previously available through Pension Wise, The Pensions Advisory Service and the Money Advice Service has been moved to the MoneyHelper website www.moneyhelper.org.uk (The website offers contact options of live webchat, enquiry form and social media channels). Or you can call them on 0800 011 3797 (Monday to Friday, 9am to 5pm).

Choosing what to do with your pension savings is an important financial decision; you can often get more for your money by shopping around.

To find an adviser in your area, go to www.moneyhelper.org.uk and search for 'retirement adviser'.



Neither the Trustees, The Co-operative Bank nor Legal & General can guarantee the performance of any investment fund. Please remember that the value of your Pace account can go down as well as up depending on market conditions. Past investment performance of funds is not necessarily an indication of future performance. If appropriate, seek independent financial advice. Neither the Trustees, The Co-operative Bank nor Legal & General (as the administrator) can provide you with financial advice.

Pace is run by the Trustee Board; further information about the Trustees is given in the **pension guide** for members of Pace DC. The role of the Trustees is to provide you with an appropriate range of funds where you can invest your account, and to review the fund options from time to time. Note that it is not the role of the Trustees to try to predict market movements. Nor will the Trustees be responsible for the performance of any investment fund or any loss arising from a member's choice of investment fund.

This guide 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 guide 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 guide, please contact Legal & General.



Large format available

This summary is available in large print and as an audio file. Please contact Legal & General to request a copy.